Investing in Nigeria

Monday May 5 2014

www.ft.com/reports | @ftreports

Strife casts shadow on progress

A growing economy sits uneasily next to poverty and division, writes *William Wallis*

Nigeria has often come with superlatives attached. At independence in 1960, it was said to be the African superpower in waiting. After civil war and years of military misrule had turned that hope on its head, Russian diplomats posted to Lagos were still describing Nigeria as "Africa plus something".

By dint of its large population (now 170m), its oil wealth, its pool of talent, diversity and sheer volubility, the scale of Nigeria – and its problems – have tended to loom large relative to its continental peers. So, when Africa's most populous nation and top oil producer vaulted past South Africa to become the continent's largest economy last month, it was both in character – and in spite of it.

The national conversation sparked by this newfound status – the result of an IMF-endorsed review of outdated statistics – has been correspondingly ambivalent. Any triumphalism was cut short by a wave of commentary pointing to the glaring anomalies – chronic power shortages, inequality, worsening graft and violence – that have accompanied economic expansion and strained the federation.

As if to underline the point, on April 14 a bomb attack by Islamist insurgents more often confined to the impoverished northeast, struck the capital, Abuja, claiming 76 lives.

The five-year-old insurgency waged by the sect known as Boko Haram has fed into a political discourse increasingly polarised along religious and ethnic lines in the run-up to scheduled 2015 elections, when the ruling People's Democratic party potentially faces the most organised challenge since the military handed power back to civilians in 1999.

Protest: former Nigerian education minister Obiageli Ezekwesilieze leads a march in response to the mass kidnapping AFP

Rabi'u Musa Kwankwaso, opposition governor of populous Kano state, says: "There is no food, no electricity, no security and there is poverty everywhere. You cannot talk of economic development where people are killed daily . . . Without peace, I am sure our economy cannot be the biggest in Africa."

The new figures value 2013 GDP at \$510bn, nearly twice previous estimates for the year, \$160bn ahead of South Africa (which has a population more than three times smaller), and on a par with Poland. It puts Nigeria in reach of becoming one of the world's top 20 economies by 2020.

The review also provides a more accurate picture of the extent of non-oil growth. The share of services, for example, went up 240 per cent on previous figures based on 1990 prices and economic activity. Oil, on which the state depends for most of its finances, and agriculture, the biggest employer, went down. Perhaps the biggest surprise was the multibillion-dollar scale of the film industry, known as Nollywood, which is at the forefront of a cultural renaissance that has spawned a thriving regional market for entertainment and the arts.

"The revision will have a psychological impact. It underlines to foreign investors that this country has a large consumer base," Ngozi Okonjo-Iweala, the combative minister for economy and finance, told the FT.

But she recognises that the spoils of growth have been split unevenly, and that to make inroads into unemployment and poverty – in which more than 60 per cent of Nigerians live – there is much to do.

Savvy investors have long known that official statistics underestimated the economy's size. Those who have bet on the banking sector since it emerged from state control in the 1990s, or on mobile telecoms following liberalisation in 2001, have made fortunes as a result.

As the scale of pent-up demand for goods and services has become clearer, wealthier Nigerians have been investing more in the economy. Africa's richest man, Aliko Dangote, whose \$23bn-plus industrial conglomerate produces cement, flour and sugar, is one of many emerging, homegrown billionaires. His latest plan involves the construction of a \$9bn oil refinery, fertiliser and petrochemical plant.

For all its infrastructural shortfalls, Nigeria is also the top destination for foreign direct investment in Africa, with inflows no longer just concentrated in the oil and gas industry.

Multinational consumer goods companies such as Nestlé, Heineken, SABMiller and Unilever are pouring in millions of dollars to expand production. They are joined by newcomers

Continued on Page 2

Inside

Inequality remains in the continent's top economy

Challenge: Ngozi Okonjo-Iweala, economy and finance minister, says the quality of growth must change Bloomberg

Economy Revised data reveal a country that is struggling to come to grips with rapid growth and widespread poverty, reports *Javier Blas*

After it overhauled its economic statistics for the first time in decades, Nigeria this year announced that it had overtaken South Africa to become the continent's largest economy. Government officials rejoiced and foreign investors celebrated.

The revision brings Nigeria significantly closer to its objective of joining the world's top-20 nations by 2020, overtaking other emerging nations in Asia and Latin America.

Nigerian gross domestic product for 2013 was recalculated at $510bn, a hefty 89 per cent more than previously stated, and well above South Africa's $350bn.

The new estimates were made by updating the base year for calculations to 2010 from 1991, when booming sectors in Nigeria such as the mobile phone industry, the banking sector and the "Nollywood" film industry were in their infancy.

But within weeks, the reality of poverty and inequality was kicking in: the local branches of Unilever, Heineken and Cadbury – seen as barometers of consumption – reported surprisingly large double-digit falls in profitability for the first quarter of the year, a sign that the much-hyped nascent middle class is struggling.

Nigeria's economy may be far larger than thought, but that does not make it immediately better. That is a paradox of which government officials are well aware.

"The quality of growth needs to change," says Ngozi Okonjo-Iweala, the minister for economy and finance. "We need to grow faster in the right sectors, including agriculture and manufacturing."

For several years, the International Monetary Fund has been warning the country about the problem, saying in its latest report on Nigeria that "despite strong growth in recent years, key social indicators remain below average for sub-Saharan Africa".

The new economic figures have lifted Nigeria's GDP per capita substantially, to $2,689, up from a previous estimate of $1,555. But the recalculation will not put more money in the pockets of the average man and woman in Nigeria, where more than 60 per cent live in severe poverty.

On the contrary, they could reinforce perceptions of marginalisation in a country in which a crop of multimillionaires and billionaires has emerged and private jets clog the tarmac.

Razia Khan, chief economist for Africa at Standard Chartered Bank, says the new figures confirm that income inequality is higher, "which risks adding to perceptions of political risk". She adds: "The pressure on the authorities to create some sort of social safety net in response will be significant."

Ms Okonjo-Iweala, a former senior official at the World Bank, says the country would need to grow even faster than during the previous decade, when it averaged 7 per cent, to reduce rampant inequality and generate enough jobs. "We need to grow faster, as China did – faster than 7 per cent," she says. "The biggest safety net is to have a job. But we need social protection programmes too."

The IMF forecasts that Nigeria will grow this year at a rate of 7.3 per cent, up from 6.4 per cent in 2013, "driven partly by a rebound in oil production, and supported by positive effects of reforms in power and higher agriculture production".

