NIGERIA AT 50

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Inside

Pentecostal pastors are making good money, says **Shyamantha Asokan**

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Frustration at promise unfulfilled

Election season: a showdown looms, with the ruling PDP split over the decision by Goodluck Jonathan (above), a southerner, to stand Reuters

William Wallis considers what might be in store ahead of the presidential elections after a year of intrigue

When Britain's colonial administrators lowered the Union Jack in Lagos on October 1 1960, Nigeria was Africa's great hope. Its pool of talent, mass of fertile land and newly discovered oil promised economic transformation and a role leading independent Africa on to the global stage.

The same promise lives on 50 years later, having survived civil war, military dictatorship, economic mismanagement and social turmoil.

However, the journey to fulfil it remains tortuous, while the demands of a restless population, at 150m, nearly four times its size at independence, press ever more urgently.

As the gloves come off in the battle for control of the presidency ahead of elections due early next year, the country from which one in five black Africans hail is caught by a mood of renewed uncertainty.

Some of the same obstacles that have thwarted its potential in the past, skewing the role of the state towards serving special interests, dividing its citizens along ethnic and religious lines and trapping generations in poverty, remain stubbornly in place.

A profound mismatch exists between the country's aspirations and the nature of the political system that has evolved since the military handed power back to civilians in 1999 and that is charged with fulfilling them.

Reform-minded officials lament a rapid run-down in surpluses generated by the high price of oil, on which the government depends typically for 80 per cent of revenues, amid ballooning budgets and lax controls.

Sub-Saharan Africa's leading energy producer, they warn, is in danger of squandering another opportunity to upgrade its infrastructure and revive public services, in the service of a patronage system that has leaked billions into the pockets of individuals at federal and state level during the boom.

Yet there have also been tantalising glimpses of what Nigeria might be.

The past decade has thrown in the mix a succession of talented technocrats who have fought vigorously for change and periodically registered success. This, and the dynamism unleashed in parts of the business community have shown that the state and private sector can and do get it right.

For nearly a decade telecoms have been growing as fast as anywhere in the world. While the edge has come off a parallel boom in banking since the 2008 stock market crash, there is cause to hope that next time there is a take-off it will have more solid foundations.

In the past year, Lamido Sanusi, the central bank governor has faced down politically connected fat cats in an attempt to sanitise a financial sector that had mirrored the west's in its unregulated quest for bonanzas.

There are the germs too of a revival in manufacturing. In Aliko Dangote, the country has its first world class industrialist. He has invested billions from his trading empire into producing cement, flour and sugar, creating more than 20,000 jobs and promising many more.

It is the oil price that has underpinned growth of more than 6 per cent in recent years, Mr Sanusi agrees. But where there have been reforms, these have encouraged periodic waves of optimism about the country's capacity to lead a continental revival at a time of unprecedented global interest in African markets and resources.

"It's like managing a fund. You have 150m or 1bn in the fund, but if you have bad managers you won't make money, you'll lose it," says Olusegun Aganga, the finance minister, who was recently recruited from Goldman Sachs in London. "We have what it takes. What we are looking for are the good managers."

It is this that is fuelling worry as Nigeria enters another election season, after what has already been a precarious year of intrigue.

A prolonged drift under the ailing former president, Umaru Yar'Adua – a scion of the Muslim north installed after flawed 2007 polls – turned to crisis last November, when he was evacuated to Saudi Arabia, suffering from a heart condition.

The refusal by his entourage to allow Goodluck Jonathan, then deputy president to assume control, left the country rudder

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Detail of "Nigeria at Fifty" painting, oil and fabric, Nike Davies-Okundaye (oyenikemadam@yahoo.com), 2010, courtesy of Nike Arts Production, Ltd, Lagos.

Improbable rise to pinnacle of power

Profile
Goodluck Jonathan

William Wallis and **Tom Burgis** on the ascent of a president who has more than lived up to his name

If the opportunity to govern Africa's most populous and sometimes most fractious nation is a blessing, then Nigeria's president has more than lived up to his name. Goodluck Jonathan has risen to the summit with circumstance intervening improbably at every turn.

He was born in the remote fishing and farming village of Obuiga in 1957, the year after oil was discovered nearby in the Niger delta.

What resources they could muster, his parents ploughed into the education of their eldest son, who grew up as the first signs of tension were emerging between the nascent oil industry and inhabitants of the creeks where oil is produced.

A friend from the delta says these surroundings informed Mr Jonathan's choice of studies, in biology and zoology, which he part-funded with money earned from lecturing and a job working for the Customs authorities.

His trajectory up the greasy pole since has some rivals frothing: "Goodluck is an accident, not a politician," says one.

He doesn't even look presidential, says a Lagos banker, fearful that Nigeria is in the hands of a man without a plan.

Supporters attribute some of the scepticism to the arrogance of privilege confronted by someone who has thrived despite his humble and relatively parochial background.

But even they concede that Mr Jonathan has expended minimal effort and money on his ascent from the position of deputy governor of Bayelsa state, to governor, vice- president, and now head of state.

"It is true. Until now, he has never had to print a campaign poster in his life," says Atedo Peterside, an adviser and respected banker.

Mr Peterside believes nonetheless that the president is underestimated, and in the five months since he was officially installed has begun to put Nigeria back on track.

"He is an extremely astute politician. He listens, not because he is a fool, but because he is intelligent and recognises his own limits. He is on top of all the background tensions and knows both how to cool things down and how to put pressure on people politely but firmly," says another Nigerian convert who has observed him closely.

Mr Jonathan's political career was initially engineered by regional bigwigs in the People's Democratic party who selected him to run alongside a sharper shooter in 1999 elections in the state of Bayelsa.

At the time, he was an environmental officer working for the Niger Delta Development Commission – one of several flawed attempts at appeasing the restive delta with funds from federal coffers. Aides say that he was press-ganged to enter the fray by elders in his ethnic Ijaw community.

When Diepreye Alameighseya, Bayelsa's governor became the first victim of an anti-corruption campaign and was impeached by the state assembly, Mr Jonathan filled his shoes by default.

The anti-corruption campaign continued to work in his favour in 2006, when other, more influential politicians from the delta were written off as presidential running mates to Umaru Yar'Adua as a result of graft charges. At the time, the ruling party felt the deputy president had to come from the oil-producing region if they were to have a chance of quelling the growing conflict there.

According to allies, it was also his qualities as a loyal understudy at state level that recommended him to kingmaker Olusegun Obasanjo, who had faced a bitter power struggle with his own deputy during his eight years as president.

As vice-president, Mr Jonathan was careful not to step out of line and bided his time cautiously during the tense months preceding Mr Yar'Adua's death in May, which propelled him to the top.

But he has shown a more assured side since becoming head of state, asserting his authority in appointments and consulting widely among influential power brokers, intellectuals and technocrats.

His plan, according to allies, had been to stand down before elections after using a caretaker role to focus on reforming the electoral system, reviving power generation and consolidating peace in the delta.

Instead, along the way, Mr Jonathan has acquired an appetite for power. To hold on to it, in the face of stiff competition at PDP primaries, he will need more than good fortune.

By choosing to stand as a candidate he is entering treacherous waters, hailing as he does from an ethnic minority and with no solid national power base.

Moreover, politicians from the predominately Muslim north accuse him, a southern Christian, of betraying a ruling party pact to rotate power among rival regions.

President Jonathan's bid to appropriate a mandate intended this time for the north would lead Nigeria needlessly into crisis, Atiku Abubakar, a

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Slipping down the ladder again

Economy

William Wallis fears there may be a return journey to stagnation

Boom years have passed this market trader by Reuters

Champions of Nigeria's revival over the past decade tend to see the sheer size of its market and the abundance of its natural resources as a one way ticket to economic success.

Several years of weak federal government, a sharp deterioration in the business climate, looser fiscal controls and resurgent graft suggest a return to stagnation is, sadly, possible, too.

The high price of oil – on which the state still depends typically for 80 per cent of exports – and a period of reform in the middle part of the past decade, reducing the role of government and cleaning up its balance sheet, encouraged some of the optimism and stimulated growth.

Rapidly evolving trade links with China, India, and other developing countries have also amplified talk of Nigeria, with its market of 150m people, as a contender to lead Africa in from the fringes of the global economy.

Foreign investment banks caught the bug, and have kept it going even after the 2008 collapse of the stock market and accompanying banking crisis in Lagos showed that at least a part of Nigeria's revival was built on sand.

"There are four ingredients you need to be successful in any business. You need capital, you need technology, you need raw materials, and you need to have a market," says Olusegun Aganga, the finance minister, recalling a recent conversation with a Chinese investor.

"Capital and technology you can move around. Raw materials and the market you can't. Both of those we have in this country."

There is no doubt this is true. But structural problems within the economy, and virulent resistance within the political system to fixing them, continue to block the way. On this year's index of global competitiveness compiled by the World Economic Forum Nigeria slipped 28 places to 127th in the world.

"There are significant and increasing concerns about the protection of property rights, ethics and corruption, undue influence, and government inefficiencies. Private institutions also receive a worsening assessment, with poor corporate ethics and weak auditing and reporting standards of particular concern," the report said.

In its 2020 strategic vision document, the government signals its ambition for Nigeria to enter the world's top 20 industrialised nations. In the assessment of a broad range of actors in business, development and government too, this is not remotely possible unless a political culture emerges that is more transparent and accountable.

> 'It's easier to get 50 flies in a matchbox than to get all Nigerians to agree'
>
> **Bizmark Rewane, investment consultant**

While frustration is tangible in the vibrant commercial capital Lagos, within civil society, among parts of the business elite and in online polemics, there is still no critical mass of Nigerians capable of standing up to predatory vested interests halting change.

"It is easier to get 50 flies in a matchbox than to get all Nigerians to agree. We are fragmented. They are concerted," says Bizmark Rewane, a Lagos-based investment consultant.

The scale of waste associated with the oil boom runs into many billions of dollars over the past five years.

It is reflected partly in the depletion of $20bn from the Excess Crude Account, which was created to gather surpluses above the budgeted oil price and save them for a rainy day. Even larger amounts have been blown on imported fuel and power projects, which have yet to yield a tangible improvement in supply, according to donor and government officials.

The federal budget meanwhile has been increasing by more than 30 per cent a year, as politicians drive up spending.

The government wrote off its historic debt burden several years ago and fresh external debts are for now sustainable according to the International Monetary Fund. But having run down its reserves, the country is now more vulnerable again to exogenous shocks, particularly if the world enters a double dip recession and the oil price falls.

Moreover, domestic borrowing has been on the rise, potentially crowding out the private sector, according to the World Bank, as banks retreat to the safety of government bonds following the 2008 crash.

The finance minister, recruited recently from Goldman Sachs, nevertheless remains bullish. Growth in the first half of this year was more than 7.4 per cent, and last year – while much of the world was struggling to emerge from recession – rose by about 6.7 per cent, he says.

The telecoms story, which has shown how dynamic Nigeria can be when the state and business work in concert to get it right, has not gone away. Foreign direct investment, much of it into oil and gas but also into telecoms, rose to $11bn last year.

But recent growth has been driven largely by consumption, government spending and recovering oil production. Productive areas of the economy remain stunted, the 6m entrants each year to the job market far beyond their capacity to absorb.

Agriculture, while expanding, is doing so only marginally above the rate that the subsistence farming population grows. Manufacturing, swamped by cheap Asian imports and without reliable power, continues broadly to retreat.

Provided the oil price remains high, even with current levels of waste, Nigeria might maintain an upward trend. But more than half the population lives on less than a dollar a day. For them, the country has been in recession for 30 years. The boom years have passed them by.

Nigeria at 50

Goodluck Jonathan: aides say he was press-ganged into politics by elders in his ethnic Ijaw community iepa

He doesn't even look presidential, says a Lagos banker, fearful that Nigeria is in the hands of a man without a plan

rival candidate, warned a rally of supporters last week.

Equally, however, an attempt to derail his ambitions could provoke fresh agitation in the delta and threaten afresh the lifeblood of the political system: oil.

The journey to the top in Nigeria is usually a murky business, the compromises past occupants have made along the way ultimately hampering their ability to drive through necessary change.

No one in Nigeria is quite sure of Mr Jonathan's real intentions. But should he win a mandate in half-way credible elections, his hand could yet be strengthened

NIGERIA

Country information

Area	923,773 sq km
Languages:	English, Hausa, Yonibu and Ibo
Currencies:	Naira
Exchange rate:	
Latest 2010 figure (per $)	**1$ = 153.1**
2009 average (per $)	**1$ = 148.9**
Population (2001 EIU estimates)	**153.6m**
Lagos	**10m**
Abuja	**2m**

Sovereign credit rating

Standard and Poor's	**BB-**
Fitch IBCA	**BB-**

* Forecasts

Constitution

Official name
Federal Republic of Nigeria

Form of state
Federal republic, comprising 36 states and the Federal Capital Territory (FCT, Abuja)

Legal system
Based on English common law

National legislature
National Assembly, comprising the 109-seat Senate and the 360-seat House of Representatives; both are elected by universal suffrage for four-year terms

National elections
Most recent legislative and presidential elections, April 21 2007; Umaru Yar'Adua was elected to the presidency, and his party, the People's Democratic party, won a majority of seats in both houses of the National Assembly; he was sworn in on May 29 2007. Next national elections are scheduled for Jan 2011

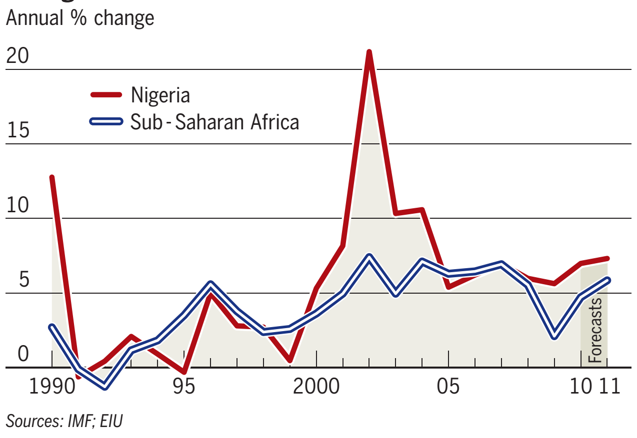
National government
The Federal Executive Council, which is chaired by the president; appointed Jul 26 2007, extensive reshuffle carried out in April 2010

Head of state
President elected by universal suffrage to serve a four-year term; in May 2010 the acting president Goodluck Jonathan was sworn in as head of state following the death, after prolonged illness, of the president Umaru Yar'Adua

State government
State governors and state houses of assembly

Main political parties
People's Democratic party (PDP); Action Congress (AC); All Nigeria People's party (ANPP); Progressive People's Alliance (PPA); All Progressive Grand Alliance(APGA); more than 30 political parties are currently registered

GDP growth
Annual % change

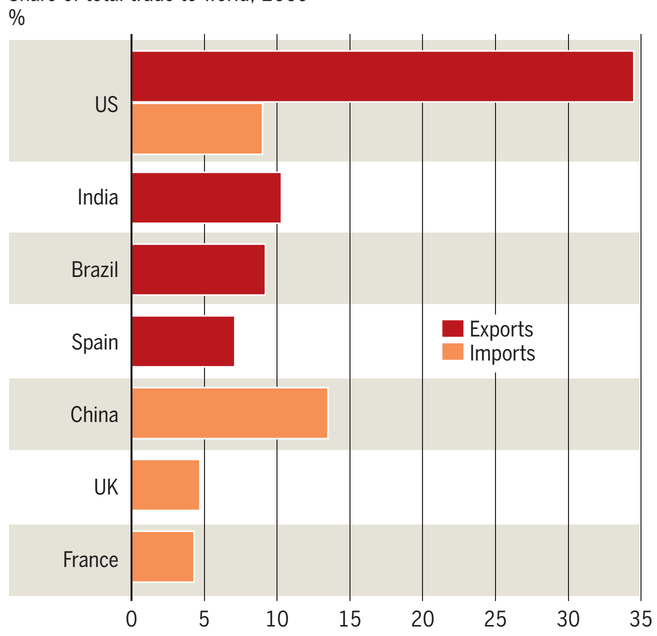


Sources: IMF; EIU

Economic summary

Economic summary	2009	2010*	2011*
Total GDP (Naira billion)	**27,272**	**33,443**	**38,469**
Total GDP ($bn)	**183**	**222**	**248**
Real GDP growth (annual % change)	**6.7**	**6.9**	**5.8**
GDP per head ($PPP)	**2,296**	**2,431**	**2,559**
Inflation (annual % change in CPI)	**11.5**	**13.6**	**11.2**
Agricultural output (annual % change)	**5.9**	**5.2**	**5.5**
Industrial production (annual % change)	**0.6**	**4.0**	**2.2**
Services production (annual % change)	**11.1**	**10.5**	**8.0**
Money supply, M1 (annual % change)	**7.0**	**22.6**	**18.8**
Foreign exchange reserves ($bn)	**44,763**	**43,710**	**45,766**
Budget balance ($m)	**-4.4**	**-5.1**	**-4.5**
Current account balance ($bn)	**22,889**	**30,293**	**29,198**
Exports of goods ($m)	**59,318**	**78,227**	**81,960**
Imports of goods ($m)	**29,047**	**34,437**	**39,200**
Trade balance ($m)	**30,271**	**43,970**	**42,760**
Debt stock ($m)	**10,110**	**10,980**	**11,981**

Main trading partners
Share of total trade to world, 2009
%



Nigeria at 50

Big push to eliminate endemic fraud

Electoral reform

Shyamantha Asokan reports on efforts to compile a legitimate register

Chorus for change: pro-democracy activists and western diplomats are warning that a hastily compiled electoral register risks being little more than a costly sham Getty

During its 50 years of independence, Nigeria should have had 12 presidential elections. Five never happened as they fell during periods of military rule and one was annulled. Most of the remaining six are widely held to have been rigged.

Yet, President Goodluck Jonathan has vowed that Nigeria will next year hold what could be its first proper poll. Mr Jonathan, a former vice-president who took office in May after the death of Umaru Yar'Adua, has repeatedly pledged to oversee free and fair elections – even though he also plans to take part as a candidate with the ruling People's Democratic party.

Shortly after taking office, Mr Jonathan fired Maurice Iwu, the often vilified head of the electoral commission, and replaced him with Attahiru Jega, a respected academic.

Mr Jega's main task is to compile an electoral register containing the photographs and fingerprints of about 70m voters in time for January's polls, for which he has been given a N87.7bn ($580m) budget.

However, Mr Jega last week raised alarm bells over his tight deadline, calling for the election to be postponed by at least three months. A chorus of pro-democracy activists and western diplomats are likewise warning that a hastily compiled list risks being little more than a costly sham.

"No one in their right mind would want to do this in this time frame," admits Okechukwu Ibeanu, the commission's technical director.

Mindful that a bogus list containing children's and celebrities' names was central to widespread fraud during the last elections in 2007, lawmakers are poised to amend the constitution to allow for an April election.

Even then, the commission will have to work fast to complete a huge task in less than six months.

The electoral body is still mulling bids from foreign and local companies to provide 120,000 so-called digital data capture machines, which contain fingerprint-scanners and cameras. One machine is to be dispatched to each of the country's polling stations, where voters will register and receive ID cards.

After the contracts have been awarded, the equipment will take several weeks to be delivered. About 360,000 registration officers cannot be trained until it arrives. Bad roads and unreliable electricity across the country pose a further difficulty.

Many observers point out that an $80m exercise that started in 2007 in Bangladesh took 16 months. Registration alone lasted 11 months.

"A credible election, even by April 2011, is going to be a struggle," says one diplomat who has been following the commission's work. "A few more months improves the situation, but you need to set your expectations realistically."

The proposed delay would also mark a U-turn that could give rise to other problems.

Earlier this year, lawmakers voted to bring the elections forward from April to January, allowing time to resolve any disputes over results before the new president's inauguration, scheduled for May 29.

Lawsuits that alleged rigging and demanded a fresh vote, which stemmed from petitions by defeated oppo-

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The young Frustration at the gap between 'where we could be and where we are'

At dinner parties and art galleries, Nigeria's middle-classes spend hours discussing what they see as their country's lack of progress in the 50 years since independence.

Problems are often attributed to a succession of military rulers and other ageing "big men" who still have huge sway.

This next generation is all too aware of the crop of relatively young leaders appearing in the west, spearheaded by Barack Obama of the US. Yet many are wary of entering politics – even to attempt to reform it.

"There is frustration about the gap between where we could be and where we are," says Femi Lijadu, 51, a lawyer and a former executive director at United Bank for Africa, one of Nigeria's largest banks.

"[Our leaders] have not put in place the basic framework for a country: education, healthcare, electricity, transport," he says.

Educated in France and the UK, and an avid collector of Nigerian art, Mr Lijadu dissects his country's woes. But, when it comes to entering the fray, he hesitates: "If entering politics means that someone asks me, 'what could you do for Nigeria by 2050?', then I would do it, but it's all about these parochial issues."

Mr Lijadu, like many of his peers, welcomes the slow steps towards proper democracy. But he sees little appeal in today's political parties, which are seen as stoking ethnic divides and using patronage to win support.

"I don't think I could be effective in that system," agrees Funmi Iyanda, 39, whose production company has made current affairs television shows, documentaries and films. She is fiery and articulate – but unwilling to use politics as her medium.

Ms Iyanda thinks that the main parties do not function democratically, but act on the nod of influential members who allow certain people to run for office. "Once you're there, will you get to do the things you want to do?" she asks.

If these sharp minds ever did decide to enter politics, it would be an expensive undertaking in a system whose wheels are oiled by patronage.

"There are some Young Turks who want to bring about change, but they lack the financial resources to confront the establishment," says Shehu Sani, a pro-democracy activist.

Newcomers will struggle to rival the war chests of former leaders and other members of the old guard, he says.

Many dynamic Nigerians have thus sought ways other than politics to improve their society.

Mr Lijadu runs a networking service for non-governmental organisations, which he says has more than 1,000 member groups.

Ms Iyanda gives talks to NGOs and tries to throw a spotlight on the disenfranchised in her documentaries.

Others are joining institutions such as the central bank and the stock market regulator, which are at the forefront of moves to clean up the financial sector.

Unable to see a chance for change within the existing parties, one young group has set up its own. Formed last July, Kowa party says it is a departure from corruption and "godfatherism". Instead, it places emphasis on policies, such as building democracy and investing in education. But Kowa is a long-term project.

The party's founders have not yet decided whether they will put forward a presidential candidate for next year's election, though they will contest some local government positions.

"We would be naive to believe that we would speak and Nigerians would change overnight," says Lekon Awogbemila, 42, the party's secretary.

For the time being, would-be reformers have few routes to the top. As Mr Lijadu says, "the Obamas are there, but no one is listening to them".

Shyamantha Asokan

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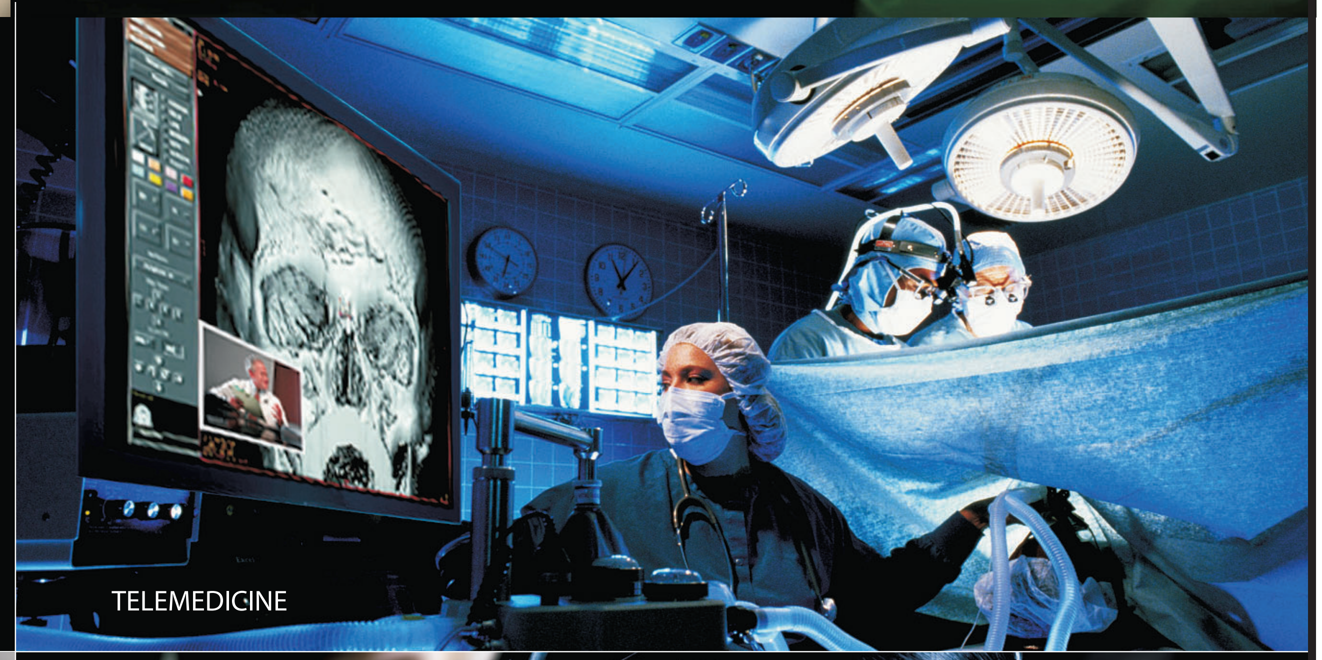

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Reasons for paucity despite plenty of fuel

Gas

Simon Mundy reports on the obstacles that hold back investment in collection systems and pipelines

As Nigeria battles the electricity constraints that shackle its economy, the spotlight has fallen on the country's abundant – and largely untapped or wasted – reserves of natural gas.

These could fuel a new generation of desperately needed power stations. Uncertainty over pricing and commercial terms has hampered development of gasfields.

With a primary focus on crude oil, petroleum companies burn off as much as a quarter of the gas they produce as a by-product at their operations in the Niger delta. Most of what is captured is turned into liquefied natural gas (LNG) and sold on the lucrative export market.

The government's "gas master plan", unveiled in 2008, aimed to push the oil companies towards ending flaring and selling at least half their gas production within Nigeria. But domestic prices were too low, the companies countered, to warrant the outlay on infrastructure needed to boost supplies to the nation's factories, households and power plants.

The government has now bowed to calls for an increase in gas prices, which are fixed by the state. From December, companies will receive $1 per million metric British thermal units – a fivefold increase over current rates – and the price will reach $2 by the end of 2013.

"Without a doubt, it encourages us to invest," says Wale Tinubu, chief executive of Oando, an energy and petroleum products group. "It will mean a new round of increased participation in building collection systems and infrastructure."

Reform of the electricity industry will also increase the appetite for domestic gas sales, he adds. The state-owned power company – which generates most of its electricity from gas – has been an unreliable client, often failing to pay on time for supplies.

However, power generation is set to be handed over to the private sector, President Goodluck Jonathan said last month.

Mr Tinubu says: "With that reform, you now have an enabling environment. We'll be able to charge on a commercial basis. The big challenge in the past was that the PHCN (Power Holding Company of Nigeria) didn't get the money from the government to expand its operations consistently."

Yet large-scale investment in gathering systems, pipelines and processing centres will remain limited, an industry insider says, until the passage of the new petroleum industry bill, which legislators have been debating for more than two years.

> The government has now bowed to calls for an increase in gas prices, which are fixed by the state

A particular concern is the extent to which the government will increase its take of hydrocarbon revenues, although it is likely to give tax incentives for gas projects.

A further restraining factor is the disorganised condition of the state-owned Nigerian National Petroleum Corporation. Funded by the leaky federal budget, the NNPC has often lacked the funds to contribute its share of the cost of establishing new projects.

"The NNPC is a bureaucratic monster that doesn't function as it should," says Rolake Akinola, an analyst at Eurasia Group. "The problem is that it's had to rely on the international oil companies to pay the costs up front, then pay them back later out of revenues."

Here again, however, reform is likely to bear fruit: the government has vowed to break up the NNPC into more efficient, commercially driven units.

As well as its efforts to stimulate domestic gas sales, the state wants to boost exports. A pipeline supplying gas to Ghana, Togo and Benin was commissioned in 2008, and there are early proposals – rated impractical at best by some industry observers – of a trans-Saharan pipeline linking the Niger delta with European gas consumers.

With estimated gas reserves of more than 5,000bn cubic metres, Nigeria looks increasingly attractive to European countries unnerved by their reliance on Russia for supplies.

For the moment, most export revenues will come through sales of LNG to North America, Europe and Asia. Nigeria has just one LNG plant, but the government is encouraging the development of a further two. Here again, uncertainty around future regulatory changes has deterred investment.

Ms Akinola says: "A longer-term issue is security and stability in the Niger delta. Some feeder pipelines are not well protected, which could affect supplies."

Improved gas infrastructure would provide an important step towards lasting peace in the region, by reducing the flaring that pollutes its air and damages its people's health. The government has struggled to persuade oil companies to abandon the practice: companies failed to meet a deadline for ending flaring by 2009, but have suffered few adverse consequences.

Scores of towering flames burn beside settlements in the delta which residents blame for sickness and pollution. "The problem is that companies have too much influence over the government's decisions. Nigeria doesn't seem to want to invest in its future," says Broderick Oyamenda, managing director of ERS Energy, a consultancy.

The final shape of the petroleum bill will indicate whether this criticism is unduly harsh – or whether Nigeria will continue to underuse one of its most precious natural resources.

Up in smoke: residents blame flaring for sickness and pollution

Frustration at promise unfulfilled

Continued from Page 1

less for months, prey to rapacious deal makers and vulnerable to coup plots.

In the midst of this, Kaduna-born student Umar Farouk Abdulmutallab tried to blow up a passenger jet over Detroit, serving a sharp reminder of Nigeria's capacity to export danger as well as oil. Unrelated communal violence broke out soon afterwards, claiming hundreds of lives around the central city of Jos.

That Mr Jonathan was ultimately eased into power, and the constitution broadly respected, was a reassuring sign for some of the country's capacity to step back from the brink. For others, the whole episode underscored the willingness of gangsters within the political class to put personal above national interest.

Since Mr Yar'Adua's untimely death in May, the situation has steadied. But the reprieve may only be temporary, as the electoral showdown looms with the hegemonic People's Democratic party split over the decision by Mr Jonathan, a southern Christian to stand.

If he wins the primaries, his candidacy, against four contenders from the north, potentially scuppers a pact within the PDP to rotate power between the north and south over two terms in the electoral cycle.

The end of the arrangement, designed to ease tensions between rival power bases and religions "could lead to post-election sectarian violence, paralysis of the executive branch, and even a coup," John Campbell, a former US ambassador, concluded in the US journal Foreign Affairs.

Odein Ajumogobia, the foreign minister, hit back, accusing Mr Campbell of selecting facts to paint a doomsday scenario.

Mr Jonathan, hitherto a discreet understudy, has looked busy in the short time he has held the reins. He quickly shuffled out of office a host of officials, some of whom had been compromised, and appointed a respected academic to replace the discredited head of the electoral commission.

In another encouraging sign, Mr Jonathan revised an old power programme, which has gathered dust while costly stand-by generators worked overtime, and made it policy.

This has the potential with time to ease the chronic electricity shortages, which, more than anything, have held the economy back.

Meanwhile, oil flows have recovered, thanks to an amnesty for militants in the Niger delta whose campaign for a greater share of revenues had cut production by about a third. The durability of the peace, and fate of broader reforms planned for the industry, are less sure.

What is certain is that almost everything still needs to be fixed. The scale of the challenge is outlined in a report commissioned by the British Council to coincide with the 50th anniversary of independence.

The report argues that, with effective spending on infrastructure and policies to fix chronically underperforming education and health, Nigeria's aspiration to become one of the world's top 20 economies is realisable. Its young population, set to top 200m by 2025, could be its greatest resource.

Without the right policies, however, competition for scarce resources will intensify and the frustrations of the young, undereducated and unemployed risk boiling over.

Nigeria, in other words, has all the ingredients for both success and failure. Its next generation of leaders will have less of a margin to get it wrong.

How it is that things haven't fallen apart

Guest Column
HELON HABILA

Wole Soyinka, a Nigerian academic and Nobel Prize-winning author, spoke of belonging to a "wasted generation". Every country has its "lost generation". Some were stolen away by war, some by economic downturns, some by ruthless dictatorship. Nigeria's is perhaps the only one stolen away by too much power and money and leisure and privilege.

I refer particularly to those who were thrust into positions of power when the British left in 1960. Suddenly, young men and women, in their 20s and 30s, became ministers and commissioners and chairmen and administrators.

But because they hadn't really striven for their posts, because they weren't forged in the fire of an independence struggle, they felt no need to be accountable to the people, and they continued that way until not being accountable became a culture.

This may be a simplistic way of looking at the Nigerian leadership crisis, but it would explain how we ended up with military leaders such as Ibrahim Babangida, who in 1992, could cancel a whole presidential election on a whim. It explains why he thinks he can return as a civilian president and it also explains why we could have presidents such as Olusegun Obasanjo who ran the country like his chicken farm in Otta.

It is easy, of course, to focus on the negatives: to say what Nigeria hasn't achieved.

Fifty years after independence, the country is still trying to get the monkey of power outage off its back; gun wielding policemen still openly collect bribes; the hospitals are worse than they have ever been; the universities are practically worthless; crime is rampant – kidnapping, which began as a sideline by Niger delta militants fighting the government, has now turned into a cottage industry.

For the common man, things have never been so bad; for the politician, things have never been so good.

The modus operandi of the politicians is to keep the populace off-balance, terrified by crime, humbled by poverty, baffled by ignorance, so no strong opposition can arise.

If a rather negative image has come to dog Nigeria in the media and in most international circles, it is not because Nigerians are worse than other nationals, it is just that they are poor image managers.

Nigerians are always the first to tell you how terrible things are, but make no mistake about it, no African is more proud of his country and how far it has come than a Nigerian.

They'll also tell you that their country has come a long way in 50 years, perhaps further than most sceptics would have thought possible. Libya's Muammer Gaddafi suggested a break-up along pre-colonial tribal and ethnic kingdoms and religious lines. And a while back, the CIA, expert in such matters, predicted that Nigeria would break up in about 15 years. It's not 15 years yet since that prediction, but the signs show that instead of breaking up, it is more likely Nigeria will keep finding reasons to stay as one nation.

The signs show that instead of breaking up, it is more likely that Nigeria will keep finding reasons to stay as one nation

People will tell you about their Nobel laureate and other individuals who have excelled and even dwarfed competition in their fields all over the world: in science, commerce, music, cinema – and, yes, even in crime.

But, arguably, Nigeria's greatest achievement is its determination to make democracy work.

After decades of dictatorship, the military were forced to hand over power to the civilians, proving yet again the country's genius for coming back from the brink.

Granted that in the more than 10 years since the return of democracy, there have been more downs than ups, as a year ago, when President Yar' Adua lay comatose in a Saudi Arabian hospital, with no succession plan, and many observers thought that was the end of Nigeria's brief return to democracy. But it wasn't.

If the country is going to fulfil its potential in the next decades, it is clear that hope is not going to come from the politicians. As long as there is oil money to lure the leaders with the promise of easy wealth, there will be corrupt politicians.

Hope has to come from the ordinary people. Today, the most outstanding leaders are emerging not from the ranks of the ruling class, but from among ordinary people who have despaired of the government and have decided to create their own path.

People such as Babatunde Fashola, Lagos state governor, and Nuhu Ribadu, the former anti-crime tsar – they are forming alliances, not with the traditional class of politicians and aristocrats, but with ordinary people.

Two months ago, the question on everyone's lips was whether the incumbent, Goodluck Jonathan, would contest his party's primaries or not. No one is talking of how good or how bad a leader he has been in the months he has been in power. Nobody is interested.

Everywhere, from Abuja to Lagos and all the little villages in between, the streets were lined with posters of Goodluck Jonathan, put up by various groups claiming to be his representatives, urging the populace to vote for him come 2011.

A women's group declared it would mobilise wives, girlfriends, mistresses, and even sex workers, to deny their men sex if Jonathan didn't immediately declare his intention to run in 2011.

Politics everywhere always has something of the carnival about it, but in Nigeria it is a circus. As with most circuses, the glamour is confined to the ring; behind the spotlights, in the tents and back lots, there are dying animals and overworked assistants and frantic accountants.

And yet the irony is that democracy itself will ultimately work in favour of the ordinary Nigerian and against the politicians who pretend to be true democrats. The genius of democracy is that it is a self-perfecting system.

The laws the politicians are now enacting as if in jest, under the assumption that they apply only to the common man and not to them, these same laws are what would work against them the day one good leader decides to enforce them.

Then a new era for Nigeria would begin.

Helon Habila is a Nigerian novelist and poet.

Soldiering: after decades of dictatorship, the military handed power to civilians and Nigeria was back from the brink Reuters

Continued from Page 4

sition candidates, dogged the Yar'Adua presidency for nine months after the 2007 polls.

The commission is optimistic that extra time and a big budget will help it meet a tight deadline. It can afford one machine per polling station, for example, rather than having to conduct staggered registration, as happened in Bangladesh.

Mr Jega has also said that preparing a credible register will make legal challenges less likely.

But others fear Mr Jega's appointment alone cannot tackle an entrenched system of electoral fraud. The PDP has won three elections marred by rigging and violence since the end of a spell of military rule in 1999. Many lower-ranking commission employees, who oversaw some of those polls, have not been replaced.

"[In previous years,] politicians hijacked the machines when they arrived in their constituencies, often with the collusion of commission officials," says Clement Nwankwo, founder of Transition Monitoring Group, which has been observing Nigeria's polls since 1999.

"The leaders of the commission will not be in the field making sure that an honest register is being put in place."

As growing number of young, tech-savvy Nigerians are gearing up to tackle electoral fraud themselves.

Enough is Enough, a lobby group formed this year, plans to send volunteers armed with Blackberries and cameraphones to polling stations next year. The group will instantly

The PDP has won three elections marred by rigging and violence since the end of a spell of military rule in 1999

upload reports of malpractice to a website that combines feeds from Facebook and Twitter.

Wangonet, another group, plans to use SMS and e-mail reports to plot an online map of problem areas. A similar website was used in Kenya to chart post-electoral violence in 2008.

Many say the shambolic 2007 polls that brought Yar'Adua to power, coupled with his mysterious death, have spurred them into action. The president refused to explain his illness or hand over power during the five-month absence that preceded his death.

"The Yar'Adua thing was a new low – it was the stuff of fiction that someone could be absent for weeks and no one felt accountable to us," says Chude Jideonwo, a founding member of Enough is Enough.

Additional reporting by Tom Burgis.

Nigeria at 50

Full steam ahead? Years in the making, the bill has had many authors, each proclaiming its imminent passage into law Getty

Controversial bill still hangs in the balance

Oil industry

Tom Burgis asks whether long negotiated legislation has been worth the effort

At 800 pages, the bill that is meant to transform Nigeria's oil industry has come to rival James Joyce's *Ulysses* for length.

Like the Irish novelist's work, the Petroleum Industry Bill also divides opinion.

Depending on who you listen too, it is either a seminal text that revolutionises its field or a forbidding tome, far too clever for its own good.

As the end of the saga appears to draw near, a question still hangs over Africa's biggest energy industry: will it have been worth all the effort?

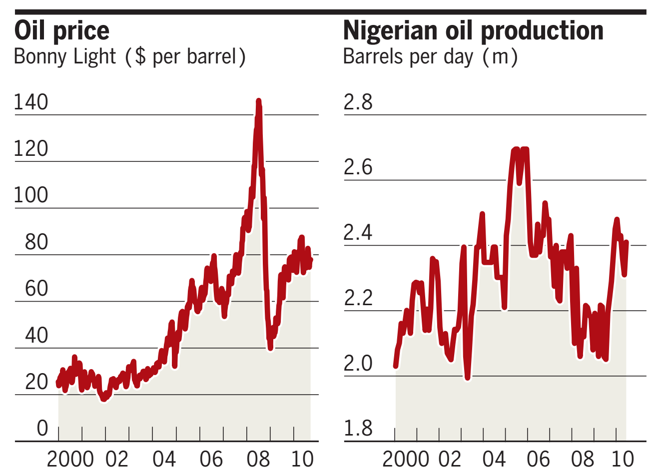
The issue at stake is whether the sector that sustains Nigeria's government will remain mired in uncertainty and underinvestment, or whether the tens of billions of dollars needed to revivify the industry will finally start to flow.

Years in the making, the bill has had many authors, each proclaiming its imminent passage into law. Most recently, Diezani Allison-Madueke, appointed oil minister in April told the FT in July that legislators would pass it in August.

"All the strategic work has been done and there is only a little bit of fine tuning left, so all the stakeholders feel they are on board," she said.

But lawmakers went into recess before completing their work. Now the target is mid-October, when they resume.

This time, industry insiders and legislators say the bill might actually pass, although politicking ahead of next year's elections could put it on hold once more.



Source: Thomson Reuters Datastream

The final bill likely to emerge – there have been dozens of iterations along the way – is expected to make significant concessions to oil groups, whose warnings of the likely effects of earlier versions have been dire indeed.

Anne Pickard, Royal Dutch Shell's outgoing Africa boss, told an energy conference in January that $50bn of planned investments would not proceed unless the industry's demands were heeded.

"Nigeria's position in global oil and gas markets cannot be taken for granted," she warned.

Last year's amnesty for militants in the Niger delta oil province have curbed attacks on industry facilities, allowing production to recover. But underinvestment is troubling for a country that relies on oil revenues for 90 per cent of its hard currency.

In each of the past three years, foreign direct investment, dominated by the oil sector, has been less than half of 2006's total of $14bn.

Yet, few quarrel with the bill's fundamental aims. It seeks to turn the state-owned oil company, the Nigerian National Petroleum Corporation, from basket case to national energy champion, stripped of its regulatory powers and able to tap international capital markets.

The company regularly fails to meet its share of spending in joint-ventures with foreign energy groups that operate the fields. In July, Remi Babalola, then minister of state for finance, declared NNPC insolvent.

> Underinvestment is troubling when a country relies on oil for 90 per cent of its hard currency

He was quickly slapped down by more senior ministers and, shortly after, switched to a different portfolio.

But the fact that no one had evidence to make a conclusive argument either way was an indication of the financial state of a company one industry consultant calls "unauditable".

The objection of the foreign groups – among them ExxonMobil and Chevron of the US and Europeans Total, Eni and Shell – was that their loose joint-ventures with the NNPC would be incorporated under the bill.

That would have left them formally wedded to the NNPC, a potentially dysfunctional marriage that might imperil funding streams and dilute the foreign group's influence over key decisions.

That "spanner in the works", as one senior industry figure describes the incorporated joint-ventures plan, is expected to be excised as the national assembly completes its work, according to people close to the process.