But analysts in the private sector are taking a more cautious view, projecting growth of 6-7 per cent. Ironically, the 2015 election could provide a short-term boost, as public spending usually increases as the ballot date approaches. Ms Okonjo-Iweala is, however, adamant that she will keep a tight leash on the public purse. "We have tightened the belt and I have the backing of the president."

But she acknowledges that the excess crude account, which Nigeria uses to save extra oil revenues, has been drawn down significantly over the past 12 months, dropping to less than $3bn at the end of 2013, down from $11bn in 2012. She attributes the drop to lower oil production because of theft, but critics also say it is related to billions of dollars of unaccounted oil revenues.

The IMF forecasts that the country's fiscal deficit will drop from 4.9 per cent in 2013 to 1.9 per cent this year. Still, Nigeria is still far from the big fiscal surpluses it enjoyed for most of the 2000-08 period, when oil production was higher.

Nigeria's fiscal troubles have another – and more challenging – source than volatile oil revenues: a very small tax base, even by the standards of Africa.

Before the rebasing, Nigeria's ratio of tax revenues to GDP of about 20 per cent was within the range for an emerging country. "We are not looking so good now," says Ms Okonjo-Iweala.

The new figures put tax revenues to GDP at a mere 12 per cent. Excluding tax and royalties from the petroleum and natural gas sector, the ratio is even worse, with non-oil tax revenues to GDP at a meagre 4 per cent. Nigeria is bringing in external advisers to help it broaden the tax base and improve collection, in an effort to mimic the success of South Africa.

Inflation, the Achilles heel of macroeconomic policy in the 1980s and 1990s, when it hit annual rates above 70 per cent, remains under control, within the target of 6-9 per cent.

Strife casts a long shadow over country's progress

Continued from Page 1

such as Procter & Gamble and Nissan, investing in manufacturing and assembly plants, and General Electric in power.

The statistics, however, also support the views of those who argue their country urgently needs fixing.

As many sceptics on social media have said, Nigeria is now a $510bn economy whose entire national grid delivers about as much electricity as the tiny Gulf state of Qatar; whose roads and ports are chronically clogged; and whose public education and health services are poor.

Moreover, growth has been concentrated in pockets of relative affluence in the south and centre, while the predominately Muslim north has been left behind.

Fix all, or some, of these problems and it is not difficult to imagine the economy doubling in size again.

In recognition of the broken nature of the social contract between the rulers and the ruled, the government has convened a national conference.

Atedo Peterside, a former top banker and delegate from the oil-producing Niger delta, says: "In any nation, if you agree you have serious problems, you can meet and talk and resolve them . . . Or you can fight as Boko Haram would have us do. Or you can do nothing. You need to let people air their grievances. If you don't, you get a dangerous mix."

Still chief among obstacles to a broader-based transformation is the state itself, weakened by past military mismanagement and becoming increasingly expensive under civilians. Salaries and other recurrent expenditure soak up more than two-thirds of a budget 70 per cent dependent on mysteriously falling oil revenues. Non-oil tax revenue is 4.5 per cent of GDP.

Months after the internationally respected Central Bank governor, Lamido Sanusi, was suspended after exposing a multibillion dollar hole in the oil accounts, President Goodluck Jonathan's administration is still unable to answer whether $3bn, $10bn or $20bn is missing. The forensic audit he promised has yet to begin.

Babatunde Fashola, who as opposition governor of

Atedo Peterside: 'You need to let people express hot air'

Lagos State has presided over an effective administration that has begun to transform the commercial capital, has implored the federal government to find money and invest it in energy.

"Nigeria needs just two things, leadership and power," says an elderly supporter of Mr Fashola, reflecting a popular view.

Mr Jonathan, who became president after the death of his predecessor in office in 2010, is expected to seek a second term. He has sought to address the electricity shortfalls that have long stunted development with an ambitious privatisation programme.

This has seen billions of dollars of state assets transferred into private hands. But it is unlikely to deliver significant improvements quickly.

Meanwhile, Mr Jonathan is under attack on most other fronts, against the backdrop of a no-holds barred political contest.

"We know we will enter rough weather," Mr Dangote said about 2015 polls. "But it's like flying: we also know we will come out on the other side." However, he is acutely aware that for a nation of 170m there are still too few winners and too many losers.

Jim O'Neill, former chairman of Goldman Sachs Asset Management, famous for coining the Bric acronym for the economies of Brazil, Russia, India and China, has bet on Nigeria as being one of a new class of emerging economies, Mint: Mexico, Indonesia, Nigeria and Turkey. His optimism, however, has caveats. "For Nigeria to be truly successful, it has to be way more inclusive," he says. "It needs a more demanding level of governance or the demographics will be a burden."

Frustrated by the venality of their ruling class, social media commentators have taken to quoting Hillary Rodham Clinton, the former US secretary of state: "A politician thinks about the next election, while the statesman thinks about the next generation."

If Nigerians appear more concerned with the direction their country is travelling in than with celebrating the distance it has come, it is partly because their politicians are more preoccupied with the polls.

Contributors »

Javier Blas
Africa editor

William Wallis
Africa affairs writer

Shawn Donnan
World trade editor

Christopher Thompson
Capital markets correspondent

Abigail Fielding-Smith
Freelance journalist

Tolu Ogunlesi
Freelance journalist

Commissioning editor
Ian Moss

Andy Mears
Picture editor

Steven Bird
Designer

For advertising details, contact: **Mark Carwardine** +44 (0) 20 7873 4880, email: mark.carwardine@ft.com; or **Larry Kenney** +44 (0)20 7873 4835, email: larry.kenney@ft.com, or your usual FT representative.

All FT Reports are available on FT.com at ft.com/reports

Follow us on Twitter at: **@ftreports**

Fear that youth unemployment will foment unrest

Demographics

Growing population can be an asset or liability, writes *Abigail Fielding-Smith*

In a scruffy street in the Falomo area of Lagos, two versions of the Nigerian economy confront each other.

On one side, stands the local headquarters of South African telecoms company MTN, the most powerful representative of a sector found in the recent GDP rebasing to have contributed 9 per cent to Nigeria's newly enlarged economy.

On the other side, a notice on behalf of the roughly 40 per cent of young people estimated to be in need of employment has been stencilled on the wall: "Falomo youth excellent and well-trained."

The juxtaposition highlights the paradox of the Nigerian economy. At about 170m, the population is large and growing at 2.4 per cent a year, making it attractive to international investors, especially in the telecoms and consumer industry sectors.

But telecoms is capital- rather than labour-intensive, and there are not enough jobs being created for the roughly 2m entering the labour force each year. Many see a connection between youth unemployment and the growth of Islamist militancy in the north of the country and fear more turmoil if this is not addressed.

"If you get the demographic issue wrong, you will have a whole generation that has lost confidence in the notion of Nigeria," says Doyin Salami, a Lagos Business School professor.

A 2010 World Bank report labelled Nigeria's growing youth unemployment a crisis, warning that, unless the obstacles to growth in job-intensive industries were removed, "it is unlikely that these trends will be reversed, further exacerbating tensions and youth unrest".

A Harvard University report from the same year went further, saying that Nigeria was balanced on a "knife edge" between reaping a demographic dividend and courting conflict.

The problem lies not only in the economy failing to generate enough jobs for people, but young people not having the right skills to do the jobs that are available.

Harnessing potential: with 60 per cent of the population in poverty, students at the Eko Akete grammar in Lagos make the most of their opportunity Andrew Eisiebo

Prof Salami says "There's a fundamental contradiction. You've got high unemployment coexisting with significant labour force shortages. Those who are skilled command international salaries. And those who are not, you wouldn't hire because they are not fit for purpose."

Seni Adetu, chief executive of Guinness Nigeria, complains that, in spite of the size of the labour force, it is a challenge to recruit sufficiently skilled workers.

The Lagos state government estimates that the city's population grows by 600,000 a year, and that average class sizes in the city are 55-60.

About 40 per cent of Nigeria's children do not attend primary school at all, according to Unicef, with the figure higher in the underdeveloped north.

Tope Ogundipe is on the front line of the problem in the Lagos slum of Ajegunle. She works for an NGO called the Paradigm Initiative that provides training in ICT, entrepreneurship and life skills to about 60 young people a year from the area.

The students who come to them, says Ms Ogundipe, are woefully underequipped. "The state schools give close to nothing. I'm talking about basic literacy, ability to think and do something on your own," she says. According to an article produced by the Brookings Institution think-tank in the US, 44 per cent of Nigerian children who have completed primary school cannot read a full sentence.

> 44 per cent of children who complete primary school cannot read a full sentence

Experts say the problem is not just the overloading of school capacity but also the lack of a rigorous educational system and able teachers. According to a widely cited story in local media last year, one state made its teachers take basic numeracy and literacy tests – most failed.

But the relentless optimism of the beneficiaries of the Paradigm Initiative's training offers a poignant reminder of how much potential exists in Nigeria's young population when given a modicum of support.

Joshua Nwosu, 20, was not only unemployed when he started the ICT course with them – he had never used a computer. He was immediately interested in designing programmes, and now earns up to N12,000 ($75) a day for occasional commissions to produce flyers and posters.

"Even if there's no job, you can create one for yourself," he says.

Economists say the services sector alone cannot create the number of jobs needed. Prof Salami says that as well as educational reforms, the government must invest in rail infrastructure to allow industry to grow and connect with the agricultural sector. The Brookings Institution article points out that education is also entwined with poverty (estimated to affect 60 per cent), as many poor families feel they cannot afford to send their children to school.

At a recent economic summit, President Goodluck Jonathan acknowledged the need for reform of the education system, identifying quality, access and equality as strategic goals.

However, Philip Walker, Africa editor at the Economist Intelligence Unit, sounds a pessimistic note about the likelihood of the government addressing the structural problems causing unemployment. "Unemployment and youth unemployment are going to remain a problem and potential source of instability," he says

Prof Salami on the other hand declares himself ultimately optimistic.

"We don't have a choice," he says. "If we allow it to become a disaster, the implications are simply too horrid to contemplate."

Ruling classes' point-scoring obscures the bigger picture

Politics Islamic insurgents and regional power play undermine stability, says *William Wallis*

Grim reality: the threat from Boko Haram dominates the political landscape AP

Within 24 hours of a deadly bomb attack on a bus station in Abuja, and on the same day as the shocking abduction of about 200 schoolgirls by Islamist insurgents, President Goodluck Jonathan was dancing at a political gathering.

The event in the northern city of Kano was a welcome party for the former governor of the state who had joined the ruling People's Democratic Party in a tit-for-tat move after his successor crossed the floor in the other direction, to join the opposition.

Mr Jonathan's cheerful mood, captured by the media, was a public relations blunder – any capital gained from the co-option of a big-hitting politician was cancelled by the charges of callousness in the face of national calamity that followed.

The controversy was also emblematic of the times.

The Boko Haram militant group has been fighting since 2009 from its redoubt in the impoverished northeast to impose Islamic law in parts of Nigeria's multi-ethnic and religiously divided federation. The worsening conflict has become a political football with the ruling and opposition parties trading increasingly inflammatory accusations over who is to blame.

Neither the PDP, nor its opponents, appear to have a pause button as political point-scoring takes precedence over national unity in the run-up to 2015 elections, shaping up to be the most closely contested – and many analysts fear violent – since the military handed power back to civilians in 1999. This follows a pattern that has developed since then, says Chika Mordi, a former banker who returned to Nigeria to head an investment council to push the country up global rankings for competitiveness.

"In the build-up to every election there is a consistent narrative about the country about to implode – in 2003, in 2007. The country has not imploded. We will still stand," he said, speaking before the bomb attack on the capital. "The perception is worse than the reality. The perception (within Nigeria) is even worse."

He argues that in this blame-game the presidency tends to absorb the brunt of criticism with state governors, the senate and national assembly – which blocked the passage of the 2014 budget until late last month – mostly getting a free pass.

Nevertheless the peculiarities of the forthcoming contest have also raised the volume of the debate – and the associated ethnic and religious chauvinism – to a level that some leading business people find more worrying than usual. "This is the worst time. I have never been so worried," says one business figure.

The background is one of regional power play. Mr Jonathan, a southern Christian, came to office accidentally when he rose from the position of vice-president after the death in 2010 of his predecessor, Umaru Yar'Adua, who hailed from the predominately Muslim north. Those circumstances disrupted the "zoning" principle of the ruling party, which says that the all-powerful presidency should rotate between the mainly Christian south and Muslim north every two terms – a policy introduced to reduce tensions.

Mr Yar'Adua's death – during his first term – cut short the north's turn after eight previous years of rule by Olusegun Obasanjo who hails from the southwest.

But Mr Jonathan's ascendancy also delivered power for the first time to someone from the historically marginalised Niger delta, where militants had been up in arms for more than a decade in a bid to secure a fairer share of the oil wealth from their region. The power shift along with an amnesty for militants helped to quell that rebellion.