Lawmakers are also expected to give ground on fiscal terms. The government had pushed for a hefty upward revision of taxes and royalties on deepwater projects from the unusually generous packages granted in the early 1990s.

Frustrated officials argue that the proposed higher terms would merely have placed Nigeria's regime around the global average but oil companies lobbied hard against them.

The development of at least three offshore projects hangs in the balance. Each would be on the scale of Chevron's $7bn Agbami field, whose production of 250,000 barrels a day represents more than 10 per cent of Nigeria's output.

Some close to the foreign groups cautiously suggest their appetite for new investment is returning – or, at least, no longer completely out of the question.

"No oil major can afford to ignore the resource base of Nigeria," says a senior figure at a western group.

But he adds: "Let's be clear: this is a very big piece of legislation. We expect a lot of disputes after it's enacted."

Concessions A complex game of brinkmanship

Western groups such as Royal Dutch Shell and ExxonMobil may be decidedly cool on Nigeria's oil industry at the moment, but new operators are queueing around the block to get in.

Talks around last year's blockbuster offer from China's state-owned CNOOC have slowed following the death in May of Umaru Yar'Adua, the late president, as those in government who advocated the deal have seen their influence trimmed.

The full-blown deal – a purchase of 6bn barrels, or one-sixth of Nigeria's crude reserves, worth anything up to $50bn – appears unlikely to proceed.

But the Nigerian group representing CNOOC's advances has separately expressed interest in some of the assets mentioned in the original pitch for stakes in the joint-ventures operated by the western majors.

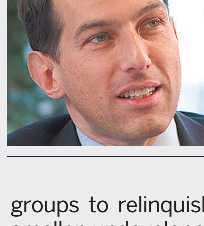
Among those targeted have been the blocks for which Exxon paid $600m to renew its leases late last year.

People involved in the process say government negotiators used Chinese interest to lean on Exxon.

The game of brinkmanship is complex.

Proposals to toughen fiscal terms as part of planned new legislation are on the table, as are the size of renewal bonuses Royal Dutch Shell and Chevron will be expected to pay to keep their leases.

The new legislation would force big groups to relinquish some of their smaller undeveloped assets, so-called marginal fields.



'Eighty per cent of Nigerian oil and gas is held by the joint-ventures and that's going to change,' says Osman Shahenshah

That is a mouth-watering prospect for hungry local groups such as Oando.

And London-listed Afren is planning to create a locally-owned vehicle to benefit from stipulations that the marginal field policy is meant to benefit Nigerian companies.

But the bill has not yet passed and it is unclear whether there will be sufficient time for the 2bn barrel licensing round officials were hoping to stage before next year's elections.

Some unassigned blocks might be allocated but a bonanza is highly unlikely.

Delays aside, Osman Shahenshah, Afren's chief executive, foresees a gradual shift in the balance of power towards independents and other newcomers.

He told the Financial Times in an interview this year that: "Eighty per cent of the oil and gas in Africa is in Nigeria and 80 per cent of that is held by the joint-ventures and that's going to change.

"Maybe it happens quickly, maybe it happens slowly, but that will have profound implications for the overall African contribution to the world's oil market."

Tom Burgis

Leadership required to tackle delta's oil spills

Guest Column
PATRICK DELE COLE

In Nigeria, an oil spill is not called an oil spill. We call it seepage.

It gives the impression of a slow, manageable problem. Something that can be put to one side and ignored.

I often compare it to the tendency to describe the conflict in Northern Ireland during the 1970s and 1980s as "the Troubles".

For more than 50 years, the issue has been sidelined and the impact of repeated spills has rocked communities across the Niger delta.

Campaigners have long sought to highlight the issue at home and across the world. But now, a confluence of events has occurred which might offer the best opportunity finally to deal with the problem.

The events in the Gulf of Mexico over recent months have served to turn the world's attention to the devastating impact of large oil spills.

Comparisons have been drawn between the scale of the Makondo spill and the level of annual "seepage" in Nigeria.

Contrasts can be drawn between the global uproar at the environmental and economic damage of the Makondo spill on wildlife and local people and the failure to react in the same way to the long-term damage to the Niger delta and its people's health.

The issue of seepage in the delta is finally at the forefront of global attention.

At the same time, President Goodluck Jonathan – who has just announced his intention to stand for election next year – is from the Niger delta.

He has seen the impact of oil spills personally. He grew up with them and has appointed another Niger delta native, Deizani Allison-Madueke as minister of petroleum resources.

Recent coverage of comments made by the head of a United Nations Environment Programme report on environmental pollution in the delta that was funded by Shell have caused significant consternation by seemingly placing the blame for 90 per cent of oil spills in the region on sabotage or militant activity.

I for one am sceptical that the findings made public to date are accurate. At the very least, they do not take into account the fact that militancy and bunkering in the delta are a relatively recent phenomenon.

They have existed for no longer than eight to 10 years, but we have been dealing with oil spills that have occurred for more than 50 years.

There is a long-held feeling in the region that oil companies do not abide by the same level of health and safety regulations in the delta as they are required to do in other markets, not just in the developed world but also elsewhere in Africa.

In Angola for example, enforcement of the regulatory regime is strong.

There are strict rules about how to operate and companies are held liable for accidents. (It is not the US government that is cleaning up in the Gulf of Mexico for example.)

Seizing the moment: comparisons have been made between the Gulf of Mexico spill and the level of 'seepage' that has been blighting lives in the Niger delta for years AP

> If we do not care about the level of pollution in our own country, why should anyone else?

If we do not care about the level of pollution in our own country and do not enforce high standards on the companies that operate here, why should anyone else?

The oil and gas industry has failed to create world class petroleum engineers who might drive the development and maintenance of standards in our own industry.

On the other hand, it has enriched the few who would have found ways to make money with or without it.

It is a bold person who says that oil has been beneficial to the whole of Nigeria.

There is no better time than now finally to address this issue. There is sufficient international interest and sympathy to drive it.

Pollution and the human impact of seepage can no longer be an issue that can be ignored. The government is the only organisation that can demand change and ensure that it happens.

This is the president's opportunity. He must provide the leadership that has been lacking for so long and provide the funds and he regulatory oversight required to ensure our industry operates to the same standards as it does in the rest of the world.

The framework to finance a clean-up already exists in the shape of the ecological fund and the petroleum development fund.

I do wonder, however, whether they have any money left in their coffers, after repeated raids by politicians.

We have to develop an efficient oil system, regulated effectively and managed to world class standards. We have to:

• Recognise just how bad the pollution is today. That will require a comprehensive study.
• Assign responsibility for clean-up operations based on the results of the study.
• Effect the clean-up and enforce new regulations.

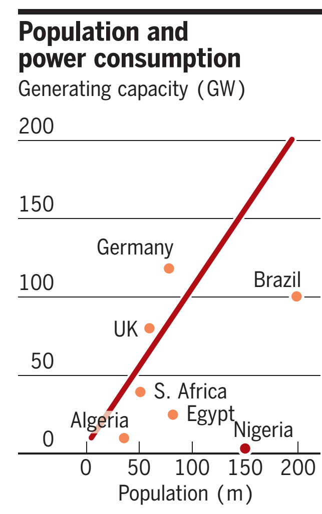
The Niger delta was and remains an area of extreme natural beauty and biodiversity.

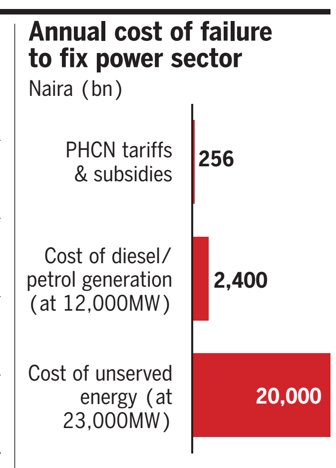
It should be an asset for our nation, not the constant stick used to disparage our reputation on the international stage.

Patrick Dele Cole is a businessman and politician from Rivers State. He was a founding member of the ruling PDP and a special adviser to President Olusegun Obasanjo between 1999 and 2001.

Anxious to avoid yet another false dawn

In the dark: in spite of gas reserves, electricity capacity is enough to run one vacuum cleaner for every 25 inhabitants AP





Source: Nigerian presidential task force on power

Electricity

Tom Burgis on a plan to fix chronic power shortages

Bart Nnaji was beaming from ear to ear when he strolled into the lobby of Lagos's Eko hotel shortly before midnight on August 25. The moment his long career as an academic, entrepreneur and, latterly, presidential adviser, had been building towards had almost arrived.

The following morning, Goodluck Jonathan would use his first visit to Nigeria's commercial capital since assuming the presidency in May to unveil a blueprint to lift the curse that has blighted Nigeria's prospects: its chronic lack of electricity.

As the blueprint's chief architect, Prof Nnaji had spent months fighting resistance and persuading rival officials to let the private sector take over. Indeed, Geometric Power, the electricity company he founded, stands to benefit from one of the most advanced independent power projects launched after an earlier partial liberalisation.

It was testimony to the renewed sense of momentum in the sector that, when Mr Jonathan sat down after detailing the "power road map", the luminaries of Lagos business rose to their feet in applause. As Babatunde Fashola, Lagos state governor, said of the audience: "For them, electricity has become as important as oxygen."

For all the euphoria, scepticism remains. Businesspeople are used to hearing governments tell them that solutions to the power crisis are nigh, only to be disappointed. Similar blueprints have sat on government shelves for years.

What is in no doubt is the policy's importance. As Prof Nnaji's team of technocrats are fond of emphasising, no country has undergone significant economic development without plentiful electricity.

Despite average cash injections of $2bn annually over recent years and large untapped gas reserves, electricity capacity remains at about 40 watts per capita, roughly enough to run one vacuum cleaner for every 25 inhabitants.

China manages 466 watts per person, Germany 1,468. South Africa, the continent's economic powerhouse, generates 10 times as much electricity as Nigeria for a population one-third the size.

Officials calculate that the potential activity stymied by lack of electricity amounts to $130bn a year.

> 'Nobody is going to finance something when only 25-50 per cent of your return comes through'

In the absence of a functioning grid, those who can afford it, spend about $13bn a year running the small generators whose rattle and sputter is the soundtrack of urban life. The poorest 40 per cent have no access to electricity.

Banks estimate that spending on power drives up their costs by 20 per cent, helping push interest rates well beyond what small businesses can afford.

Potential investors are hardly filled with confidence when the lights go out at ministries or – terrifyingly – airports.

The centrepiece of the blueprint is to break up the state-owned Power Holding Company of Nigeria – selling most of it off to spur the estimated $50bn of investment required over 10 years.

Private investors would revitalise distribution companies and power stations or build new ones, so the reasoning goes, replacing a system more geared to dispensing contracts to political cronies than firing the economy.

However, as Leke Ogunlewe, head of energy at United Bank for Africa, told a gathering of potential investors the day after Mr Jonathan's announcement: "Nobody in his right mind is going to finance something when only 25-50 per cent of what you are supposed to be earning comes through."

At present, PHCN collects only a fraction of its due revenues. Drooping power cables across Lagos and other cities attest to the dilapidated state of its distribution network.

As Mr Ogunlewe suggests, only when privatised distribution companies have a stable flow of revenue will potential investors in power stations be confident they will be paid for the electricity they produce – and, in turn, be able to offer oil and gas companies a viable price for fuel.

Mr Jonathan has signalled that the regulated electricity tariff will be allowed to rise until it is commercially viable. That risks outcry from hard-pressed citizens, especially when they are unlikely to see marked improvements for some time.

First, the government will have to avoid the chaos that engulfed some previous privatisations. The most recent similar effort – to sell Nitel, the stricken state-owned telecoms group – descended into farce when details emerged of the consortium behind a staggering $2.5bn bid which suggested it had little financial muscle to back up its prodigious offer.

Nonetheless, potential investors from Canada, Turkey, Saudi Arabia, India, China and Europe, as well as home-grown groups, are eyeing what could be one of Africa's biggest privatisations, which is due to be completed by May.

Above the stage from which Mr Jonathan delivered his speech, a slogan on a huge screen captured the mood: "The last lap is always the hardest but the prize is within our grasp."

As if the audience needed reminding, the organisers added: "The cost of darkness is infinite."

Industrial towns are hostage to forces beyond their control

Regional profile
Nnewi

Parselelo Kantai reports on a neglected yet hard-working town

For the manufacturers of Nnewi, a small industrial town in the south-east that has long been considered the country's vehicle parts manufacturing hub, all the talk issuing from Abuja about ending the power shortage feels like another dose of déjà vu.

Nnewi, in Anambra State, sits on the leeward side of Nigeria's oil windfall, the state being one of the few that does not benefit from oil subventions. With its buzzing *ocadas* (the motorcycle taxis now outlawed in most of Nigeria's cities) and its itinerant open-air industrialists squeezing in between the decaying buildings, it has the air of many towns in the south-east – that puzzling combination of neglect and industry.

"Everybody wants to go into manufacturing here," says Emenike Chika, a spare-parts trader-turned-manufacturer. "But because of the problem of power, it is impossible.

"There is no encouragement for local manufacturers. The government will allocate money for manufacturing but it never gets to us."

Four years ago, Mr Chika pooled his not insubstantial earnings from his import business and, together with a Chinese investor, set up a factory with capital of N1.4bn (about $90m).

Initially producing motorcycle brake pads, the company diversified its operations and now produces bottled mineral water, noodles and vehicle spares, all distributed and sold across the federation.

Still, it is a small miracle that his factory gates remain open.

"We are using 760 litres of diesel every day just to keep the machines running," he says. This translates to an average monthly cost of $30,000 on fuel alone, thanks to the chronic nationwide power shortage. And, because of the crumbling road network, most of his trucks are grounded at any given time.

Then there was the problem with the visas for the Chinese. A recent spat between the Nigerian and Chinese authorities over a group of Nigerians who had died in a Chinese prison provoked tensions between the two, making it difficult for his Chinese partners to obtain visas into the country.

This cocktail of crises has forced out many industrialists, both local and foreign, from Nnewi and the rest of the south-east.

In addition, the recent economic slowdown and the nationwide ban on *ocadas*, a development that has sharply reduced spare-parts sales, have forced even some of Nnewi's oldest industrialists to quit town.

For Mr Chika, however, remaining in Nnewi is not debatable. "This is our country. I can't move to Ghana, for example, just because of the problems here. I must stay behind and fix it."

And this is not mere patriotism.

A combination of neglect and industry

Gesturing at his factory, he remarks: "If we close down this plant, it won't take three days before many of those boys join the kidnappers."

In the grip of the insecurity that has swept through south-eastern Nigeria over the past five years, with kidnappings the most recent manifestation, towns such as Nnewi are hostage to forces beyond their control.

The government's latest plans to reform the ailing power sector – it aims to increase installed capacity to 40,000MW by 2020, up from the present 5,500MW at an annual cost of $10bn – may seem remote to the likes of Mr Chika, but there is some hope closer to home.

A few years ago, Geometric Power Aba, an independent producer, started building the Aba Integrated Power Project (AIPP), involving a 188MW plant and 100km of overhead lines and a 27km gas pipeline.

The project specifically targeted Aba, the biggest of the south-eastern industrial towns. Any excess capacity was intended for the manufacturing and trading centres of Onitsha, Nnewi and neighbouring towns.

The project is nearing completion. "Almost all the physical assets are in place and about 25 per cent of the work remains to be done prior to operation," says Agatha Nnaji, Geometric Power's managing director.

"We expect that the plant will come onstream in the third quarter of 2011." In addition, the second phase of the AIPP should be completed by 2013, with an expected capacity of 500MW."

Promising as this all sounds, it is a drop in the ocean of Nigeria's real electricity needs. Peak generation stands at 3,800MW for a population of 150m people. Consequently, observes a government report, Nigerians produce about 6,000MW from diesel generators, twice the average output from the grid. The cost in lost gross domestic product, the government estimates, will be $130bn by 2020.

In Nnewi, the losses are more immediate: a vicious circle of power shortages, insecurity and disinvestment that has sent the old industrial centre into a tailspin.

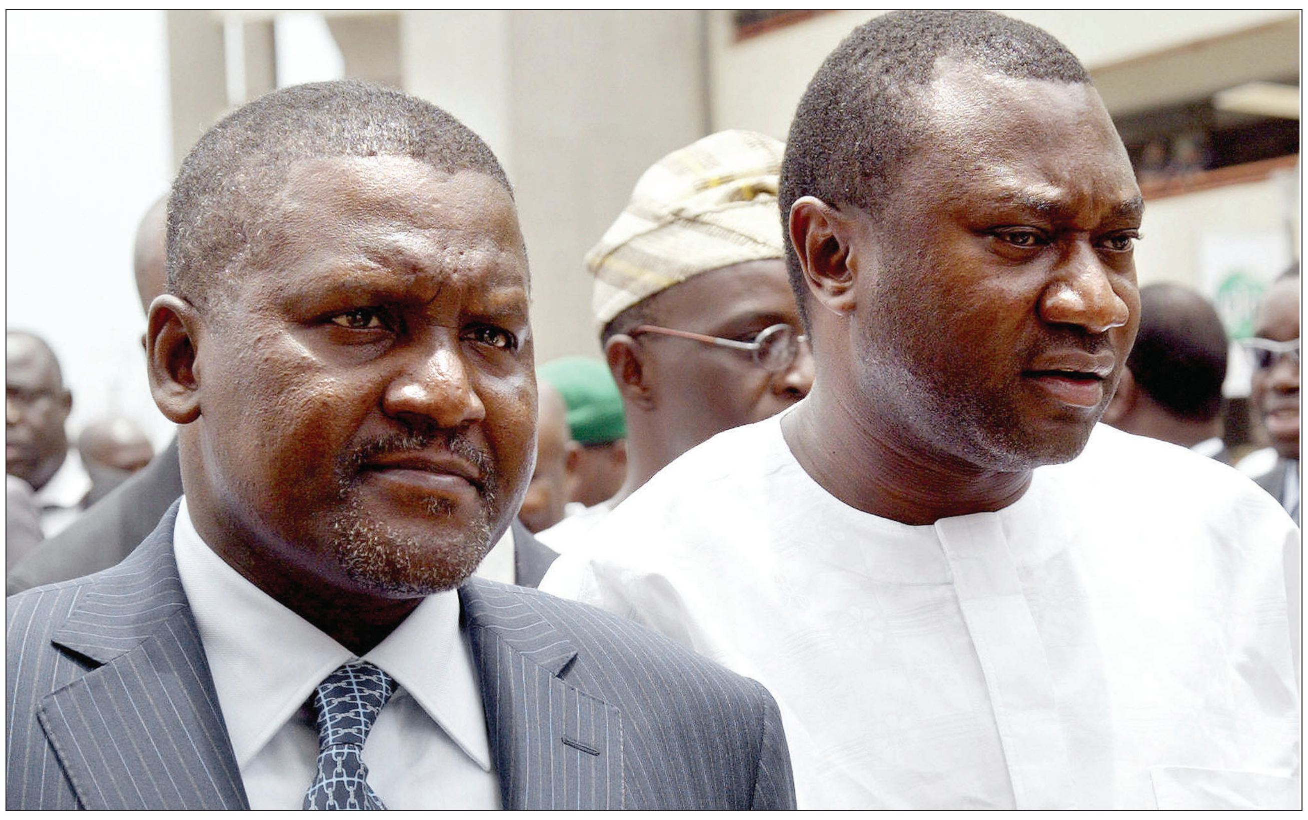
That Nigeria has been injecting $2bn into the power sector annually without any expansion to the national grid is evidence of the scale of corruption that is at the heart of the problem.

"If there were power in Nigeria, there is no reason why we can't produce like China," says Mr Chika. "Labour is cheap and people are ready to work."

Oligarchs' party may be over

Fuel barons

Parselelo Kantai reports on the fortunes made and lost in deals



Friends? Aliko Dangote (left) and Femi Otedola fell out badly over an apparently broken gentleman's agreement AFP

One of the most publicised dramas in Nigeria at the end of the oil bubble was the bitter falling out of the country's two richest men, Alhaji Aliko Dangote, 53, and Mr Femi Otedola, 48. The feud began in late 2008, soon after Chevron Oil and Gas Holdings announced its intention to divest Texaco Nigeria, its marketing arm in which it held a 60 per cent stake.

According to associates of both men, Mr Otedola, whose flagship company, Zenon Petroleum, had been buying up Chevron shares in anticipation of the divestment, had confided his plans to his erstwhile friend, Mr Dangote. His $200m bid was, however, outdone by a $1bn pitch made by Corlay Global, a Panamanian company owned by an African consortium, comprising MRS Holdings and Petroci Holdings.

It turned out that MRS Holdings was run by Sayyu Dantata, a cousin to Mr Dangote and a company in which the latter allegedly held an interest.

And so the feud. Mr Otedola, aggrieved that Mr Dangote had broken a gentleman's agreement not to interfere in each other's interests – Mr Dangote's being in trading and manufacturing, Mr Otedola's in oil and shipping – declared war on his friend. He announced that he was investing $2bn in sugar and cement production, both of which were Dangote territory.

He then took Chevron to court to prevent the sale. Further still, he publicly accused Mr Dangote and his associates of manipulating the share price of African Petroleum, a company in which he held significant shareholdings.

By the time the two were reconciled late last year, oil prices had tumbled, leaving oil marketers in Nigeria in a shambles, and exposing many of Nigeria's biggest banks to the huge debts taken by oil traders during the bubble years.

Easily one of the biggest casualties was Mr Otedola. The son of a former Lagos governor, Sir Michael Otedola, his mercurial rise as an oil and shipping magnate, with a fortune made largely from diesel imports, had been the subject of much comment. His close links with former President Olusegun Obasanjo as well as the perception that he was, through his diesel business, a big beneficiary of Nigeria's perennial power crisis, had lent him a certain public notoriety.