"It has significantly cemented our presence at the centre. Before, we looked at Nigeria as us versus Nigeria. Now it is all about business interests and dealings. Interests are so woven together," says a close ally of the president, also an ethnic Ijaw from the delta region. Yet the prospect of the presidency remaining in southern Christian hands has in parallel fuelled growing disaffection in the north, which has gained the least from liberal economic reforms and has experienced economic decline in tandem with the declining fortunes of its political elites.

"What can make the delta blow up again is if people bully the president not to run and it becomes obvious he was bullied," says a senior adviser to the president, who recognises that another victory by Mr Jonathan could in turn inflame parts of the north. In response to this conundrum, and in a bid to take advantage of popular fatigue with the ruling PDP, the opposition groupings formed around regional blocks in the north, and Yoruba-speaking southwest, have formed a coalition.

In selecting their own candidate for the presidential polls, they now have the delicate task of balancing the equation in an effort to capitalise on regional sentiment – in all likelihood by selecting a northern Muslim candidate – while accommodating the many competing egos in the party vying for top slots.

This process falls to a backdrop of political defections, with representatives of both sides repositioning themselves in anticipation of the poll.

The initial effect, after 37 national assembly members, as well as a smaller number of senators, and state governors crossed the floor, was to weaken the ruling party, and give momentum to the opposition All Progressive's Congress (APC).

> 'What can make the delta blow up again is if people bully the president'

A reverse flow, as well as a court judgment preventing assembly members from changing colours, has halted that. Some of Mr Jonathan's advisers believe the net effect is now neutral, while his own position within the ruling party has been consolidated by the departure of his strongest opponents from within.

That the contest is over control of resources rather than over the capacity of one side or the other to deliver improved livelihoods and national security, is only thinly disguised.

Politicians bicker while Islamist conflict claims thousands of lives

Boko Haram

Youth seeks answers in sticks and phones, as strife continues, says *Tolu Ogunlesi*

The bombs went off just before 7am on April 14 at the bustling bus station in Nyanya, one of the suburbs of Abuja, Nigeria's capital.

The explosions were clearly timed for rush hour and by the time the dust and smoke cleared, more than 70 people lay dead. No one has yet claimed responsibility, but analysts say the terror attack bore the hallmark of Boko Haram, which launched an insurgency in 2009, seeking to establish an Islamic state ruled by sharia law.

Between 2010 and 2012, Abuja saw more violence, with militants hitting targets ranging from the This Day newspaper office to the police headquarters and the UN building.

The bombings pushed the government to increase security around the city. Military checkpoints and roadblocks were set up, and the military were sent to Borno State, Boko Haram's heartland.

Ryan Cummings, chief security analyst covering Africa for red24, a Johannesburg-based risk management consultancy, says the government's counteroffensive succeeded in unsteadying the ranks of Boko Haram and largely restricted its activities to the northeast.

"For much of 2013, there was a discernible shift in Boko Haram attacks. Instead of hitting fortified targets, the sect chose softer civilian interests where resistance would be minimal," Mr Cummings says.

In a television interview in February, President Goodluck Jonathan boasted that his government had succeeded in pushing the insurgency to the "fringes" of the northeast.

Signs this was a boast too soon had already started to emerge at the end of 2013. In December, Boko Haram struck, at various times, the air force base in Maiduguri, capital of Borno, and a military barracks in Bama town, 70km southeast of Maiduguri. On March 24, the group launched an even more audacious assault than the one on the air force base, this time on the Giwa military barracks in Maiduguri.

Amnesty International says Boko Haram attacks and reprisals by the security forces have killed more than 1,500 people in the first three months of 2014. This accounts for more than a third of the 4,000 victims estimated by the Council on Foreign Relations, a US-based think-tank, to have been killed in the conflict since President Jonathan took office in May 2011.

> 'We saw the signals of Boko Haram but we were too preoccupied with politics to take note'

Days after the Giwa barracks attack, Boko Haram leader Abubakar Shekau, who has a $7m US bounty on his head, claimed responsibility and, in a demonstration of rising confidence, directed members to escalate the terror campaign by moving south against Abuja, and even the coastal cities of Port Harcourt and Lagos.

Three weeks later, the attack on the bus station at Nyanya took place.

"Terror will not stop this country from moving forward," the president declared in the wake of the Nyanya bombing.

A year ago he placed the three northern states most affected – Borno, Yobe and Adamawa – under a state of emergency. A month ago, however, Sambo Dasuki, the president's national security adviser, announced a "soft approach" counterterrorism strategy that newspaper columnist Waziri Adio described then as "coming many years late, [but] commendable and reassuring all the same".

There is also the Federal Initiative for the North East, billed as a Marshall Plan for the blighted region. But its budget – half of what the government will spend on hosting the World Economic Forum this week – has led the All Progressives Congress (APC), an opposition alliance, to dismiss it as "a joke".

The APC – which is the ruling party in Borno, Yobe and Adamawa – has itself been drawn into the crisis, with the government accusing it of pushing an Islamist agenda, and of encouraging the terrorist attacks.

The bickering among politicians is not unexpected, especially with the 2015 elections looming.

"We saw the signals of Boko Haram many years ago, but we were too preoccupied with politics to take note," charged Matthew Kukah, the outspoken Catholic Bishop of Sokoto in the northwest, in a University of Nigeria convocation lecture delivered in March.

Young Nigerians, perhaps frustrated by the antics of their politicians, are taking matters into their own hands.

In Maiduguri, bands of youths have formed themselves into a vigilante group, the Civilian Joint Task Force, which collaborates with the military.

Across the country, those who cannot take up sticks and guns have taken to their computers and smartphones.

The kidnapping of more than 200 schoolgirls hours after the Nyanya bombing led youth advocacy group 'Enough is Enough Nigeria' to start a Twitter campaign – #CitizensSolutionToEndTerrorism – to crowdsource ideas to defeat Boko Haram.

There's also a Testimonial Archive Project run by a young Nigerian, who wishes to remain anonymous but interviews residents of Borno and Yobe states – the people most affected by Boko Haram – and then uploads their witness accounts to the internet.

There are countless harrowing stories to be told. And Boko Haram does not have a monopoly on aggression. Human rights activists say the military's heavy-handed tactics are also a problem, and blame the army for a spate of extrajudicial killings they insist are alienating the population.

The struggle against terror is a daunting task.

The enemy, which has no clear structure or command, is an endlessly mutating one.

The International Crisis Group, a conflict prevention and resolution body, says there are as many as six factions of Boko Haram, operating independently and using different tactics.

The battle terrain favours all of them.

The northeast is a vast region, full of mountain ranges and forests, where Boko Haram hides out, and endless miles of unpoliced borders.

Matthew Kukah, Bishop of Sokoto

United Bank for Africa:
FINANCING AFRICA'S RENAISSANCE

United Bank for Africa (UBA) Plc is one of the leading banks in Africa with operations in 19 African countries and 3 global financial centers in New York, London and Paris.

From a single country operation founded in Nigeria, Africa's largest economy, UBA has over the years built a strong pan-African corporate and retail network, offering banking and other financial services to over seven million customers across the continent. The bank's remarkable African foot prints makes it the bank of choice for Africans and African businesses as well as players in the global and other emerging markets seeking to do business on the African continent.

UBA distinguishes itself in the marketplace by combining its unique knowledge of the African business terrain with the highest levels of professionalism, best in class processes and excellent customer service delivered in timely and consistent manner.

As a global organization, UBA has been able to build a team of highly motivated, multi-cultural, multi-lingual and highly diverse staff who reflect the richness and diversity of the 22 countries in which the UBA Group operates. The bank is one of the largest employers of labor on the continent.

UBA is passionate about the development of the African continent and, through a deliberate strategy, has continued to finance the development of the critical sectors of the African economy, especially the growth sectors like agriculture, power, telecoms as well as oil and gas.

With an average of 7% of its loan portfolio to the agricultural sector, the bank is the biggest financier of the sector in Nigeria, where UBA plays across all segments of the agro-allied products value chain.

UBA Group has been part of numerous infrastructural deals and played leading roles in several privatization initiatives in the power, mining and other sectors, across the continent.

In Africa's fast growing telecommunication sector, UBA has also been very active, providing credit facilities to key players. The bank's loan book, which stands over N1 trillion, with non-performing loans accounting for just 1.19% of it, is a testimony to a highly disciplined lending culture.

UBA is at the forefront of financial innovation and economic integration across the continent offering cutting edge retail and e-banking services to Africa's fast growing banking population. UBA's distribution platform is built around a dynamic retail banking network of 700 business offices across Africa as well as Automated Teller Machines (ATMs) and Point of Sale Machines (PoS).

This robust structure is supported by partnerships with both international and local card issuers including MasterCard® and Visa to ensure that UBA customers have access to their money no matter their location in the world. The bank also issues local payment cards like Verve, in Nigeria and Africard across Africa and in addition, provides both internet and mobile banking services on highly robust and secured banking platforms. UBA's e-banking products ride on the latest banking technology backed by world class security system to provide convenient banking services and protection to the bank's customers.

The UBA Group and its subsidiaries have won several awards and recognition across the continent over the years. UBA Senegal, Cameroon, Burkina Faso, Liberia have all been named top banks in their countries by different respected magazines, including The Banker and Global Finance Magazine, showing the significant roles these subsidiaries are playing in the economy of their respective countries.

As Africa's global bank, UBA is committed to being a socially responsible bank and role model for all businesses in Africa, establishing UBA Foundation as its Corporate Social Responsibility arm. UBA Foundation is committed to the socio-economic development of the communities in which the bank operates, focusing on development in the areas of Environment, Education and Economic Empowerment.

UBA takes pride in its African heritage and deep, unrivalled understanding of the African business terrain. The bank offers stakeholders seeking to tap into Africa's huge potential, a credible platform to realize their ambitions in the most promising continent in the world.

Group CEO UBA, Phillips Oduoza

AWARDS AND RECOGNITION

GROUP

The Banker — Bank of the Year 2012 — AFRICA

- Bank of the Year Africa (2012)
- *The Banker Magazine*

SUBSIDIARIES

The Banker — Bank of the Year 2012 — SENEGAL; The Banker — Bank of the Year 2013 — SENEGAL

- Bank of the Year in Senegal (2012, 2013)
- *The Banker Magazine*

The Banker — Bank of the Year 2012 — CAMEROON

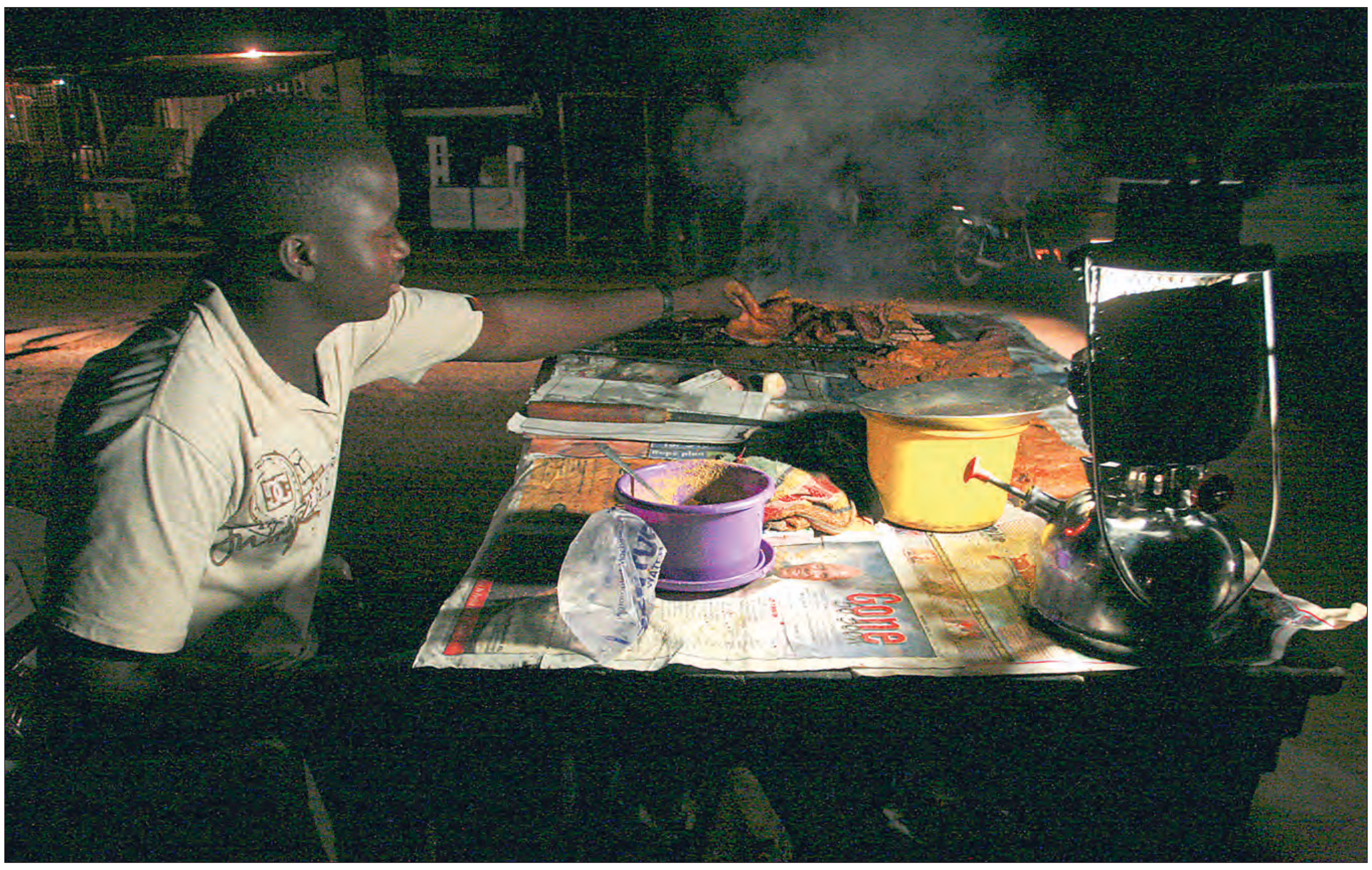
- Bank of the Year in Cameroon (2012)
- *The Banker Magazine*