The crash in global oil prices and Nigeria's subsequent banking crisis cost him hundreds of millions of dollars, pushing him off Forbes' billionaire list. Like many oil marketers, the oil bubble had provoked an expansionist mood. Many had benefited from the privatisation policies of the late 1990s and early 2000s, buying huge stakes in formerly government-controlled oil marketing companies. As oil prices rose to their dizzying mid-2008 heights, several took out loans to expand capacity. The majority of them disappeared under the rubble of falling prices.

> 'A whole lot of people are waiting in the wings for goodies from a Goodluck presidency'

Tales of survival have been dominated by earlier diversification strategies. Oando, formerly the government-owned Unipetrol, survived the downturn almost unscathed. Attributing it to "strategic investments across the energy chain", Wale Tinubu, the company's chief executive, says the crash differentiated solid businesses from the fly-by-nights, Oando being firmly placed in the former category.

The company's rights issue in January was oversubscribed by 28 per cent; as most oil marketers declared losses, Oando was paying dividends to its shareholders. So was Capital Oil, a relatively new company that owns the biggest private jetty and depot facilities in the country.

So, the party years may be over for the oligarchs – at least for now. As reforms in the banking sector have forced a modicum of good behaviour, many are looking to the end of oil subsidies – estimated to cost Nigeria $4bn a year – as the next big thing. If fuel prices are deregulated as has been repeatedly recommended by policymakers, despite public opposition, marketers will expect to reap riches from higher prices.

At the same time, however, Nigeria's oil infrastructure is aching for reform that would significantly alter the nature of the market. Only if the fuel price is deregulated, will local refineries, currently working below capacity, become commercially viable.

Although there is talk that a Goodluck Jonathan presidency may restore some of the faded lustre of the oil marketing business, this scenario, say some analysts, may deliver unexpected results.

"A whole lot of people are waiting in the wings for goodies from a Goodluck presidency. But it's difficult to judge at the moment what it will deliver," says oil sector analyst, Toyin Akinosho. "If he actually fixes power and deregulates downstream prices, one should expect a lot less of the policies that once favoured the oligarchs."

Lament for a lost sense of civic duty

Interview
Yusuf Maitama Sule

Tom Burgis meets a scion of the north

Not long after Nigeria's independence in 1960, Yusuf Maitama Sule, then a young minister, cast his eye over a report forecasting shifts in economic power. "Three developing countries would, in 15 to 20 years, join the industrialised nations of the world because of the quality of their leadership," he recalls reading: "India, Brazil and Nigeria."

For a statesman of the first republic – ended by the coups of 1966 that led to civil war – Nigeria's failure to keep pace with its peers is a rebuke to the military rulers and politicians that followed.

"Brazil and Nigeria established their defence industries the same year," Mr Sule, now 80, said in an interview with the FT in January. "Our defence industry is … now producing only furniture."

Old age has taken his sight, but Mr Sule has lost neither his ability to captivate nor the loquacity for which he is known – affectionately but not to his face – as The Gramophone.

Contemporary politicians still make the pilgrimage to Kano, the heart of Nigeria's predominantly Muslim north, where Mr Sule holds court. His residence is comfortable but by no means opulent.

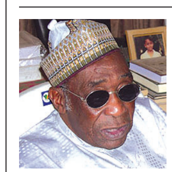
Above all, he argues, what has been lost is a sense of civic duty encapsulated in a rule imparted to early ministers by Ahmadu Bello, the Sardauna of Sokoto, the kingmaker of the north, as it struggled to forge itself into a nation with the mainly Christian south.

"Sardauna used to tell us that … you can't be running and scratching your buttocks at the same time. You have to do one or the other. You can't be in government and do business at the same time," he says.

"Today, unfortunately, all of us have interest in one thing – materialism … and that is why there is chaos in politics."

Few would dispute that political, commercial and economic power have fused to create a fabulously wealthy elite with scant interest in bettering the lot of the rest of the population of 150m.

But young reformers from the north – home to a string of rulers both uniformed and civilian – bridle at such nostalgia.



'All of us have an interest in one thing – materialism'

It was Mr Sule's generation of northerners, they contend, who brought into national politics the feudal structure of caliphates, laying foundations for patronage systems from which today's big men draw power.

For better or worse, the old guard was gradually marginalised, reaching their nadir under Ibrahim Babangida, the northern general who seized power in 1985's palace putsch and built a network of loyalists.

Mr Sule took to the international stage, chairing a United Nations committee against apartheid.

At home, he is scathing towards a political class ruling by force of arms or money that "started appealing to the tribal or religious sentiments of their people".

"Having tasted power they wanted to go on with it," he says, even if it meant stoking the communal violence that has claimed tens of thousands of lives.

Soldiers yielded power to civilians in 1999, but Mr Sule says an imposition of outsiders' notion of democracy has helped perpetuate Nigeria's woes.

Across the continent, he argues, electoral democracies were created on a "Eurocentric" multi-party model.

"Before the white man came to this part of the world, we had a political system," he says, in which a chief guided a council representing tribal, religious, commercial and other interests to a consensus.

"To the African, formal opposition as we know it in Europe or America is alien. An opposition to us is an enemy, and an enemy has to be eliminated. If you have a multi-party system, you will end up with glorified tribal organisations as political parties."

"Everybody wants to make money. The housewife wants to make money. Her husband wants to make money. The traditional ruler, who used to command a lot of respect because he had no interest in anything but his rulership, today, he is interested in making money."

He urges today's leaders to take after the herdsman of the Fulani, one of the north's main ethnic groups, who sacrifices himself for the good of his cattle, living among them and keeping watch while they sleep.

"He is not at the back hitting them. He is in front leading. They follow him wherever he goes."

Nigeria at 50

Change in zone system threatens old guard

Politics

Jonathan's candidacy shakes the unwritten rules of the political barons, writes **Tom Burgis**

Ibrahim Babangida: the former military ruler is one of at least two northern challengers Getty

A piece of particularly Nigerian jargon has consumed political debate since Umaru Yar'Adua's life began to slip away last November. The principle of "zoning" – unwritten but hitherto sacred within the People's Democratic party, which has dominated politics since the end of military rule in 1999 – dictates that offices rotate between the blocs that comprise an uneasy federation.

The emergence of Goodluck Jonathan, a son of the mainly Christian south, as the front-runner for elections in the next six months, has shaken the system – and the party – to its core.

Some in the predominantly Muslim north – home to a succession of uniformed and civilian rulers but increasingly divided – are seeking to cast Mr Jonathan as a usurper. Under zoning, the north was less than half way through its two-term stint in the presidential palace when Mr Yar'Adua's health finally gave out in May.

To its many critics, the zoning rule is one of the more flagrant examples of the elite's habit of sharing out positions of power, regardless of what voters might want.

That Mr Jonathan has been able to consolidate control after his ascension from the vice-presidency is partly an indication that fierce claims of ethnic loyalty can be trumped by the political class's determination to maintain control.

"Nigerian elites have far more in common to protect than there are ethnic and religious differences," says Nasir el-Rufai, a former minister with a reputation as a reformer. "They can do all this senseless brinkmanship, but at the last minute they will make a deal."

Yet in a political system based on patronage, the sweeping powers of the presidency make it an unrivalled prize.

With opposition groups unable to match the PDP's national reach, the ruling party's primaries, rather than the elections, have proved the decisive forum.

"There are lots of northerners who are not comfortable with the idea of a Jonathan presidency," says one veteran political insider in Abuja, the capital, who asks not to be named. "They feel it cheats them."

Many think disturbing the zoning system is dangerous. While hardly a model of free democratic expression, it has served as a form of glue in a country of more than 200 ethnic groups prone to bouts of communal violence that have claimed thousands of lives in recent years.

John Campbell, a former US ambassador to Nigeria, warns: "The end of a power-sharing arrangement between the Muslim north and the Christian south – as now seems likely – could lead to post-election sectarian violence, paralysis of the executive branch, and even a coup".

Ministers, and some Nigerian commentators, were quick to denounce such "doomsday scenarios".

But election season violence has already struck in Bauchi, a north-eastern state struggling to contain armed Islamists, Bayelsa, Mr Jonathan's home state in the restive Niger delta oil province, and elsewhere. Massacres in the central city of Jos this year showed what can happen when politicians resort to stoking hatred to marshal support.

For his backers, Mr Jonathan's candidacy – including efforts to forge alliances in the north in the absence of a strong political base of his own – represents a healthy maturing from ethnic to more national politics.

He has been at pains to stick to policy and avoid public politicking, launching reforms designed to ease a power crisis and pledging a departure from widespread rigging that marred previous polls.

When he sprang his long-awaited announcement of his candidacy via his Facebook page in September he implored voters: "Let us all unite across tongue and creed to move our long suffering nation forward together."

> Jonathan's backers seek to counter concerns about his authority, saying he is no one's puppet

The PDP has shown little inclination to unite thus far. At least two northerners, Ibrahim Babangida, a former military ruler known by his initials IBB, and Atiku Abubakar, Mr Jonathan's predecessor as vice-president, plan to challenge him for the presidential ticket.

Neither will be a pushover. But the power of incumbency is strong. The worry for many onlookers is the extent to which Mr Jonathan, who, as an Ijaw, would be the first elected president from outside the three big ethnic groups, will have to mortgage key positions to secure his candidacy.

The casting vote will come from the 28 of Nigeria's 36 governors who are PDP members, each of whom will be negotiating their own futures. Olusegun Obasanjo, another former military ruler who governed as a civilian from 1999 to 2007, is said to be throwing his considerable weight behind Mr Jonathan.

Mr Jonathan's backers seek to counter concerns about his authority by insisting he is no one's puppet. "If Goodluck Jonathan emerges, it will be the end of the old guard – the IBBs, the Atikus, even [Obasanjo] will be gone too," says one ally.

There are only marginal signs, however, that national politics is moving towards the kind of social contract between ruler and ruled that Babatunde Fashola, the acclaimed governor of Lagos state, has begun to fashion.

As Mahmud Jega, editor of the Daily Trust newspaper, wrote this month, an election victory is still based on one of four things: "incumbency, anointing by a powerful godfather, tons of money, or sheer good luck".

Introducing A list of candidates . . . before the horse-trading starts

Being the incumbent, Goodluck Jonathan leads the field for the presidential elections, writes **Tom Burgis.** But the race is more open than any since civilian rule returned in 1999. Some would-be challengers might yet pull out or forge alliances; new names could emerge.

All these men are northerners and northern groups have said they intend to unite behind a candidate to take on the southern Mr Jonathan for the ruling People's Democratic party nomination at its primary. Opposition groups are mobilising, but none has threatened the PDP's hold on the presidency to date.

The general
Ibrahim Babangida
Seen as "master manipulator", Gen Babangida seized power in a bloodless coup in 1985. He was forced from office after his annulment of 1993's election for a civilian president sparked unrest. He has wealth, charm and a network and his supporters recall a man prepared in his early years to allow a capable team to govern. Others wince at the memory of an era when corruption and rights abuse were rife.
Party: Seeking PDP nomination
Chances: Jonathan's main rival to date

The politico
Atiku Abubakar
Vice-president to Olusegun Obasanjo, president from 1999 to 2007, he quarrelled with his boss and quit the PDP to stand on the Action Congress ticket last time, coming third with 7 per cent of the vote. He recently rejoined the PDP. He is a consummate politician, but has made enemies and could struggle to gain backing of governors outside his home state of Adamawa.
Party: Seeking PDP nomination
Chances: Weakened when, as vice-president, he blinked first in showdown with Obasanjo

The spymaster
Aliyu Mohammed Gusau
A former army chief, Gen Aliyu had a hand in a succession of military takeovers and has a reputation as an wiley fox. He served as national security adviser to Obasanjo and came second to Umaru Yar'Adua in the 2007 PDP primaries. Reinstated as security chief by Jonathan after Yar'Adua's death but said to have grown disgruntled as his ambitions were obstructed.
Party: Seeking PDP nomination
Chances: Strong ties to the security elite but lacks broad base.

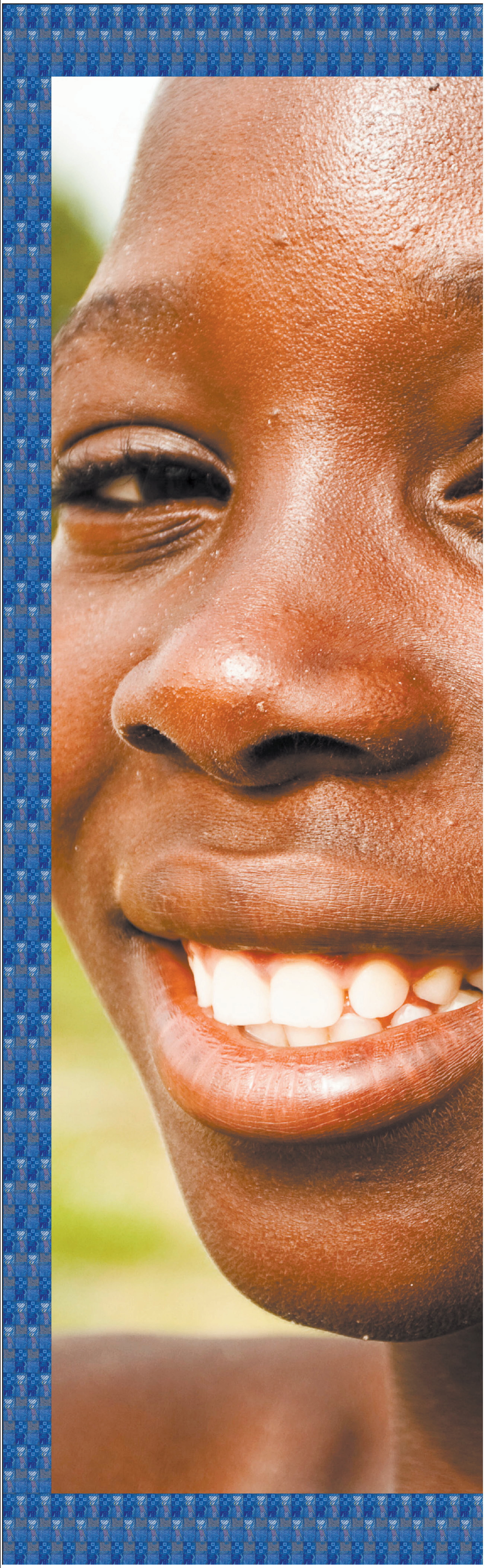
The scion
Bukola Saraki
Son of Olusola Saraki, the godfather of the central-western state of Kwara, Saraki is a second-term governor and, until recently, chairman of the influential governors' forum. Has trumpeted achievements in agriculture, although critics have demanded details of how state funds were spent during his term. Offers himself as a candidate from the coming generation of politicians but was allied with anti-Jonathan camp in last days of Yar'Adua rule
Party: Seeking PDP nomination
Chances: Family has influence within the party but weak in north

The disciplinarian
Muhammadu Buhari
As military ruler between 1983 and 1985 – before being swept away by Gen Babangida – he waged a "war on indiscipline". Many people fondly remember a contrast to the widespread graft that followed, choosing to overlook his iron-fisted approach. Came second in 2007 elections with 19 per cent on ticket of All Nigeria Peoples party but fell out with leadership and switched parties.
Party: Congress for Progressive Change
Chances: Popular for his ascetic principles but scares northern establishment and sone christians.

The graft-buster
Nuhu Ribadu
A career policeman, he rose to head of the Economic and Financial Crimes Commission, the anti-corruption agency, winning a reputation for going after wealthy politicians previously viewed as untouchable. Critics accused him of targeting political enemies of then president Obasanjo. Sidelined by Yar'Adua, he went into exile in 2009, bolstered by international acclaim. He returned this year and is poised to be flag-bearer of the party of Lagos-based political baron Bola Tinubu
Party: Action Congress of Nigeria
Chances: Popular abroad and among young people, but there are questions over his nationwide strength. He is seen as a threat to the northern establishment

The governor
Ibrahim Shekarau
Second-term governor of Kano state, home to the north's main city, he has sought to step into the vacuum created in the All Nigeria Peoples party by Buhari's departure. Enjoys some popularity for promoting Islamic governance and possessing a common touch, but he gained notoriety for opposing polio vaccinations as a ruse to make Muslim women infertile.
Party: All Nigeria Peoples Party
Chances: Struggling to control a party on the wane

The dark horse
Identity unknown
Voting day has often been a formality, but the run-up to elections has been unpredictable. Yar'Adua emerged only in the final rounds of manoeuvring ahead of PDP primaries for the 2007 contest. Jonathan was installed on the ticket even later. Horse-trading within the elite could yet throw up an unknown as a compromise candidate. More radically, an open election free of rigging – an unlikely but not impossible prospect – could open the door to newcomers.
Party: PDP or rejuvenated opposition group
Chances: Impossible to rule out in open race, especially if elections are more credible



NIGERIA'S 50th INDEPENDENCE ANNIVERSARY 1960-2010 Celebrating Greatness

"Celebrating Greatness"

When recently asked by an international news network what – if anything – Nigeria, on its 50th anniversary, had to celebrate, the Secretary to the Government Federation Mr. Mahmud Yayale Ahmed reflected silently for a long moment, and then replied: "Survival. We are celebrating survival."

And for a great and complex nation whose challenges have been so varied and so severe for so long – five decades – challenges marked by a multitude of ethnic and linguistic tensions, religious and historical differences, colonial and post-colonial scars, and the craze for riches from natural resources, **survival** alone merits the sanctity and ritual of national celebration. Nigeria has survived, and deserves to celebrate itself.

Today, Nigerians everywhere should be proud. Should be beaming with national pride. Proud of their nation's achievements in education, health, administrative reform, and infrastructure. Proud of the glowing prospects for a brighter future. Proud for the strides Nigeria has made in strengthening and reinforcing its institutions, its traditions, its desire to monitor and regulate itself. Proud of the magnitude of its diversity, and the promise of its people.

There are excellent reasons we have selected as our national slogan:
NIGERIA: Good People, Great Nation.

One leading Nigerian business leader recently reminded the nation that Nigerians are the world's happiest people. That is worth thinking about.

Together Nigerians mark this occasion to pledge their belief in a better future and a greatly improved national identity, a restored reputation which is rooted to a genuine commitment to unprecedented growth, excellence, and shared prosperity.

The Nigeria of tomorrow is intimately linked to the flourishing of a truly exciting range of economic and cultural opportunities. Nigeria's emergence is, and will continue to be, national, regional, and global – all at once.

Today, the nation stands tall, and we as Nigerians in the North and South and in all of our cherished states as well as our vibrant diaspora invite our friends everywhere to celebrate Nigeria at 50.

Nigeria Good People Great Nation

For detailed information on Nigeria and "Nigeria at Fifty" festivities, you are invited to join the Honourable Minister of Information and Communications Professor Dora Nkem Akunyili (OFR) at the Federal Ministry of Information & Communications website,

www.fmic.gov.ng

Detail of "Nigeria at Fifty" painting, oil and fabric, Nike Davies-Okundaye (oyenikemadam@yahoo.com), 2010, courtesy of Nike Arts Production, Ltd, Lagos.

Patronage model 'is a route to disaster'

The Niger delta

A season of peace is seen as a chance to advance prospects. But it is not easy, writes **Tom Burgis**

Cleaning up: the region raged against colonial profiteers long before the oil business brought strife to its villages and crude slicks to its fishing creeks Reuters

Too much King Koko, not enough King Jaja. That, as far as Miabiye Kuromiema is concerned, has been the Niger delta's problem.

The incoming president of the Ijaw Youth Council, an influential body representing the oil province's biggest ethnic group, reckons a failure to balance the thinking of two of its bygone leaders – one a warrior, the other an entrepreneur – has helped to stifle the hopes of its long suffering inhabitants.

Mr Kuromiema's analysis may seem arcane to investors fretting about the fragility of last year's truce with the armed groups whose attacks on the oil industry had at times cut production by more than a third.

But history weighs heavy in a region that raged against colonial profiteers long before the oil business brought strife to its villages and crude slicks to its fishing creeks.

Mr Kuromiema's theory also sheds some light on the difficulties the delta faces in taking advantage of a rare season of relative peace to advance its economic prospects.

From a childhood in slavery, Jaja of Opobo rose to royalty and wealth as the middleman connecting 19th century British palm oil traders to producers in the delta's interior – although some colonial accounts cast him as a prototype for the region's modern oligarchs.

When the British decided to cut locals out of the palm oil trade, Jaja was banished.

The fightback by King Koko of Nembe's against the Royal Niger Company set a precedent for rebellion in what would emerge as one of the world's most prodigious sources of hydrocarbons. Even the weaponised canoes the king's fighters used in their raid at Akassa in 1895 resembled the speedboats of latter-day gunmen.

"We seem to have learnt well from King Koko how to fight for economic justice but seem not to have learnt anything from King Jaja," Mr Kuromiema said in his inaugural speech as IYC president in July.

"Koko taught us how to fight for our economy – and we must fight where we must fight – but Jaja taught us how to organise an economy."

The fighting of recent years culminated in a military onslaught followed by an amnesty that brought stipends and promises of retraining for thousands of armed youths who surrendered their weapons.

The amnesty is holding, despite delays in paying stipends. But critics have argued all along that what the delta needs is not more cash but more jobs.

Planned increases in infrastructure spending will create short-term work for some; a renewed push to impose quotas for Nigerian employment in the oil industry and its attendant services will help, too.