BEST EMERGING MARKETS BANK • 2014 — GLOBAL FINANCE

- Best Emerging Markets Bank in Cameroon (2014) - *Global Finance*
- Best Emerging Markets Bank in Senegal (2014) - *Global Finance*
- Best Emerging Markets Bank in Burkina Faso (2014) - *Global Finance*

Privatisation shines a light on a route out of the dark age

Power *Christopher Thompson* reports on attempts to resuscitate the electricity sector



In the dark: chronic under-investment in power infrastructure means power cuts have persisted in the face of massive gas reserves Reuters

When David Ladipo left a successful management consultancy in London he did not think that he would be writing the 'How To Do . . .' guide for project finance in Nigeria half a decade later.

The managing director of Azura Power is about to do just that – with his company now poised to build a power plant from scratch following the country's first wave of electricity sector privatisation.

"I'm looking forward to writing the manual. When we are finished we will open up all our intellectual property to make the power station building process as 'cookie-cutter' as possible for other projects," he said. "There is a bottomless pit of demand for power here."

National electricity generation of about 4,000MW has remained constant for many years but per capita generation has declined as the population has grown.

In 2011, according to data published by the World Bank, the average Nigerian consumed 149 kilowatt hours, less than half the amount consumed in neighbouring Ghana and a fraction of South Africa's average consumption of over 4500KWh.

As a result power generation has become a national joke – sometimes literally. The old parastatal, the National Electric Power Authority, was popularly referred to as "Never Expect Power Always".

Chronic under-investment in power infrastructure – such as transformers and distribution stations – combined with a relative lack of gas supply mean that power cuts have persisted.

With every blackout, Nigeria's towns and cities play host to a chorus of diesel-powered generators roaring in unison. To companies, the sound is a deafening reminder of the extra cost of doing business in the country.

"If power is fixed, companies' overall cost of production can come down significantly," says Herbert Wigwe, chief executive of Access Bank. "You will see double-digit economic growth in Nigeria." In the face of multiple failed attempts to resuscitate the industry, President Goodluck Jonathan launched an ambitious privatisation programme aiming to inject nearly $8bn of investment over five years.

Last year it completed the bulk of the asset sales for $2.5bn that transformed the sector's ownership previously dominated by the Power Holding Company of Nigeria to six generating companies and eleven distribution companies.

Broadly, the process was split into awarding licences to companies building new power stations and those buying existing, formerly state-owned assets.

Azura's independent power project, or IPP in industry argot, is a $700m project in Benin City in Edo state, part of the country's populous south, which will have a capacity of 450MW when it comes on grid in 2017.

> 'Lead times mean social return on investment will largely skip a generation'

Transcorp spent around $300m on the existing Ughelli plant, the largest gas-only powered station in Nigeria with a capacity of 972MW.

The positive effects are already being felt: since Transcorp took over the site in November, generation capacity has increased to 400MW from 150MW. The company projects to generate 700MW by the end of the year.

"The demand is there – industry is crying for it," says Adeoye Fadeyibi, Transcorp chief executive. "We need to move into a stable market – we are still in an interim market."

Meanwhile, the government is in the midst of completing the second plank of privatisation – selling a majority stake in 10 gas-fired power generating companies that could double current generating capacity.

So far little change has been felt by the man on the street. Two-thirds of Nigerians receive less than five hours of continuous power supply daily and 18 per cent get none at all, according to research by NOI-Polls published earlier this month.

There is a suspicion that many of the winning privatisation bids went to oligarchs connected to the political elite rather than operators with a history of technical expertise.

Operators blame the delays on the long lead times for power projects – twinned with remedying a lack of investment stretching back decades.

For example, when Transcorp was looking at the Ughelli facility it found units had been cannibalised for parts that were never replaced.

Mr Ladipo insists there has been a sea-change in public policy and enthusiasm among operators looking to establish themselves in the market, even if the consequences have yet to trickle down.

"Things are happening behind the scenes in a big way – but you're coming from a low base," he says.

Another industry participant says: "In terms of [public] policy it's like you've bought this great toy but there's no manual . . . so there is a lot of high costs trying to figure it out yourself."

Mr Ladipo is under no illusions about the task for the sector ahead.

"Our IPP is about 10 per cent of current generation – but you would still need a hundred plants of our size to get one-third of South Africa's per capita generation," he says.

"The vast scale of Nigeria's population, coupled with the long lead times for power projects, means that the social return on investment will, if we're honest, largely skip a generation."

Nevertheless, the tide has turned in favour of the private sector, which, given the state's record, can only be a good thing, argue analysts.

"It will take a while to hit [ordinary people], absolutely, and building and rehabilitating the infrastructure is key to that," says Mr Fadeyibi. "People will get happy when they see a result."

Infrastructure remains a hurdle in getting power to the people

Gas Cost of moving supplies is thorny political issue, says *William Wallis*

Liquid assets: an aerial view of the Nigeria LNG company in Bonny Reuters

The $1bn west African Gas Pipeline initiated as a project in 1982 and completed in 2007 was meant to do two things.