More often than not, debate about the delta has centred on its claims for a greater share of federal revenues instead of articulating a comprehensive economic vision. But the delta already receives significantly greater allocations than other regions. Much is squandered or embezzled. A succession of special commissions has done little but dispense patronage.

> 'When we are being attacked, we are all Ijaws. But now we are in control, we can't agree whether we want tea or coffee'

Now, more than ever, the delta should be in a position to do more Jaja and less Koko.

The government relies on the oil industry for three-quarters of its income. Oil theft continues, but there has been a decline in kidnappings and attacks on facilities aimed at extracting "security contracts" from oil companies and sending political messages. Production is back up.

Meanwhile, a son of the soil is ensconced in the national presidency. If he wins polls in the next six months, Goodluck Jonathan, who assumed the office in May after his predecessor's death, would become the first Ijaw elected to rule Nigeria.

Some who have borne arms in the name of the delta see Mr Jonathan's rise as the reward for their efforts.

"I have been in the struggle since 1983," says General Edward, a former commander of a camp deep in the creeks of Mr Jonathan's home state of Bayelsa.

"What we have achieved for the whole of my struggle is the presidency. While we own all the oil, the north [home to a string of military and civilian leaders] has been in control. Now we want to be in control."

If he triumphs, Mr Jonathan will face agitation to heed his homeland's demands. If he appears to favour the delta to the detriment of other regions once in office, he risks serious tension within the federation.

Mr Kuromiema argues that seeing a Jonathan presidency as a chance to capture more of Nigeria's patronage network risks prolonging the wrong thinking of the past.

"The patronage model is a route to disaster," he says. "It is inefficient. We wait for some resources, we go and buy a Toyota but there's nothing sustainable and productive."

There are already signs of divisions in the delta. The assassination in August of Soboma George, a militant boss from the area around the oil city of Port Harcourt, raised the prospect of renewed violence in the underworld where crime, rebellion and politics blur.

There are also fears that jostling politicians will resort to arming youths to prosecute their election campaigns and intimidate voters on polling day – the very tactic that helped to create the armed groups a decade ago.

Among Ijaw nationalists, there is uncertainty about how to capitalise on Mr Jonathan's fortuitous ascent.

"Tribal things only work in defence," says a member of one of the big Ijaw families. "When we are being attacked, we are all Ijaws. But now we are in control, we can't agree whether we want tea or coffee."

Mobiles may be future of banking

Telecoms

Parselelo Kantai looks at prospects for the transformation of the business sector

Almost a decade ago, the licensing of Nigeria's first mobile phone companies transformed the country's telecommunications sector. From having one of the lowest teledensities, the introduction of mobile phones expanded the number of users from 500,000 to 75m, ranking the telecom sector among the fastest growing in the world.

Now, the central bank is vetting proposals to license operators in the mobile banking sector and, in so doing, is opening the door to another technological revolution.

Only 20 per cent of the country's 150m people have bank accounts. The advent of mobile payments system could transform how business is done.

Sending money across the country is cumbersome and risky. Urban workers used to send money with friends travelling home or entrust money to bus drivers to deliver to relatives at crowded bus parks – for a fee. Highway robberies were rife. As banking networks grew to cover the country, there would be the option of depositing monies in the account of a neighbour who could then pass it on to an unbanked relative.

As people acquired mobile phones, a thriving trade in airtime scratch cards developed. Mobile phone subscribers at the low end of the market text PIN codes to a recipient, who can "sell" the code for money, often having to pay a commission.

"Very few people in this country actually have bank accounts. And yet, our field research suggests internal remittances are higher than international remittances," says Tayo Oviosu, one of the founders of Pagatech, which is in the running for a mobile banking licence. "Considering, for instance, that something like 17 per cent of all remittances from the UK last year were going to Nigeria, you can see the potential."

In Kenya, which pioneered mobile payments systems in Africa, the phenomenal growth of the service is a foretaste. Three years after the introduction of the M-Pesa service in Kenya, there are more than twice as many mobile accounts as bank accounts.

"We envisage reaching up to 30m Nigerians over the next five years," says Mr Oviosu.

It may be a modest estimate.

"This is not a credit market but a cash market. That means most will in the future rely on mobile payments to transact business," says Afam Edozie, a telecoms expert who runs a venture capital firm.

> 'You can't take the attitude that you will build the technology and people will come. We have to go out and deliver it'

While the Kenyan model was driven by telecom companies largely exempt from banking regulations, Nigeria's Central Bank (CBN) has been wary of this approach. As one bank official put it: "When ATMs were introduced, British Telecom did not become a bank."

The CBN has created a three-tier system in which telecom companies would act as a platform for a banking service.

According to the CBN's Regulatory Framework, banks, in partnership with a mobile payments provider will be responsible for delivery of the service.

Security fears are high. Recently, the CBN revoked the licences of 224 microfinance institutions, provoking fears for N18.2bn of depositors' funds. Kingsley Chiedu Moghalu, CBN deputy governor, assuaged public fears but the threat of instability within Nigeria's financial system is never far away.

The need for strong regulation was also driven by other factors. Unlike Kenya where Safaricom, the mobile phone company, holds a monopoly, the Nigerian industry is dominated by three or four, making a cross-network platform essential.

At the moment, seven companies are being considered for the mobile payments licences. So far, only one, Moneybox Africa has been granted a licence, although it is yet to begin operations. At N500m as minimum capital, and with banks reluctant to loan money to start-ups, it is not difficult to see why.

During the vetting process, bidders were required to demonstrate an ability to establish a network of 60,000 agents to cover the 36 states and 744 local government areas.

This, perhaps, will be the bigger problem. Few companies possess a network on which a mobile banking provider could depend. "In Nigeria, there are not enough ATM points or bank branches," says Mr Oviosu. "60 per cent of the ATMs are in Lagos or in the big cities. So how do people get cash in and out? There are no formalised systems."

Still, the potential for a service that would dwarf any in Africa beckons.

Says Mr Oviosu: "You can't be going into this with an attitude that you will build the technology and the people will come. That's not going to work. We have to build the technology and go out and deliver it."

Pagatech's Mr Oviosu was partly inspired by a text message he received from his guard. "The message read: '*oga pillis tel yafurn tukom amuf yka*'. He was asking me to ask my friend to move her car. It was then I understood: if we could communicate like this, then he could use his phone to send money."

Mobile money: the central bank has created a system in which telecoms companies would act as a platform for a banking service Reuters

Broadband Competition is expected to bring a burst of e-commerce activity

Nigeria's internet uptake has boomed over the past decade, with the number of users growing from 200,000 in 2000 to nearly 44m this year, according to the International Telecommunications Union.

Yet nearly three-quarters of citizens still lack access, while both individual and business users complain of high prices and slow connections.

Those problems should ease, and internet growth receive a fresh boost, from the launch of several fibre optic cables that will greatly increase the bandwidth available in Nigeria.

The first, operated by the Main One consortium, came into operation on July 1, and is selling bandwidth at about half the prior standard rate, says Adekoyejo Abiola, a representative.

Part of the reason for the high rates previously charged for broadband was the effective monopoly enjoyed by the operators of the SAT-3 cable, until this year the only sea cable providing Nigeria with international bandwidth. By the end of next year, there should be four in operation, after the commissioning of the $800m Glo-1 cable, owned by the local telecoms company Globacom, and the West Africa Cable System (WACS) that will run from the UK to South Africa.

Retail customers may have to wait for the increased capacity to translate into lower prices, however. "In the end it's strictly wholesale bandwidth that we're providing," Mr Abiola admits. "It's up to the telecoms companies how the end user benefits."

Most retail sellers are still locked into long-term contracts with satellite providers or the SAT-3 cable, which will limit their appetite for cutting prices in the coming months.

A price war between the four cable companies looks almost inevitable. Nigeria Communications Week reported this month that WACS was seeking to make up for its late arrival by offering bandwidth for as little as $10 per megabyte – a fraction of the prices that internet service providers were used to paying under SAT-3, which charged up to $800 per megabyte.

The quick change from one to four cables could be "disastrous from a business model standpoint" for at least one of the companies, says Guy Zibi, managing director of AfricaNext Investment Research, if fierce competition compels drastic price cutting.

But the benefits for Nigeria will be profound, he adds, as broadband growth provides a catalyst for the kind of innovation that has been held up by a lack of connectivity.

With its large English-speaking population, Nigeria could follow India's example in establishing business process outsourcing hubs and call centres to service countries such as Britain and the US.

"Industries such as e-commerce have been held back," he adds. "You need that baseline of consumer usage for small internet businesses to really take off."

Simon Mundy

Nigeria at 50

Vanguard of probity? The new central bank governor's vision goes beyond ridding the industry of bad behaviour Panos

Regulatory blitz starts to restore confidence in scandal-prone sector

Banking

Tom Burgis and **Simon Mundy** on the prospects of putting an end to sharp practices

For a country known for colourful scandals, such as the one that brought parts of the banking sector to its knees last year, Nigeria has emerged as an unlikely member of the international vanguard on financial regulation.

By rescinding universal banking licences, the country has taken steps to split banks' retail operations from their riskier investment banking businesses, a move that the Obama administration and numerous other western governments have balked at.

True, Nigerian banks were never supposed to hold universal licences in the first place. That they did is an indication of the lax oversight that allowed some banks to lend recklessly to stock market speculators and fuel importers, allegedly steal depositors' funds and manipulate their own share prices.

The regulatory blitz launched by Lamido Sanusi after he took over as central bank governor in the middle of last year is beginning to restore confidence in a financial sector whose red-hot reputation as a prime frontier market had collapsed under an avalanche of bad debt.

But the governor's vision – like that of Nigeria's generous crop of talented financiers – goes well beyond ridding the sector of the sharp practices that forced the central bank into a $4bn bail-out of nine lenders.

"The financial system's main task is to mobilise resources from savers into the real economy," says Mr Sanusi. "But if the real economy doesn't have the absorptive capacity, then the tendency is that all that money goes into this incestuous capital markets trading, asset speculation and, in some cases as we've seen, outright theft and fraud."

Analysis by the World Bank found that a sudden slowdown in private sector credit growth was mainly caused by banks unwinding margin loans.

Small businesses and manufacturers have suffered only a mild credit squeeze – an indication that the links between the financial sector and the real economy are tenuous.

Nigerian banks' principal activities have traditionally been taking deposits and placing the bulk of them in government bonds or loans to a handful of blue-chip corporations.

Formal sector businesses obtain 70 per cent of their financing from retained earnings, 25 per cent from suppliers' credit or customers' advances, 4 per cent from family and friends, and a mere 1 per cent from banks and other financial institutions, according to the World Bank.

Bankers respond that their limited lending to the wider private sector is not for lack of trying. A dearth of long-term deposits makes structuring long-term loans highly risky – what financiers call a maturity mismatch.

As there is no unified way of checking customers' credit histories, it is close to impossible to establish the creditworthiness of many potential retail, mortgage or small business borrowers.

In a nation of 150m people, there are 5m bank accounts.

At the other end of the scale, banks' balance sheets are too small to service the international energy groups that dominate the oil industry.

There are signs of change, however. New credit bureaux are in their infancy but could make credit checks easier. Some of the stronger banks have announced plans to issue bonds, allowing scope for longer term lending.

> The sector, a prime frontier market, collapsed under an avalanche of bad debt

Mr Sanusi says a relaxation of non-performance criteria for loans to small businesses has given banks more room to lend to them.

As liquidity recovers, Chris Newson, chief executive of Stanbic IBTC, the local subsidiary of South Africa's Standard Bank, reckons there is $3bn of spare lending capacity going unused.

"There are a lot of banks with a lot of money," Mr Newson says. "It's about feasible, bankable opportunities." Whether more such projects materialise is beyond the banks' control.

Fundamental economic reforms such as a planned overhaul of the power sector would do the trick, making manufacturers more creditworthy, but they will take years to achieve.

Mr Sanusi warns that failing to get the banks to channel their capital into productive businesses risks inflating a renewed bubble, such as the once that burst in 2008.

The fallout from that crash is still reverberating. Some of the executives Mr Sanusi removed from the eight most troubled banks could face jail.

Only in July, did the government approve a state-backed asset management company that will soak up some of the $10bn of bad loans on banks' balance sheets.

Potential foreign buyers for bailed-out banks, such as Oceanic and Intercontinental – among them South Africa's First Rand and Nedbank – have held their fire amid the uncertainty, as has Stanbic, which might be tempted to expand its presence.

All the same time, a new financial order is emerging.

Two titans – Zenith's Jim Ovia and United Bank for Africa's Tony Elumelu – have been eased out by new central bank rules limiting chief executive tenure.

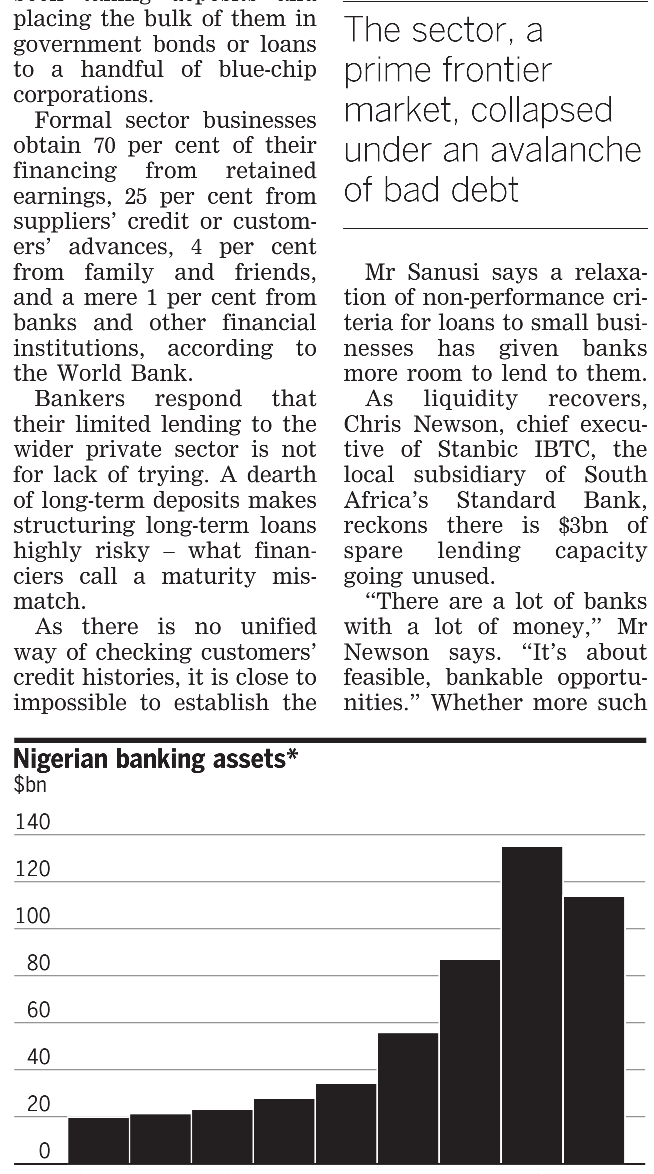
Nonetheless, the banks they used to run are among the new-look top tier, along with Guaranty Trust Bank and First Bank, Nigeria's oldest lender.

Some financiers expect one or more of the mid-tier banks to seek to join them by swallowing stricken rivals. The previous reorganisation – a helter-skelter consolidation from 2004 – sowed the seeds of last year's crisis. That, too, began with high hopes.

The banks that are standing strong today have 18 months to finish restructuring themselves under the new licensing rules and to demonstrate whether, this time, those hopes will prove justified.

Nigerian banking assets*

$bn



* Figures converted at year end exchange rates

Source: Central Bank of Nigeria

Rainy day fund runs dry

Excess crude account

There is $400m in the oil account, compared with about $20bn three years ago, writes **William Wallis**

In September 2007, governors of the 36 states scored a victory for which Nigeria is now paying the price.

The former administration of Olusegun Obasanjo, created a special national account into which surpluses from crude exports above the budgeted price of oil would accumulate.

This way, the government hoped to reduce its historic vulnerability to swings in the world oil price, on which it depends typically for 80 per cent of earnings.

At the time, there was ferocious debate about the legality of this under the constitution, which divides revenues between federal, state and local governments.

But Mr Obasanjo, a stubborn former general, found ways to constrain the governors, and the account filled up as oil prices soared.

Until, that is, the government changed hands and his more emollient successor, the late Umaru Yar'Adua who rose to the top having served as a state governor himself, applied the law differently and found that the states were owed a share.

Since he and his then deputy, Goodluck Jonathan, signed an agreement in September 2007, seen by the FT, the Excess Crude Account (ECA) has been divvied up.

In three years, this has drained the country of funds intended for a rainy day. At present there is only $400m in the Excess Crude Account, compared with about $20bn three years ago.

With subsequent inflows accounted for, as much as 30bn of surplus revenues above the budgeted price has flowed out, according to donor and government officials, partly in regular payments to state governors, over which there is little subsequent oversight, and partly in federal spending on infrastructure, some of which has gone to waste.

In the process, there has been a shift of political gravity, with power ebbing from the centre to the states.

The state governors are now arguably the most influential figures in Nigerian politics, with a potentially determining role in who becomes the next president.

Some officials argue that, even if the money has been spent inefficiently, it has at least provided a fiscal stimulus during the global downturn. But it has also, according to numerous critics, accentuated the resource curse, acting as a strong disincentive to state governors to develop their own regional economies, and reinforcing their dependency on the southern region producing oil.

"When you can go to Abuja [the federal capital] and collect hundreds of millions of dollars, why would you develop your own industries and resources," asks one senior government official, opposed to the status quo.

Olusegun Aganga, the finance minister, is attempting to create a sovereign wealth fund in order to resurrect the principal of saving for the future, with part of the money going towards infrastructure spending.

He has an agreement from the governors to launch this with $1bn of seed capital, he says. But for the plan to be effective as an investment vehicle, he needs to persuade the governors to allow their portion of future oil windfalls to remain invested in the fund.

Governors who have grown accustomed to regular withdrawals above their budgetary allocations are likely to offer stiff resistance.

"The political winds blowing into the seventh floor of the finance ministry [where Mr Aganga's office is situated] are stronger than one might imagine," says one donor consultant who has studied the conundrum.

Storage: proceeds from oil and gas terminals that were supposed to be saved for the nation have been divvied up AFP

What it takes to get things done

Lagos state

William Wallis finds a semblance of civic pride returning to the city

Lagos is still Lagos, an ever expanding mega-city where fabulous riches rub up against incalculable urban distress.

But residents of the city, built around a series of lagoons and perched on a coastline pounded by Atlantic surf, have been afforded in three years a taste of what their city could become, were there to be a long-term improvement in the way it is governed.

Roads are being repaired, clinics restored, model schools funded and waste management improved. On a more grandiose scale, the city has launched a multibillion-dollar free-trade zone in a joint-venture with Chinese investors to encourage manufacturing, create jobs and reduce import dependency.

A new airport near the evolving free zone, more bridges to unclog traffic, and urban rail projects are also planned, with a nearly completed toll road going through suburbs on the city's western edge a possible model for future public-private partnerships.

The effect has been as much psychological as physical. While the clean-up has had its costs, particularly for traders driven from the sides of roads, residents are beginning to believe that regeneration plans – some of which have gathered dust for years – might actually be carried out. A semblance of civic pride is thus returning.

"We are all excited about Lagos. We are seeing the impact quickly – the cycle from generating money to something happening is quick," says investment banker Bolaji Balogun.

Simply by doing his job, Babatunde Fashola, the state governor, has earned a reputation as one of the most effective technocrats in the short history of civilian rule. The reverberations are being felt beyond the city, as other state governors come under pressure to perform.

Central to the story are the taxes the state collects, and a social contract between the city's residents and rulers – something that scarcely exists in other regions dependent on revenues generated from oil.

With federal funding restricted under previous governments, Lagos – one of the country's few opposition strongholds and its commercial capital – was compelled to use laws at its disposal to earn income at home.

This drive has seen revenues – generated from property, land and consumer taxes among others – more than triple in recent years.

Lagos now earns about $114m a month this way, around two-thirds more than it receives from federal allocations.

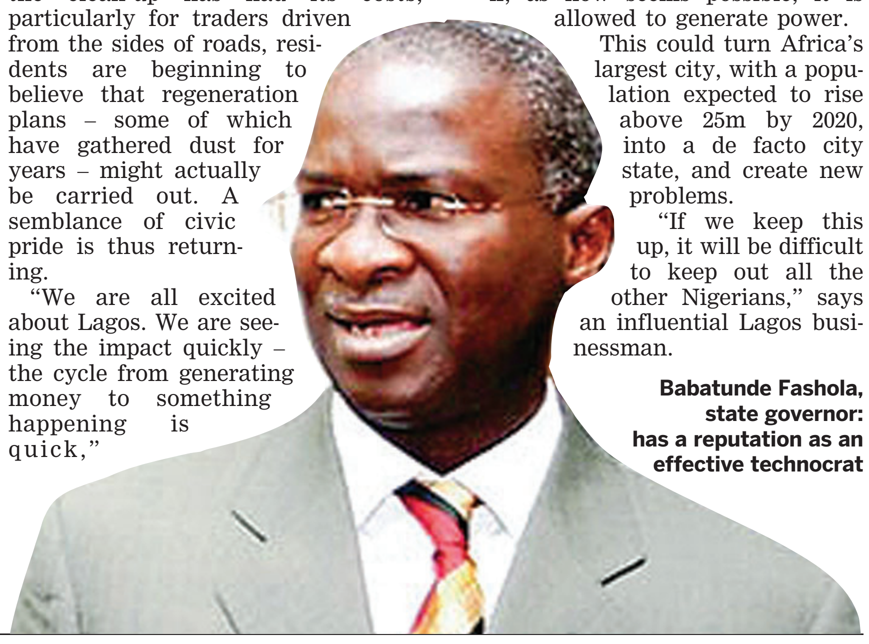
No one denies corruption is still there, and influential state politicians receive their share. But the state authorities appear to have reduced this sufficiently to get things done.

A vibrant national press is based in the city, and its 18m or so residents are a vituperative bunch with an eye on where their money goes.

Lagos would receive another boost if, as now seems possible, it is allowed to generate power.

This could turn Africa's largest city, with a population expected to rise above 25m by 2020, into a de facto city state, and create new problems.

"If we keep this up, it will be difficult to keep out all the other Nigerians," says an influential Lagos businessman.



Babatunde Fashola, state governor: has a reputation as an effective technocrat

Regulator intends to shake up the bourse

Capital markets

The new head of the SEC wants to create a more stable and efficient environment, reports **Tom Burgis**

On the floor: a crash in 2008 slashed the Nigerian Stock Exchange's capitalisation by 70 per cent, equivalent to $50bn, and scandal has followed scandal Reuters

Nigerian stock market
Nigeria All-Share index (rebased)

Source: Thomson Reuters Datastream

The Nigerian Stock Exchange has been subjected to so many probes and prognoses over recent months that it has at times resembled a seriously ill patient.

There have been good reasons to worry for the bourse's health. A crash in 2008 slashed the market's capitalisation by 70 per cent, equivalent to $50bn.

The value of daily trades is still barely one-10th of the $120m changing hands at the height of the boom. Scandal has followed scandal.

Yet the crisis is also an opportunity to fashion a new reputation for probity – a valuable commodity in a financial world chastened by global turmoil.

Arunma Oteh, appointed in January to pick up the pieces as the new head of the Securities and Exchange Commission, the main capital markets regulator, puts it simply. "My vision is a market that is stable, that is efficient, one that helps Nigeria fund its huge needs, one that is considered world class by any investor, local or international," she told the Financial Times in an interview in March.

That would be quite a transformation.

As the probes launched by Ms Oteh have begun to establish, in the run-up to the crash, some of the banks whose stocks comprised 60 per cent of the bourse's capitalisation were lending money – sometimes depositors' money – to brokers in order to ramp up their own share prices.

In some cases, ownership of the shares was allegedly subsequently transferred to managers and directors of the banks themselves, breaching market rules.

The souring of those margin loans as the stocks that backed them plunged was a big cause of the banking crisis that forced the central bank to bail out nine of the country's 23 banks to the tune of $4bn last year.

In late July, the SEC announced it was taking 260 entities and individuals to a special tribunal in relation to alleged abuses linked to the shares of the first five banks that were rescued.

Yet a pall of uncertainty still hangs over the brokerage industry.

A separate SEC investigation aims to establish which of Nigeria's 319 brokers have been left insolvent by the crash, something that would have been self-evident had the strict financial disclosure rules Ms Oteh is introducing been in place.

The regulator is confident that many of the abuses have ceased. As she says of her task: "You must send a signal that improper behaviour is not permissible and that the culture of impunity and recklessness will not continue."

Lagos financiers predict a severe narrowing of the field, as brokers whose main activity was speculation or channelling now ruined retail investors' money into the market, shut up shop or are wound up by regulators. Higher capital requirements will drive further consolidation.

Many of those at risk are small, but some of the brokers who once commanded swathes of trading could also struggle.

Bolaji Balogun, chief executive of Chapel Hill Denham, one of a handful of brokers geared towards institutional and international investors, predicts that as many as seven of the top 10 traders by value "will disappear".

Even as the shake-up among the brokerages continues, much will depend on reform efforts at the exchange itself, which is at the centre of another investigation, this time a "forensic audit" launched after the high drama of recent weeks. "Fundamentally, that place had gone rotten," says Mr Balogun.

Many financiers had grown frustrated during the decade-long reign of Ndi Okereke-Onyiuke as chief executive. She had become a formidable figure in Nigerian finance with strong political connections.

That reign is now over. Late on August 4, following a battle of wills that reached the highest levels of the Nigerian government, the SEC announced that Ms Okereke-Onyiuke had been removed.

Ms Okereke-Onyiuke, who had been due to retire in December, denied the SEC's claims of "inadequate oversight, allegations of financial mismanagement, governance challenges and the inordinate delays in the implementation of a succession plan".

She is taking legal action but is considered highly unlikely to be reinstated.

The succession process, handled by Accenture, will be keenly watched.

Following a revival of plans to demutualise the exchange, the successful candidate will have to manage a struggle for influence.

Among the heavyweights shaping the exchange is Aliko Dangote.

Africa's richest man has been suspended as the president of the exchange's governing council pending a legal challenge to his election.

Mr Dangote says he expects to resume his role – but adds that the main goal has been achieved with the ousting of Ms Okereke-Onyiuke.

Regardless of his future role on the council, plans for a $14bn listing of the cement arm of his industrial empire – which would join already listed flour and sugar operations – would leave his companies accounting for as much as a third of the total market capitalisation.

Olusegun Aganga, the finance minister, is pushing big oil and telecoms groups with Nigerian businesses to follow Mr Dangote and list locally.

Along with the reforms, that could help to renew enthusiasm for an exchange that is as old as Nigeria, but which – in recent years at least – has carried a serious health warning.

New head of the SEC In need of steel and forcefulness as kingpins jostle for influence

In the cloak-and-dagger world of the Nigerian elite, being an outsider has its advantages. Arunma Oteh's career in finance kept her away from the land of her birth for 22 years, latterly as vice-president of the African Development Bank, based at its Tunis headquarters. Late last year she returned, to take up one of the most delicate jobs in her home market.

As head of the Securities and Exchange Commission, she is the referee in a big-money game whose operators include some of the country's most potent tycoons and politicians.

"I don't have the kinds of relations with those people from within the market, or the emotional relationships," she says.

She believes she was appointed "because of my dispassionate view, such that I can just come in and do what is right".

Ms Oteh inherited a stock exchange whose crash had exposed widespread abuses. She has launched at least three investigations and toughened regulation, working closely with Lamido Sanusi, the central bank governor, who is battling to reform the troubled banking sector.

Yet if her outsider status helps to safeguard her integrity, it can also hamper her ability to navigate Nigeria's shifting allegiances, smouldering rivalries and power games.

Kingpins of finance are jostling for influence after Ms Oteh's clear-out of the old guard at the stock exchange.

"Arunma is caught in the middle," says one exchange insider. Ensuring that the big beasts do not trample on her reform agenda will require skill. So, too, will fixing her own organisation.

A team she brought in from the US Securities and Exchange Commission diagnosed "a startling lack of oversight" by the stock exchange.

But it said the same of the Nigerian SEC, widely criticised under its previous management for the rot that set in on its watch.

Insiders say Ms Oteh's uncertainty about the loyalty of her own staff has pushed her to rely on a small circle of handpicked advisers.

Some critics complain that her high-profile campaign – including ousting the NSE's long-serving boss – suggests she wants to run the market rather than merely regulate it.

Associates say that during the tense moments of recent months, Ms Oteh has demonstrated a steely forcefulness that belies her mild manners.

If she is to cement her vision of a world-class Nigerian market, she will need plenty of that steel.

Tom Burgis

Arunma Oteh: outsider status may help

Professionals see the money to be made back home

Private equity

Simon Mundy reports on the obstacles in the way of ambitious young things. That may all change

Even before the financial crisis spread panic in the City of London and on Wall Street, talented young Nigerian financial professionals were returning to their homeland in growing numbers, in anticipation of a sustained period of economic growth.

The migration has gathered pace since sluggish recovery in the US and Europe has reinforced the attraction of developing countries, highlighting Lagos's role as a regional hub.

"A few years ago, people were demanding a big premium to leave Maida Vale for a job in a third-world slum," one young professional says. "That premium is no longer needed."

While many of those with experience of finance in developed countries have been snapped up by banks eager to broaden their skills base, others have seen more enticing opportunities in private equity.

Among them is Yemi Lalude, who began exploring opportunities in Africa after studying at Stanford and Harvard Business School, and work in the US that included a stint at a Silicon Valley venture capital firm.

Launching Adlevo Capital, a private equity firm with a primary focus on Nigeria, presented Mr Lalude with a dizzying number of promising start-up businesses to exercise his understanding of the technology industry, he says.

The rapid rise of mobile phones – Nigeria now has about 75m active telephone connections, up from 400,000 in 2001 – has set the stage for rapid growth in telecommunications.

"As the voice industry matures, average revenue per user tends to decline, so there's a need to move to data services – and for companies to provide them," he says.

Areas of Nigeria's business infrastructure that hold back investment by other companies open windows of opportunity for venture capitalists.

"There's a shortage of services in almost every sector of the economy," Mr Lalude says. "The financial services industry is fairly immature; there's hardly any consumer credit. One of the reasons is that there's no way to check on individual consumers. So that's an interesting area for us."

The first credit bureaux have only recently opened.

While there is growing interest in African private equity funds from foreign investors, within Nigeria funding opportunities are limited by the absence of significant university endowments, the relatively small balance sheets of insurance companies and, most importantly, a ban on investment in private equity firms by pension funds.

The interdict reflects cautious handling by regulators of the nascent private pension fund industry. Tight restrictions on riskier investments, including equities, were widely applauded after last year's precipitous stock market collapse. But Lamido Sanusi, governor of the central bank, has shown signs of his intent to broaden pension funds' asset mix, this month unveiling a plan to allow them to invest up to 20 per cent of their portfolios in bonds issued by energy and infrastructure projects.

Private equity managers are hungry for a slice of pension fund investment, arguing that prudent diversification of portfolios need not increase risk.

"There's now getting on for N2,000bn in the pension funds, and some of that should be going into private equity," says Chijioke Dozie, a partner in Lagos-based Kaizen Venture Partners. "If you had 5 per cent or so going to people like us, it would mean higher returns." Yet even deregulation might not spark a rush into private equity by pension funds, he adds, complaining of a perception among local fund managers that such investment is dangerously "exotic".

The limits on domestic institutional funding, and Kaizen's low profile overseas, have forced Mr Dozie and his brother and partner Ngozi to rely on borrowing from wealthy individuals, restricting them to deals worth at most $3m. That has forced them to look to surrounding countries such as Ghana for investment opportunities.

Larger private equity funds operating in Nigeria are better able to tap funding sources, such as development finance institutions. Ngozi Edozien, local managing director of Actis, a leading private equity investor in emerging markets, says the fund does not usually consider investments with a ticket smaller than $50m, to avoid the added risk of investing in businesses in their earliest stages.

"One of the issues you have with smaller firms taking money from wealthy individuals is their lack of a record as regards management experience," she says.

Actis's recent transactions in Nigeria are a diverse mix, including investments in a bank, a foam mattress company and a shopping mall.

Recently announced regulatory changes will open new possibilities for private equity, Ms Edozien says. Liberalisation of electricity generation and distribution will break the network up into pieces small enough for firms such as Actis to take large stakes, for example.

In the wake of the stock market crash, meanwhile, listed companies will be confronted with more onerous reporting regulations. In the long term, that should increase confidence in the bourse's health, Ms Edozien says, facilitating initial public offerings as an exit path for private equity investments.

The many family owned businesses can complicate investments, as founders or their relatives struggle to cope with taking a back seat.

Inefficiency and corruption in the civil service is also a problem, Mr Lalude says: "One stays away from investments that require daily interaction with the public sector, because at the end of every month you're at the mercy of the state to get your revenue."

Yet many foreign investors exaggerate the risks of investing in Nigeria, he adds. As the high returns to be made become more conspicuous, that stance should change.

In the bag: Temi Ogunsanya left the UK to start her bag business in Lagos Getty

Distressed assets Brothers go for broke

Ngozi Dozie set his sights on a potentially lucrative investment strategy in 2008 after seeing a report that estimated Nigeria's top 15 banks held non-performing loans worth more than $5bn.

"This was even before the economic crisis," he says. "And, thanks to lax regulation, many banks were covering up dodgy loans, so we knew it must be more than that."

Distressed assets are the core focus of Kaizen Venture Partners, a private equity firm that Mr Dozie established with his brother Chijioke.

Most African countries, they say, lack the sort of well-organised bankruptcy procedures seen in the US, for example. When companies fall behind on loan repayments, therefore, there is little scope for restructuring their debt – often meaning that they are forced to stop trading, leaving their assets unused and their creditors with an uphill struggle to recover the money owed.

Behind a non-performing loan, the brothers say, there is often a potentially successful business that simply requires a fresh cash injection, or better management.

Kaizen aims to buy into these companies at knock-down prices, by acquiring non-performing loans from banks at a discount and then writing down part of the debt in exchange for equity.

Executing the strategy has proved more difficult than the brothers expected. "We thought the banks would welcome us with open arms, but they were unwilling to give a discount," says Chijioke Dozie.

"A company might not have paid them in two or three years, but if we express an interest, it suddenly has value for them.

"There aren't many activist shareholders in Africa, putting pressure on banks to be more efficient with their capital."

Kaizen has made two big investments to date, in a Kenyan telecoms company and a fruit juice producer in Ghana.

The latter had sound fundamentals and a strong client base in Europe, but had got into difficulties after taking out loans with interest rates of up to 40 per cent. Kaizen took over the company after buying $3m of distressed loans at a 44 per cent discount, and installed Chijioke Dozie as acting managing director.

Customers have showed renewed interest, he says. "The fact that we've been prepared to invest in the business gives them confidence."

Kaizen will target further investment in countries, including Zambia, Tanzania and the Democratic Republic of Congo, the brothers say, having noticed particular opportunities in agri-processing.

The disruptive effect of the Icelandic volcano on aircraft unable to deliver African food exports early this year pushed many well-run but highly leveraged companies into trouble, they say.

Opportunities in Nigeria have been limited so far, however.

"Most Nigerian companies are family owned," Ngozi Dozie says. "That creates problems – we're from a prominent family, and when a company's been doing badly, they often don't want us to see their dirty laundry."

Yet their prospects on the home front could be boosted, he adds, by the recently established Asset Management Corporation of Nigeria (Amcon), which aims to clean up bank balance sheets by buying bad loans.

Amcon will help Kaizen by removing "the first mover disadvantage", he says, helping to establish a benchmark rate for discounts on the sale of non-performing loans.

As banks become accustomed to offloading their bad debt, Kaizen should find the process of acquiring it less arduous.

He foresees no shortage of potential investments. "Most investors in Africa are looking at commodities – not many are focusing on underperforming assets," he says. "But the opportunities are compelling."

Simon Mundy

Ngozi Dozie: his company has made two big investments

Behind in every single measure of development

The North

Shyamantha Asokan says the region's ability to unite has been the source of its political strength

In the early 1800s, Usman dan Fodio united northern Nigeria under one Islamic empire. Today, his tomb sits in a compound over-run by weeds and ants. When asked if the crowds nearby are pilgrims, an elderly guard mumbles: "No. They are beggars."

The rundown crypt in Sokoto, once the capital of dan Fodio's realm, symbolises a region in decline. The political elite of northern Nigeria, which was granted indirect rule by British colonisers and has produced a string of leaders during the country's 50 years of independence, is divided ahead of looming presidential elections.

The north's elite must agree on a presidential candidate for elections in the next six months, following the death in May of Umaru Yar'Adua, the country's most recent leader from the area.

The region's shared Hausa language and Muslim faith – a legacy of dan Fodio's empire – has in previous years helped it rally together. But reaching a consensus today is proving tricky.

"There is no strong voice like we used to have," says Shehu Malami, a Nigerian diplomat in the mid-1990s who hails from Sokoto. "We used to be one region, but now it feels like we are many small places."

Meanwhile, the religion that binds the north is also creating tensions. Boko Haram, an Islamist sect, was last year involved in clashes with security forces that left more than 800 dead, according to US-based Human Rights Watch. Police are investigating whether the group was behind a small number of sniper attacks on officers in August.

The north is also reeling from a young Nigerian's alleged attempt to blow up a US aeroplane last Christmas in the name of al-Qaeda. The US has since put the country on its terrorism "watchlist", even though Umar Farouk Abdulmutallab had spent much of his life abroad.

The homegrown sects, which have no proved ties to international terrorist groups, are partly a protest against the northern elite. Many state governors have introduced Islamic law – or sharia – but, despite sharia codes on corruption, officials continue to be accused of graft.

Rules on wealth distribution also seem to have been ignored. "You could look at Boko Haram as a poor man's revolution," says Mohammed Mansur Ibrahim, an imam who teaches Islamic studies at Sokoto's Usmanu Danfodyio University. "Anger about corruption and a lack of job opportunities are the main causes."

As elsewhere in the country, poor infrastructure has badly hit the north's industries. Potholed roads and a lack of electricity have stymied factories that once produced everything from fertilisers to textiles. Cheap Asian imports have also lured away customers.

The number of groups registered with the Manufacturers' Association of Nigeria in Kano, the north's biggest city, has dropped from 350 to 112 in the past 20 years. Meanwhile, consolidation has reduced the number of northern banks from nine to one.

The north lags behind the rest of the country on almost every measure of economic development.

Official data show that 30 per cent of children in the north are underweight, compared with 12 per cent in the south. The north also falls behind on school attendance and literacy.

In the absence of financial clout, political control becomes all the more vital. Much thus depends on the north's ability to rally around one presidential candidate in the coming weeks.

Shehu Shagari, president in the early 1980s and a minister in the post-independence government, says unity has been the north's sole strength in previous years.

"Even though those in the south were more advanced, they were not united. They had so many different tribes," he says after breaking his Ramadan fast on a recent evening in Sokoto.

"[Our leaders'] objective was to bring the northerners together as a force and, because they were more united, they were able to take over the government and lead the nation."

University 'You learn to do things on your own. If you can make it here, you can make it anywhere'

Like many final year students at the University of Nigeria, Nsukka, Chitizere Ojiaka is in a hurry to graduate. After four years at UNN studying economics, she is eager to move on with her life. She wants to travel, and do a master's degree, preferably in mass communications. Having run the university student newspaper, she has developed both an interest and a talent for the profession.

She should have graduated months ago. But late last year, a students' strike forced the closure of the university. So she is now three months late. "A rumour circulated that the new administration was going to raise fees. So we protested," she says. The strike was violent. University property was destroyed. Several strike leaders were expelled. Whether or not the administration had planned on raising fees remains unclear to the students – the fees have remained unchanged. Life on campus, however, is still somewhat tense.

"Student social activities were banned for a while, and the student body is still banned," she says. The students strike was something of a watershed for her and her classmates.

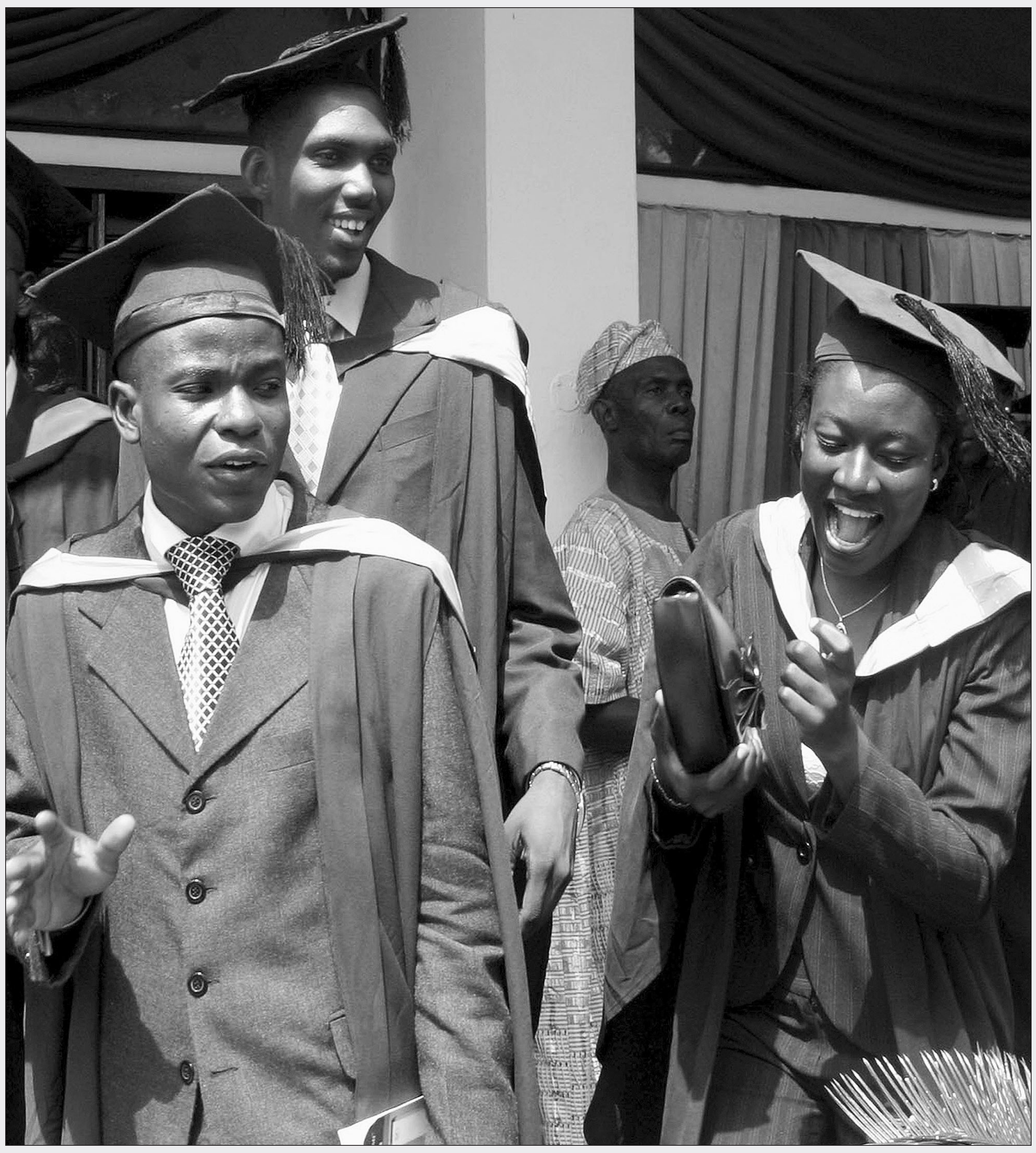
"One problem with our generation is that we don't speak out, we don't fight for our rights," says Okeke Chukka who is studying computer science. "But the world is changing, and UNN is part of it. We showed the administration that we can stand steadfast when we demand something."