First it would encourage Royal Dutch Shell and Chevron to tap into a vast resource that since the onset of oil production in the 1960s has been wasted in the associated gas burning-off process known as flaring. Second, it was to provide a cheap source of energy in a region starved of electricity, by connecting Nigeria's western oil and gasfields to neighbouring Benin, Togo and Ghana.

A third byproduct was the novelty of such an infrastructural collaboration – between different states, private companies and multilateral finance institutions – and the victory this represented for regional integration.

The pipeline sputtered to delivery in 2009. But one flaw is that the first destination, before it crosses the Benin border, is Lagos – a city state that contributes about 12 per cent of Nigeria's GDP, and whose economy alone is nearly twice as large as that of Ghana by recent estimates. After meeting the demands of Lagos, there is not much left for neighbouring states. Nigeria's needs far surpass natural gas supplies.

This could be changing. But the recipe for driving the multibillion-dollar investments required has yet to be created.

Nigeria has among the largest reserves of gas in the world, but the state-owned power stations that accounted historically for the bulk of domestic demand were poor customers. When they were able to make payments, they paid fixed low prices, thereby discouraging the investment needed in infrastructure and supplies.

Private sector companies have poured billions of dollars into power stations and distribution companies over the past year as part of a programme to transfer control of electricity supplies into what the government hopes will be more efficient hands. A new generation of power stations built under state ownership, capable of nearly doubling generation capacity by 4,000MW, is due to come on stream.

These stations will more than double demand for gas. But industry officials say it could take up to four years for the infrastructure to be in place to provide the necessary gas feedstock to fire them up. For this to be viable it may in some cases require a change of government policy on pricing.

People in the energy industry describe the lack of gas supply as the biggest problem when it comes to President Goodluck Jonathan's electricity plans.

"Some of the newer power plants were built without all the necessary factors being in place, most importantly the source of gas," says Andrew Ali, chief executive of the African Finance Corporation, a multibillion-dollar fund set up in Nigeria and focused on pan-African infrastructure investments.

The government has made some concessions recently on price. In the past, power stations paid as little as $1 per million British thermal units (Mbtu) for gas – a fraction of US or European prices. With the approval of the regulator, prices can now be as high as $2 or even $2.50 Mbtu.

That limited reform was enough to spur some change. Historically in Nigeria, oil companies did not develop fields thought to contain only gas. Where the international companies have developed gas supplies it has mostly been for export as LNG (liquefied natural gas) although Shell now also supplies gas for domestic power stations.

In 2009, Seven Energy, a local company, bought a field from Shell knowing it contained no oil at all. The company started supplying gas to a power plant in Akwa Ibom state last year.

> 'The economy could be growing at 12 per cent for a decade with reliable gas feedstock'

Seven has been successful in raising international capital. Temasek, the Singaporean state-owned investment company, bought a $150m stake last month, and the International Finance Corporation, the World Bank's private-sector arm, injected $105m.

But Phillip Ihenacho, Seven's chief executive, says that for some gas-to-power projects to become commercially viable, the set price would need to nearly double again. There is the thorny political issue of how to pay for infrastructure carrying supplies much longer distances, for example to stimulate industry in the economically depressed northern states.

"The investment required on the gas side is equal to that on the power side," Mr Ihenacho says, stressing how illogical it is for a country so well endowed with natural gas to use more expensive energy.

"Nigeria is sitting on a huge gas bubble yet we are exporting gas and importing diesel – the most expensive way of generating electricity," he says.

A further complication lies with the multinationals that still control most of the oilfields where gas is abundant, but whose main concern remains to export oil.

A five-year stalemate between the companies, the legislature and the government over a new bill designed to shake up the structure of the oil industry, is also holding up prospects for gas. Some in the industry argue that for the country's potential to be fully realised will require the financial muscle of the multinationals.

"[The] economy could be growing at 12 per cent for a decade if it had a reliable gas feedstock," says a western diplomat. "There are no indigenous companies who can alone deliver the kind of resources needed."

Advertisement

A Conversation with Nigeria's Minister of Petroleum Resources

Diezani Alison-Madueke, Nigeria's Minister of Petroleum Resources, is the only woman ever to be appointed to this post. But she's no stranger to blazing trails and breaking the glass ceiling. Before joining the federal government in 2007, as the first woman transportation minister, she was Shell's first female executive director in Nigeria and today is the only female Petroleum Minister in OPEC and its Alternate President. A trained architect, she views her country's enormous oil and gas sector as a structure that must be carefully and sustainably built up to maximize its potential. And that includes a legislative overhaul of the industry, Ms Alison-Madueke tells ANF in a wide-ranging conversation. Excerpts:

Q. Minister, would you agree that you have possibly the most important portfolio in the Nigerian cabinet?

A. The oil and gas industry in Nigeria has always been at the centre stage of public discourse and this is to be expected, given that it is the mainstay of our economy in terms of export and foreign exchange earnings, that said, each of us in the cabinet view our portfolio as critical to the President's vision of national transformation.

Q. Big changes are underway in Nigeria's oil and gas sector. Can you fill us in on them?

A. We are making great strides to move the industry to the next level. We are very pleased that there has been continuous progress with a higher number of Nigerians coming into the downstream service sector of the Nigerian oil and gas industry. The result of this is Nigerians now actively participate across the entire downstream spectra, in the area's of fabrication of services and parts and this is something that has never hitherto been seen before in this country. This includes fabrication plants, pipe mills and of course various services and jobs that support, in a very critical way, the operations of the majors in the oil and gas sector. Till recently this was the exclusive preserve of subcontractors to the majors who were mostly foreign. But now, Nigerians get first consideration in most areas of the oil and gas sector. This is not to the exclusion of the foreign partners, it simply ensures that Nigerians are coming into their own.

In terms of the upstream, again, there's been a lot of support to Nigerians and indigenous companies to up the ante and actually come in and begin to take a stake. It was a major preserve of the multi-nationals, but we're beginning to see Nigerian indigenous operators and owners coming into the upstream, taking up acreages and blocks, getting transfers of knowledge and capabilities and skills and actually running these blocks. It will take some time for them to come up to peak optimization in terms of the volumes produced and the profits that they get from that, but we are seeing a much higher incidence now, supported by government, of these operators coming into their own.

Then, with the midstream, which is gas. We have been working very hard to export the idea of Nigeria as a major gas exploration and producing country and we are doing that in a number of ways. We're trying to ensure that gas becomes commercialised, that it impacts on the real sector, that it impacts the lives of the polity, and that it begins to produce much-needed jobs for our people. And to do that we're moving gas from its traditional use as fuel to feedstock, not just as fuel to power, but as feedstock to thecommercial and industrial sector. So we have, coming onstream, petrochemical plants, fertilizer plants, methanol plants, central processing facilities and LPG facilities, to ensure that we move the polity away from kerosene and firewood to much more environmentally friendly fuel in terms of LPG.