It is, the students admit, something of an irony that the strike occurred in the first place. The new administration under Prof Barto Okolo has initiated big changes. A new library, one of the largest in sub-Saharan Africa, has been opened. The university, sprawling over 1,000 acres, is one of the most scenic of Nigeria's 63 public universities. Entrenched practices such as "cultism", the violent bullying that had defined student life for years, has been drastically reduced. The practice by some lecturers of selling lecture notes has been abolished.

But many students are uncertain about their future after graduation. "I would want to do my masters in a western university, where I can get a real education," says Ms Ojiaka. It is a stinging indictment of the university, one of Nigeria's most prestigious and the only one established through the efforts of south-eastern Nigeria's nationalist elite.

The sense of uncertainty is common among many students. While UNN bears a proud history – it was founded by Nigeria's first President, Nnamdi Azikiwe, and was for a long time home to the writer, Chinua Achebe – educational standards have fallen from their once lofty heights.

Students in the physical sciences, such as Ukazu Ugechukwu Bethel, a third-year biochemistry student, complain about outdated facilities. "Some of our lab equipment is older than I am," says the 22-year-old. "There is constant overcrowding. Many classes have between 50 and 100 students to one lecturer. Sometimes we have to do classes on Sundays."



Graduation day: many students fear for their future and want to go abroad to study for their masters degrees Reuters

For other students, the worry is that there is too much redundant theory being taught. Ndu Tobenna, who is studying electrical engineering worries that he will graduate without ever handling any equipment. "We only did three courses last semester that were lab-oriented," he says.

It is a not unfamiliar problem in many Nigerian universities. Chronically underfunded and struggling to keep up with a skyrocketing demand, they have barely coped with the changing times. More than 400,000 students apply for places every year. Only a fraction are admitted.

"Our federal universities are the only places where students from poor and middle-class families can be equipped with a fighting chance," says Mr Ugechukwu. "It is a real struggle to get in. But once you're in, you're supposed to get a quality education."

"The situation in Nigerian universities is worrisome," says Prof Damian Opata of the UNN's English department. "One could say that the visions of the founding fathers of many Nigerian universities are not being met. To date, most disciplines in Nigeria are studies from the frames of the North Atlantic region. No theories are emerging from the Nigerian university system. The usual blame is on poor funding, but poor critical thinking is a scourge within our system."

The UNN was one of the great early milestones of Nigerian independence. The second of the six "first generation" universities opened in the first decades after independence, UNN's motto, "to restore the dignity of man", spoke of the determination of the nationalist elite to establish a centre of excellence that would train indigenously, a cadre of young African professionals. And while the UNN ranks among Nigeria's top universities, years of military rule in which educated elites were regarded as a threat, as well as declining federal support for universities in general, have forced some of its most brilliant minds to seek greener pastures abroad.

All the same, things are changing, albeit slowly.

Staff strikes, which for years battered many establishments and at one point almost paralysed teaching, have been eased by a recent pay-rise for lecturers.

"The only way you can 'restore the dignity of man' is through some kind of intellectual liberation," says Greg Mbajiorgu, a senior lecturer in the theatre arts department. "Many past students go abroad and thrive," says Ms Ojiaka. "This place teaches you to do things on your own. If you can make it here, you can make it anywhere."

Parselelo Kantai

A champion of development

Profile
Lamido Sanusi

William Wallis meets a central bank governor on a mission

Lamido Sanusi: since the stock market crashed he has begun to restore sanity to a system grown rotten at its core FTi

At times, when the momentum for reform appears to be ebbing, those officials fighting for it can appear lonely Davids up against a Goliath, impervious to whatever is thrown his way.

Lamido Sanusi, governor of the Central Bank of Nigeria (CBN), however, is one David who has scored a direct hit on one flank of the giant.

In the two years since the stock market crashed and the extent of margin and "insider" lending by some of the country's banks became clear, he has begun to restore sanity to a financial system grown rotten at its core.

The CBN has pursued criminal cases against four bank executives charged with money laundering and fraud, and expects to recover significant assets to set against the $4bn bail-out Mr Sanusi rolled out to rescue depositors.

"This is important for the system, given the kinds of things that happened," he says during an interview with the FT. "When people see these guys being put in jail and disgorging assets, they will know that things have changed."

An Islamic scholar and experienced private sector banker, Mr Sanusi is keen to draw a line under the crisis that in 2008 wiped out 60 per cent of bank capital.

Enforcing new regulations and encouraging the banks to lend more and more effectively to the private sector, however, is very much a work in progress.

According to a recent World Bank presentation, fewer than 1 per cent of Nigerian businesses have ever received bank financing.

Mr Sanusi has grown a little weary of speaking about his battles, and moves on quickly to the role he is playing in championing development and reviving the economy.

It is a role that has seen his influence extend beyond the confines of the central bank.

In the aftermath of the financial crisis, he says, the ideological climate around the world is more sympathetic to activist states.

To save jobs, the CBN has provided concessional refinancing to banks exposed to manufacturers and small and medium enterprises struggling to service high-interest, short-term loans.

But deeper structural changes need to take place if the banking system is to stimulate production.

"If the real economy does not have an absorptive capacity, then the tendency is that all that money goes into incestuous capital market trade, asset speculation and, in some cases – as we have seen – into outright theft and fraud," he says.

The manufacturing sector, for example, struggles to get off the ground because of power shortages. Mr Sanusi has therefore been one of the strongest advocates of plans, adopted recently, that will hand partial control of distribution and generation to the private sector.

> 'Now, when we are in a policymaking position, we can't be talking about potential. We have to realise it'

To boost chances of success the central bank has provided a N300bn pool of 15-year funding at 7 per cent for which companies venturing into electricity generation and distribution will be able to draw.

Mr Sanusi is also pushing plans to free up to N400bn from pension funds to spur investment.

Under the proposals, the rules governing pension fund managers would be changed to allow them to invest up to 20 per cent of their portfolios, equivalent to $2.7bn, in naira-denominated bonds issued by new power and infrastructure projects.

"It's extremely important that power projects get access to long-term money at reasonable rates of interest. And it's important for the economy that the money comes from local sources as much as possible, to hedge against exchange rate and interest rate risk," he says.

Looking back to the heady days of 2006, and 2007, when the oil price peaked at $147, the stock market soared and foreign funds began to catch the Nigeria bug, Mr Sanusi says: "The Nigeria story could have been exactly what was portrayed and it should have been. It just wasn't. A reasonable, intelligent person who assumes that people are being honest can be forgiven for the believing the hype."

But the crash has been sobering. In its aftermath, millions of retail investors lost their savings and an emerging middle class was hard hit, including Nigerians from the diaspora who returned to take up jobs. The diaspora is still returning, but this time fleeing unemployment in the west.

"The country is in a better position now," Mr Sanusi says. "The crash has refocused attention on the importance of industry and job creation."

Evidence, he adds, is in the seriousness of the power plans, and an ongoing review of the tariff regime.

This would not be about import substitution, which failed in the 1970s, but about protecting industries with competitive advantage, he says.

But is there a strong enough constituency to make this and other reforms work as planned?

"When I was in primary school, people talked about Nigeria's potential," Mr Sanusi says. "Now when we are in a policy-making position, we can't be talking about potential. We have got to realise it."

Gridlocked streets cast blight on Lagos

The slow lane

Shyamantha Asokan on the uses of a car when it is hard to move from A to B

Amanda, a chic mid-level employee at a large Nigerian bank, is trying to sleep in the back of her car before work starts. She does this at 6.30am almost every day outside her office in Lagos, the country's business capital.

"I'm so drained by the time I get in. It's not even funny," says the 27-year-old, who does not wish to give her full name.

Amanda is one of millions of commuters struggling to cope with the grinding traffic of sub-Saharan Africa's most populous city. Six of her colleagues, who also left home at dawn to avoid rush hour, are sleeping in their cars nearby. During the evening rush, her 15-km journey home can take three hours.

The exact population of Lagos is a matter of debate, with estimates ranging from 10m to 18m. But the megacity's roads – where financiers in 4x4s and youths hanging from rickety minibuses are likewise stuck for hours – highlight both its booming growth and near-total chaos. A recent pop song called *Bumper to Bumper* became an apt soundtrack to Lagos life.

Urban planners observe that Lagos still relies on a few main roads and almost entirely lacks proper public transport. Moreover, many roads are in a poor state, they say, with potholes that either slow or swallow vehicles.

The "go-slows" greatly hamper business. For example, Afeez Ajibowu, sales director in Nigeria for SC Johnson, a US manufacturer, struggles to get his goods on to supermarket shelves and street stalls.

Mr Ajibowu says his trucks, carrying wares such as Mr Muscle cleaning products, should make about 30 daily deliveries to retailers in Lagos – but this is halved because of jams. "Customers don't listen to apologies. They just look elsewhere," he laments.

Amanda says she and her exhausted colleagues also make for slow business – especially when they take naps in the office. Senior bankers complain about having to hold fewer meetings and almost missing flights. Seasoned visitors recall a much calmer and greener city when Nigeria gained independence from Britain in 1960.

Yet queues were already appearing by the following decade, partly due to a leap in global oil prices, which provided many in the resource-rich country with the means to buy cars.

Babatunde Fashola, governor of Lagos state since 2007, and Bola Tinubu, his predecessor, have made some progress with thawing the go-slows in recent years.

Using World Bank loans worth $150m, as well as its own funds, Lagos has patched up some roads and in 2008 launched a $37m bus system with its own traffic lanes. Further credit from the World Bank and France's development agency has been provided to build more bus routes.

Traffic policemen now control junctions. The state also plans to set up two rail lines. China Civil Engineering Construction Corporation, a Chinese government-owned company, started work on one of the routes in August.

But officials estimate that building a comprehensive public transport network from scratch could take 25 years. "We are starting from ground zero," says Dayo Mobereola, the managing director of the state's transport department.

"We have a plan for the whole of Lagos state but we can't do it all at once."

He adds that the city's poor planning – whereby a concentration of businesses on two islands means that most commuters travel the same way at the same time – poses yet more challenges.

In the meantime, the city's break-neck growth shows little sign of abating.

The United Nations predicts that Lagos's population will rise at an annual average of 2.7 per cent until 2025, double the rate of other emerging market hubs such as Cairo and Beijing.

A result of all these problems is that, for many, the car becomes an office. Most top businessmen and financiers simply work from their Blackberries or even laptops while in traffic.

"A driver is essential here. If your company won't give you one, you should get one yourself anyway," says one senior banker.

The go-slows have perhaps one beneficiary: the *okada*. This cheap motorbike taxi is one of the few ways to dodge the static queues. The riders' time-saving tactics include zooming along the wrong side of the road and jumping red lights.

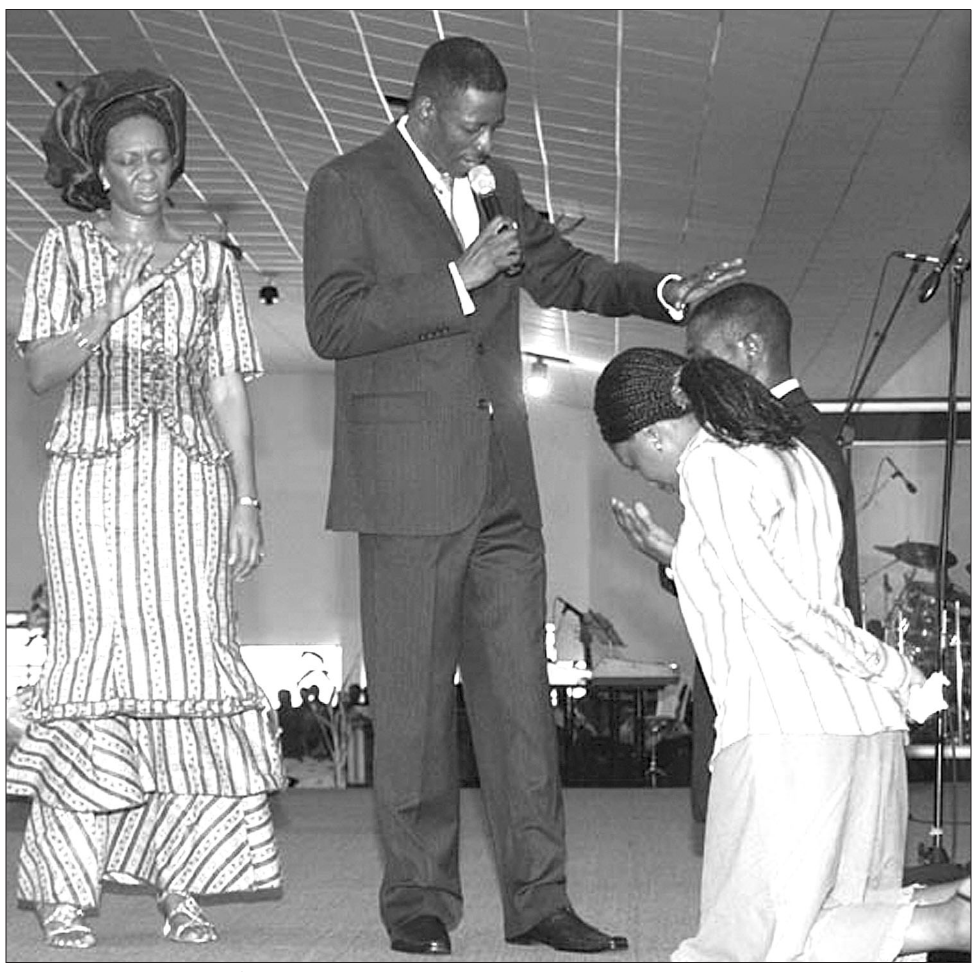
However, Mr Fashola this month clamped down on the kamikaze bikes. New rules ban *okadas* from carrying more than one passenger at a time, using the city's vital bridges, and working on the islands after 8pm.

Even though reckless riders cause many accidents, curbing one of the few cheap ways to cope with congestion has angered many Lagosians. When it comes to go-slows, says Amanda: "If you have money, it's easy. For the masses, it's horrible."

Riches in this life, salvation in the next

Churches

Shyamantha Asokan reports on the huge success of Pentecostalism



Prosperity preaching: Sam Adeyemi's financial success as a pastor is by no means unusual

The Sunday service at the Daystar Christian Centre, a Pentecostal church in Lagos, is a slick affair. The pastors wear business suits, the security guards wear head mics, and a "multimedia team" films and airs the service live on the internet.

On a typical Sunday, Daystar attracts up to 5,000 people to each of its four services. The church also owns a publishing company and recording studio, which sell "motivational" books and CDs, and a primary school.

"When I said I wanted to be a pastor, my parents were worried that I would not make ends meet," says Sam Adeyemi, Daystar's founder and top pastor.

"Pastoring is more attractive now than when I started. People see that pastors are dressed well and have good tools for their job, like a banker."

Mr Adeyemi says he set up his church in 1995 after a conversation with God. The subsequent success of the 43-year-old civil engineer, whose family construction company was in the doldrums by the time he graduated, is by no means unusual.

Nigeria's Pentecostal churches are thriving at home and overseas. Pentecostalism, thought to have begun in the US just over 100 years ago, involves miracles, demons and speaking in tongues.

The Living Faith Church, better known as Winners Chapel, is one of the country's largest such groups. Set up in 1981 by David Oyedepo, Winners says it has 400 domestic branches and also operates in more than 50 countries from the US to Malaysia.

Its headquarters near Lagos contain a 50,000-seat church, a hotel and a university.

"Kenyan and Zimbabwean churches are not even continent-wide, but the Nigerian churches are like huge multinationals," says Paul Gifford, an expert on African Pentecostalism at the School of Oriental and African Studies, part of London university.

Mr Gifford says Pentecostalism has seen accelerated growth across Africa since the mid-1980s, partly because of a focus on spirits that mirrors traditional beliefs and a promise of wealth that appeals to largely poor followers.

The Nigerian groups indeed focus heavily on "prosperity preaching". Followers who support their God and their church will enjoy both riches in this life and salvation in the next, many pastors say.

> Adeyemi set up his church after a conversation with God

"I prophesy that you will have financial and material success beyond your imagination. The curse of poverty on Africa – that curse is broken," Mr Adeyemi cries at the climax of his service. He had warned against society's obsession with money earlier in his speech – but his final words draw the biggest cheers.

The pastors say they motivate largely poor congregations to find ways to earn a living and better themselves. Mr Adeyemi's church even runs business courses, while his self-help books have titles such as *The Parable of Dollars: Proven Strategies for Your Financial Success*.

A richer flock is also in the church's interest. Most Pentecostal groups encourage followers to pay tithes, whereby they hand over 10 per cent of their monthly income, as do some other Christian churches. Further voluntary donations take place at services.

He estimates that, on average, his followers donate N100 ($0.66) each during a service. This amounts to up to $13,000 a week – tithes, course fees and book sales aside.

Critics say that, while the churches amass wealth, few worshippers ever see the promised transformation in their own finances. Upbeat pastors capitalise on poverty, they say, by presenting themselves as a route to change.

"The economic life of the pastor is booming, while the economic life of the country is grinding to a halt," says Augustus Macaulay, director of the United Bible University in Lagos, which trains Methodist preachers. "There must be something wrong there."

The Winners group has two private jets and plans to buy a third for David Abioye, a pastor and its vice-president.

The Redeemed Christian Church of God, a movement that claims to have churches in more than 100 countries, also has its own aircraft. The business model of Redeemed is often compared to that of ubiquitous brands such as Starbucks, the US chain of coffee shops.

Rather than focusing on a few large churches, Redeemed seeks to set up small branches in as many towns as possible. When a church reaches a certain size, it is encouraged to split.

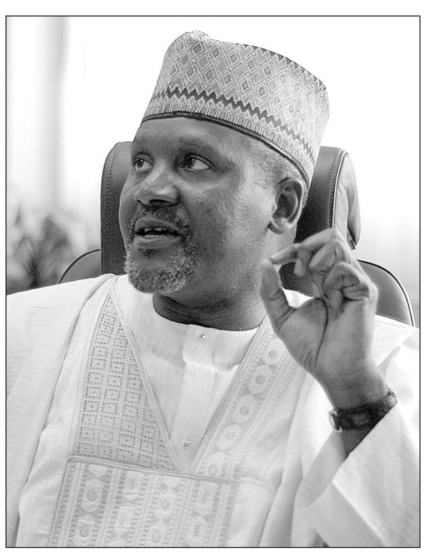
While Nigeria's Pentecostal pastors behave like canny entrepreneurs, their followers, in turn, behave like fickle consumers. When the hoped-for riches fail to arrive, many worshippers move on in the search for a product that works.

"When I was young, fewer people went to church – but they were dedicated," says Mr Macaulay, who is 73-years-old. "Now people will move from church to church when they hear new promises."

How to flourish in a tough environment

Interview
Aliko Dangote

William Wallis goes flying with sub-Saharan Africa's wealthiest businessman



Aliko Dangote: unusually, he has not made his money from the oil industry

Alhaji Aliko Dangote chose to be interviewed weaving past towering storm clouds in his new Bombardier jet, a useful accessory as he expands his industrial and trading empire across Africa. The 53-year-old merchant had just announced the decision to list the cement arm of his Dangote group at a value of $15bn. Mr Dangote owns more than 75 per cent of the business.

The listing will add nearly a third to the market capital of the Nigerian stock exchange, giving investors a direct line into the country's real economy.

The company will free-float a 25 per cent stake over two years, and make a parallel listing in London. It will also merge eventually with its other African operations – in Senegal, Zambia, South Africa, Tanzania and elsewhere – Mr Dangote says.

Next year, the cement group will be producing 20,000 tonnes at its three main factories, turning Nigeria from a net importer to an exporter during a construction boom. The aim is to build a world- class African company, with market capitalisation of $50bn, by 2015.

"We are creating a foundation on which Nigeria and African markets can grow. We now have the capital, the profile and the expertise to move into new businesses and new markets," Mr Dangote says.

Most of Nigeria's super-rich have built their fortunes from oil, and the opportunity to trade contracts and secure concessions at a discount. Mr Dangote has focused on humbler fare, starting out as a cement haulier and diversifying into trading flour, sugar, salt and pasta.

All of these he now produces in Nigeria, employing more than 20,000 people. Plans to plant sugar cane across several states in the country's north will add perhaps another 100,000 employees to the payroll, he says.

Before the late 1990s, he had never taken out a bank loan. His business was built with seed capital from his family in the northern city of Kano, and expanded with profits generated from sales. It is only in the past decade that growth has become exponential, transforming Mr Dangote into by far sub-Saharan Africa's richest businessman.

He has done this by building up dominant positions in all the commodities he trades in Nigeria's market of 150m consumers. The scale of his companies and their influence over pricing gave him the leverage to begin manufacturing.

A series of policy measures under the administration of former president Olusegun Obasanjo, restricting cement import licences to companies investing in domestic production, provided a further boost. "Running a factory here is very difficult," he says. "What we did was backward integration. So instead of worrying about the market, and who is going to buy the stuff, you just have to worry about production."

Even so, investing billions in Nigerian production looked a gamble when he began building his first pasta factory at the Apapa docks in Lagos, in the late 1990s.

From the days when the state was investing petrodollars in import substitution, manufacturing has been in chronic decline. Poor access to long-term finance, the ailing power grid and political instability have combined with a rising tide of cheap Asian imports to knock many manufacturers out of business.

Mr Dangote's critics believe it is his close links to successive governments that have given him the edge, and that behind an unassuming exterior lies a ruthless monopolist exploiting connections to ensure his group maintains dominant market share.

He is unapologetic. It is a no-brainer, he says, for someone investing as much as he has in Nigeria to use connections and influence to protect the businesses and ensure a measure of policy stability.

"If you are successful in Africa, you are bound to be attacked from here and there. There will be people who say that, without government support, there is no way this guy can make money."

Moreover, he says, much of the money he has invested has gone into infrastructure that the state does not provide. Thus he has had to build his own gas pipelines, power plants and dams, and is now investing in a railway connecting his largest cement plant at Obajana in central Nigeria to the sea.

Ironically, it is also the very difficulty of doing business in Nigeria that has allowed him to flourish relatively free of competition. "If things were easier, you would have seen 20 Alikos doing business here," he says.

Nigeria at 50

Traders struggle in a hostile environment on their home turf

The Chinese

Parselelo Kantai on the resentment caused by cheap goods flooding the market

From his perch on the third floor of a building in the centre of Onitsha, Chief Otti Okwudili, a suave, worldly man in his early 50s, has been sitting at the top of the hardware imports trade in south-east Nigeria for more than 20 years.

Chief Okwudili was the first trader to set up a modern, high-rise office in this low, sprawling city famous for its open-air markets.

A graduate with an economics degree, he carved out a niche by securing sole distribution rights from European hardware importers and supplying the thousands of small traders in the Onitsha Bridgehead Market, the biggest hardware market in south-eastern Nigeria.

He has done well for himself. His company, Caltec, occupies three floors of a building on Port Harcourt Road, Onitsha's main thoroughfare, and is equipped with the latest mod cons.

He is a member of the local chamber of commerce and regularly patronises the exclusive Bridgehead Estate Tennis Club.

His products are at the very top end of hardware imports; outside Onitsha's markets, his long client list dates back to the late 1980s, when he worked as an apprentice for a wealthy uncle.

"I started the company from zero," he recalls. In Nigeria's economic crunch of the 1980s, a graduate did not become an Onitsha trader out of choice; numerous unsuccessful job applications had seen to that.

But seven years as an apprentice to his uncle had changed his mind about a future as an economist, allowed him to establish a wide range of contacts, as well as links with the big European hardware importers.

In his middle age, he should be comfortably graduating to his role as a senior elder and community leader. And yet, he finds himself struggling to adjust to what has become a very hostile business environment.

"If you look at our sales performance over the past five years, what you see is a progressive decline," he says. "If it continues this way, I cannot tell you that we will be in business in the next decade."

The problem, Chief Okwudili explains, is the Chinese.

"Chinese imports have flooded the market. They are between 70 and 80 per cent cheaper than European imports. All the traders in the market have turned to Chinese goods. And even our main clients are now asking for them."

In Caltec's basement warehouse, one of several it has across Onitsha, stacks of top-of-the-range European hardware imports – Italian water pumps, chainsaws and crankshafts, Spanish 20 KVA generators – sit on the shelves.

Costing three or four times more than Chinese and Taiwanese imports, it has become increasingly difficult for Chief Okwudili to convince his long-time customers that the superior quality of his European imports – ironically, also made in China – trumps price.

But the "Chinese problem" in Onitsha has morphed beyond the issue of price.

About five years ago, Chinese traders began setting up shop in Onitsha's markets, directly competing with Igbo traders who had dominated trade across Nigeria for decades.

The Chinese traders have direct access to factories in China and are better capitalised than their Igbo counterparts, many of whom now consider them to have an agenda to "finish them".

The anti-Chinese sentiment in the markets has become caustic.

"There's antagonism between the locals and the foreigners. But this is not properly articulated in public forums. Nobody is addressing it at the moment."

In the old Olivetti warehouse, converted years ago by Igbo traders into the centre of the city's sprawling Main Market, Chimezu Ezemba has been selling imported clothes for 25 years.

> Kidnappings were, in many traders' eyes, a stroke of good fortune: they forced many Chinese out

When he first opened shop, he dealt in second-hand European clothes and factory rejects from the big western clothing houses that in the 1990s formed the bulk of textile imports into Africa. Now, the second-hand clothes are more expensive than Chinese and Taiwanese imports.

The influx of Chinese traders is eating into a business, already saturated with itinerant traders. As the Obasanjo administration encouraged foreign investment, many Chinese businessmen arrived in the south-east to set up manufacturing plants.

Among them, however, were those who turned to trade. Initially using Igbo frontmen to set up stalls, they were able to compete directly with Onitsha's more established traders.

Many considered this unfair competition. But because the government had issued a ban on textile imports as it tried to resuscitate Nigeria's failing fabric industry, they were themselves on shaky ground. In addition, the textile market has reeled from a proliferation of counterfeit products.

Coupled with corruption by immigration officials, it has been difficult to regulate Nigeria's once thriving textile industry, which in the 1980s boasted more than 170 mills.

It accounted for 25 per cent of the country's manufacturing gross domestic product and provided a livelihood for 20 per cent of the working population.

Now, it employs fewer than 25,000. Two huge bailouts in the past few years have done little to resuscitate the industry.

The concerns go beyond claims of unfair trading and infrastructural challenges. Four years of copycat kidnappings, mimicked from the Niger delta insurgency, have brought business in south-east Nigeria almost to a standstill.

The streets of Onitsha, a city which always prided itself on never closing, are empty by sundown; churches proliferate, as besieged residents, long suspicious of the police, turn to the Almighty for protection.

As the wave of kidnappings targeted foreigners, many traders saw it as a bizarre stroke of good fortune because they forced many Chinese businessmen out of the region.

"If it wasn't for the kidnappers, we would not be talking like this today. The Chinese would have run us out of business!"

Onitsha market: traders regard their Chinese counterparts as having an agenda to 'finish them' Alamy

Pirates take lion's share of profits from Fela's successors

Music

Parselelo Kantai on the failure of artists to make the most of a renaissance

Femi Kuti: protest musicians such as he enjoy huge airplay both domestically and internationally. This picture is in an exhibition of photos by Andrew Dosunmu in Lekki, Lagos

At the New Africa Shrine in Ikeja, Lagos on a Sunday night, Femi Kuti puts down his gleaming saxophone, one of four lined up beside him, and picked up the microphone.

"Worororo!" he calls out. The crowd of about 400 enthusiasts chants right back. It is his cue to begin his hourly talk. In pidgin, he picks up on the day's newspaper headlines – President Goodluck's Jonathan's declaration he would stand for election – and begins to rail about the corruption in the system.

As the crowd yells its approval, hawkers weave their way through, offering CDs of Femi's popular album, *Shoki Shoki*, as well several by his late father, Fela Kuti, the originator of afrobeat. They are going for N150. And they are pirated.

Femi Kuti's first album in five years is expected to come out in December.

"It will be released before the end of the year. It was recorded in Nigeria," he says during an interview. "The album will be called *Africa for Africa*. I'm trying to get Africans to understand that Nigeria, Kenya and the rest of them are colonial names. We have to love Africa as Africans."

Despite its message of solidarity, he is not optimistic about sales at home. "They will pirate it. After the first 100 copies or the first 500, it will be pirated. The business has changed."

Nigerian music has been experiencing something of a renaissance. Protest musicians as well as the country's hip-hop acts enjoy huge airplay both domestically and internationally.

Groups such as P-Square and artists such as D'Banj, whose music fuses hip -hop and ragga with sampled tracks from old high life tunes, are household names across the continent and have dominated awards ceremonies at several continental events.

Artists such as the Paris-based Asa and Nneka Egbuna have given Nigeria the kind of all-round musical profile that the country last enjoyed during Fela Kuti's heyday.

Even so, with groups such as P-Square pushing more than 1m copies of its latest album in Nigeria alone, it is the pirates who take the lion's share.

Olisa Adibua has been in the music business in Nigeria for 20 years.

A popular DJ on one of Lagos's leading FM stations and the co-founder of Storm 360, a record label, he has seen the industry from several dangles.

"The problem now is piracy," he says. "To a certain extent, piracy exists because there is a demand with too little supply. The second problem that leads to piracy is distribution – distributional frameworks and networks.

"The same way you can go anywhere in Nigeria and get a bottle of Star beer, or a bottle of Coke or a recharge card from MTN. Now, an artist has a record, releases it but he can only print 100,000 copies. People will then say: 'OK, let's print more'."

As with the music industry in much of the rest of Africa, Nigeria's piracy problem began in the late 1980s. As the economy took a turn south and the naira was devalued, foreign record labels, PolyGram and the rest, that had dominated the music business, packed up and left.

> The Copyright Society of Nigeria has been established to collect royalties from radio stations, bars and discos

"The 1970s and 1980s were the golden years of Nigerian music. Piracy then was minimal because the record labels met the demand," says Mr Adibua.

"An artist could sell 2m, 3m copies without blinking. But the economic indices changed. It didn't make sense for the record labels to continue. So they shut down and left.

"What you have now are artists with a lot of talent but no distribution network. You have people with the ability to sell 10m records. Yet, they might move 1m if they are lucky."

Unable to muster the financial wherewithal of the international recording and distribution houses, the domestic labels that took their place were soon replaced by pirates making cheap facsimiles of albums in the big markets, especially in Lagos and south-eastern Nigeria.

Now it is to the pirates that many musicians will go to market their next release.

"The framework has been that musicians take their CDs to distributors in, let us say, Alaba market," explains Mr Adibua.

"They sell the music to the guy for say, N5m or N10m. That's the only way they get a guaranteed income. After all, that guy in Alaba is the pirate, as far as I'm concerned."

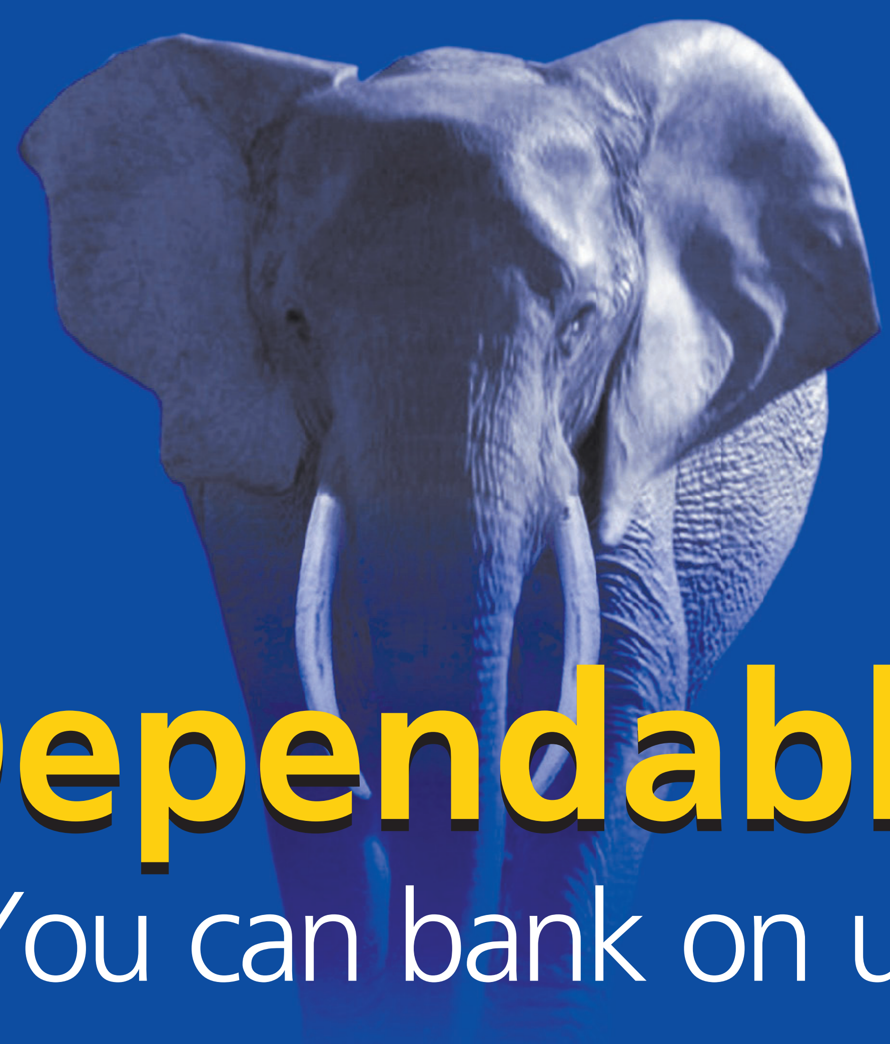
And it is not just the pirates in the markets with whom today's musician has to contend.

They might enjoy hours of airplay on the numerous FM stations across the country, but they are not paid for it.

With the recent establishment of the Copyright Society of Nigeria, which has taken it upon itself to collect royalties from radio stations, bars and discos – wherever music is being played publicly – there is an opportunity for a measure of restitution.

It is early days yet. Negotiations broke down recently when members of Cosin met radio station owners and managers and were unable to agree on a workable rate.

Mr Adibua does not see any shortcuts. "What it will take to get the industry back on its feet will be a lot of sweat – setting up shops in every city and town in Nigeria," he says.



There's more to life than scamming

Slums

Tom Burgis reports on a project fostering computer skills for legitimate business

Off to work: Ajegunle slum – where carving out an honest living is arduous

Miracle Ihuoma is extremely proud of his business model.

"I sell books – educational, inspirational, relational," says the 20-year-old from Ajegunle, an uproarious slum in Lagos, the commercial capital.

Like his fellow graduates from a project to teach computing and commerce to young adults, Mr Ihuoma is determined to make a go of his idea.

But the odds that the young students face go some way to explaining why Nigeria's vast human potential remains largely untapped – and why carving out an honest living in its slums is an arduous task.

In a good week, he makes $30 buying books wholesale and selling them on, twice what the UN reckons is the maximum income of four-fifths of Nigeria's 150m people.

Though they may seem modest, Mr Ihuoma's achievements are almost worthy of his given name.

Credit is prohibitively expensive and electricity scarce. In urban areas, about half of 15 to 25-year-olds are unemployed. The police are more likely to extort than protect. Babatunde Fashola, Lagos state's much-praised governor, has instilled a sense of civic pride but he can do little to address the collapse of education.

Initially funded with thousands of dollars of the entrepreneur founders' own money, the Ajegunle scheme, run by a group called Paradigm Initiative Nigeria, has produced 108 graduates since 2007.

They, in turn, have trained 255 more under a stipulation that each must pass on the skills he or she acquires.

"We are taught entrepreneurship," says Mr Ihuoma, one of the first to complete the six-week course. "We are doing business in our area of passion. You must start from the foundation, the business plan. Then you have to meet people. You have to convince them that they need what you are selling."

Only those who have completed high school but whose parents cannot afford to fund further study may apply, though they must find a small fee to demonstrate that they are serious. The youngsters are trained to use computers to perform basic accounting and planning but also guided in how to put business ideas into practice.

"The whole idea is to change Ajegunle 25 people at a time," says Ugochukwu Nwosu, one of the founders of the training scheme, of a slum where only a handful of footballers and musicians can hope to escape the daily miseries of poverty.

> Only a handful of footballers and musicians can hope to escape the daily miseries of poverty in Ajegunle

The scheme's organisers are aware that some enterprising young Nigerians have become infamous for using their computer skills for very different purposes.

Indeed, the project's first lessons three years ago were conducted in an internet café whose customers had been hounded out by authorities pursuing the online confidence tricksters whose global reach has made them, after oil, Nigeria's best-known export.

So-called "419" scammers, named after the article in the penal code forbidding fraud, send out millions of e-mails seeking to snare gullible westerners with the promise of untold riches should they part with some cash up front.

One of the more imaginative pitches ostensibly comes from the wife of a fictional Nigerian astronaut secretly blasted into space by the Russians in 1979. Stranded there by the collapse of the Soviet Union, he amassed a salary worth $15m – which he would gladly share with anyone prepared to chip in to help retrieve him from orbit.

One scammer, who asks not to be named even though he recently got out of the game, launched his hoaxing career five years ago while a student. He made up to $25,000 a month – an amount it would take Mr Ihuoma 70 years to earn.

"The money just came in, you didn't have to work that hard," the former scammer says. "You just see your friends doing it, buying cards, buying champagne, looking good. That was my aim: to be somebody."

Back in the sweltering hubbub of an Ajegunle afternoon, Mr Ihuoma's cohorts lay out their business plans, which range from a knitwear venture to supplying doughnuts to schools.

Adefunke Alao, 21, has made a more than 2,000 per cent return in the two years since she borrowed a handful of naira to set up a roadside phone booth – despite the initial setback of having all her equipment stolen. Recently she took her first flight, to attend an e-learning event in Zambia.

The project's architects are attracting more funding and hope to set up 10 replica schemes elsewhere in the country over the next five years.

Its graduates are unlikely to join the elite Nigerians in the bars of Lagos' wealthy islands whose bottles of vintage bubbly come topped with lit sparklers. But neither do they seem to want to.

"We are not just teaching them computers," says Mr Nwosu. "We are teaching them that there's more to life than quick money."

The new middle class is in manufacturers' sights

New consumers

Simon Mundy reports on the habits of the upwardly mobile

Dangote, Nigeria's biggest conglomerate, is best known for its interests in such industries as cement production and sugar refining. But the launch late last year of its instant noodles division, with targeted annual production of 63m cartons, reflected the changing face of the Nigerian consumer market.

"Noodles were a foreign concept in the 1990s, but we're now looking at penetration of almost 60 per cent of households," says Aggrey Maposa, of Lagos-based Research Market Services.

The past few years have seen an increase in sales of products traditionally considered luxuries, he adds, as companies targeted the growing disposable income among "the upper levels of the lower classes".

How soon that trend will result in a flourishing, discernible middle class is open to question.

The United Nations Development Programme said last year that Nigeria was "among the most unequal countries in the world", with an economy still broadly characterised as being starkly divided between a small, wealthy elite and a majority surviving on less than $2 a day.

"The middle class was eliminated during the time when we had the military in power [most of the period between 1966 and 1999]," says Dan Esiekpe, managing director of IMS Advertising.

"They created a new class of super-rich Nigerians, and most other people were super-poor," he adds.

Since then, however, growing numbers of the latter group have begun to climb the economic ladder.

The arrival of democracy in 1999 came near the beginning of a sustained period of strong oil revenues, which – combined with economic liberalisation – brought more Nigerians into the formal economy.

Thousands of jobs were created in telecommunications by the rapid take-off of mobile phones, while the growth of the financial sector and associated business services helped to create a growing class of affluent young professionals.

The expansion of consumer credit also played a role.

Reforms introduced by Chukwuma Soludo, the former central bank governor, encouraged a race for size among Nigeria's lenders in the few years after 2005, stimulating forays into consumer credit.

Upwardly mobile young Nigerians began securing loans to buy cars, homes and expensive household goods, while uptake of credit cards surged.

But last year's financial crisis, which revealed about $10bn of bad loans at banks, brought a reduction in their appetite for lending to individuals.

That has helped to put a temporary brake on the emergence of the Nigerian middle class, Mr Esiekpe says.

Yet the hunger for consumption remains, particularly where prestigious brands are concerned: "In Nigeria consumer behaviour is dominated not by need but by ego," he says. This helps to explain the dominance of Benson & Hedges over many cheaper brands in the local tobacco market, for example.

> There has been an increase in sales of products traditionally considered luxuries

It is also a factor behind a revival for supermarkets. "Nigeria is obviously the country we think gives the best opportunity," says Whitey Basson, chief executive of South African supermarket company, Shoprite.

South Africa's Shoprite has opened two stores in Nigeria

Shoprite opened its second Nigerian store in June, and will have another two in the country by the end of next year.

Spar, the world's biggest food retailer, opened a flagship store in Lagos in August and may expand to other cities, including Abuja and Port Harcourt.

Meanwhile foreign manufacturers, including PZ Cussons, the British food and consumer goods company that names Nigeria as its biggest market, have steadily rolled out new ranges to meet the changing patterns of consumer spending.

Nigerian companies have been no less keen to take advantage of the changes in consumer spending.

Larry Ettah, chief executive of the conglomerate UAC, says the company has changed some product offerings to cater for the nascent middle class, whereas, formerly, they were aimed at the rich.

The company's fast food chains are set for a healthy few years, he adds, as busy professionals opt for takeaways thanks to "the exigencies of Lagos traffic". The company is also targeting fruit juice and mineral water to cater to increasingly discerning tastes.

Afeez Ajibowu, a sales director for SC Johnson in Lagos, says the US company is seeing strong demand for its household cleaning products, another middle-class staple.

But he is dubious about the likelihood of Nigeria's economy departing from its "pyramid-shaped" model while electricity constraints continue to hamper manufacturing.

In the meantime, many potential members of the middle class will be lost to emigration.

"A lot of people with a good job and a small family don't see a future for themselves in Nigeria," Mr Ajibowu says.

"When 20 people come to your office looking for jobs, and you have to turn them away because there aren't any, you're thinking of your children."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