All in all, we have put together, I believe, a scenario that runs across the upstream, midstream and the downstream sectors of the oil and gas industry. This is to ensure that the oil and gas sector over the next five years or so, will optimally impact the lives of all Nigerians in a way that has never been seen before.

Q. Your government has brought in the Petroleum Industry Bill, which aims to reform and overhaul the oil and gas sector in terms of operations, policies, structures, funding, and accountability. Is this as much to do with Nigeria's image at home and abroad as the question of transparency?

A. In this particular Bill we have taken great pains to actually look into issues of removing regulatory processes from the actual processes of the technological issues in the oil and gas sector. We have also made it more transparent and made accountability much more apparent. Fiscal parameters and those of governance and control have all been entrenched in such a way that everything is much less opaque. In addition, the government for the first time, historically, has divested quite a lot of its control.

When we put in place Bills like this, the intention is to ensure the sort of transparency and accountability that pushes back corruption and opaqueness. I think we've done that. We've created at least five companies with shareholding and equity from externals, which means that the government is actually divesting its control of the national oil company, which will stand independent of government.

Q. Where do you see Nigeria, five or ten years from now?

A. Well I'm very hopeful that the National Assembly will implement the Petroleum Industry Bill. I do hope that when it's implemented, the structure and framework of the Bill remains such that we can actually move forward with our gas master plan and move forward with the independent shareholding companies that have been created to ensure that we are more competitive and that we are more transparent. If that happens, and if we have that support to move forward, then I do believe that in the next three, four, five, 10 years and beyond, you will find that the Nigerian oil and gas sector is one where it is much much harder for the manipulative corrupt practices that we have seen. Not only in recent times, they've been happening for quite a while. But the reason that they've come to the fore is because, for the first time, this administration has actually allowed and actively sought out the perpetrators of these actions. It is not so easy to hide any more in the oil and gas sector. I do believe that once the Petroleum Industry Bill is promulgated into law it will be even more difficult for manipulators of the system in the oil and gas sector to find a hiding place. Therefore, it means that our revenues derivable from this sector have a much higher percentage chance of being equitably distributed throughout the Nigerian economy and affect the polity in the way and manner in which they should be.

Q. There's been some talk of the risk that Nigeria could lose its place as Africa's largest producer of crude oil because of theft. Are you worried about this?

A. Pipeline vandalism and sabotage is definitely a concern. It's been a menace for at least a decade, but it's become much more prevalent in the last few years. In 2013 alone, all the major crude oil export pipeline systems, including the Trans-Forcados Line; Obangbiri – TemiDaba – Brass; Nembe Creek Trunkline; and the Trans-Niger Pipeline were severely vandalized. The Bonny and Escravos lines weren't spared either.

All of this, needless to say, means significant losses for the industry and the country in terms of direct and indirect costs for the provision of security, crude oil and petroleum product losses, loss of production, environmental pollution, degradation and associated remediation costs and resulting escalation of project implementation costs.

But, despite these setbacks, Nigeria managed to maintain average crude oil production of approximately 2.3 million barrels per day in 2013, with an estimated 300,000 barrels of deferred production. Nigeria remains Africa's largest producer with the inherent capacity to boost production to over three million barrels per day, from renewed operations in the divested assets and planned deep-water projects.

We are however not complacent on this issue and are determined to address the core drivers of crude oil theft as it undermines the oil and gas industry and poses a security challenge in the Niger Delta and the Gulf of Guinea. Whilst understanding this is inherently a national challenge it has international ramifications and as such we are working holistically with our international partners to stem this illicit international trade of Nigeria's stolen crude oil.

Q. We started by talking about the importance – and challenges of your job. What keeps you going?

A. What keeps me going is simply the challenge of ensuring that in a given period of time we can positively impact maximally the lives of the vast majority of Nigerians. If we can do that and do it well, then this stringent manner and challenges inherent in a job such as this would have been entirely worthwhile.

Theft and sabotage mark an industry in decline

Oil Stealing crude has grown into a vast and lucrative enterprise involving well-connected officials and security personnel, reports *Javier Blas*

Nigeria is facing its worst oil crisis in five years, with output dropping below the key 2m barrels a day mark for six consecutive months, significantly below historic levels.

"Theft and sabotage continue to undermine the country's output," the International Energy Agency (IEA), the oil watchdog, says in a report.

Criminal gangs are stealing anything between 100,000 b/d and 400,000 b/d from wells and pipelines in the Niger Delta, reselling the crude – worth several billion US dollars – to buyers as far afield as Latin America.

The theft – and the sabotage often associated with it – is forcing major oil companies, including ExxonMobil, Royal Dutch Shell, Eni of Italy, Chevron of the US and Total of France, to shut down wells too.

The crime wave adds distance to the official target of lifting Nigerian oil production to 4m b/d by 2020.

Foreign industry executives have long warned that, even in normal circumstances, the objective was ambitious. Now, it appears unachievable.

The production drop comes as the country's oil sector is under unprecedented scrutiny. Lamido Sanusi, the highly respected governor of the central bank, revealed this year that there was a hole in the country's oil account. Shortly after, he was suspended, but the authorities have yet to explain the mystery of the $20bn shortfall in oil revenues.

Nigeria has promised a forensic audit of its accounts, including those of the opaque state-owned petroleum company. But weeks after the scandal engulfed the country, the work has yet to begin.

Meanwhile the price falls are threatening Nigeria's fiscal stability because the government based its budget on oil production of 2.39m b/d. According to estimates by the IEA, the country has not produced 2.3m-2.4m b/d for any sustained period since 2005-06.

However, the current high price of about $110 a barrel, is providing a comfortable cushion, officials say.

The most pressing issue for the industry – other than finding the unaccounted billions in oil revenues – is to boost production. For that, combating theft is seen as critical.

Grand larceny: thieves stealing oil cause a big fire AP

Chatham House, the London-based think-tank, last year said in a report that Nigerian crude was "being stolen on an industrial scale". The "Criminal Crude" report, the most detailed so far to probe the murky world of Nigerian oil, stated that the $3bn-$8bn a year in proceeds "were laundered through world financial centres".

Mutiu Sunmonu, head of Shell in Nigeria, last year summarised the increasingly sombre view of many foreign executives in the petroleum industry.

He said: "The impact of the activities of crude oil thieves and illegal refineries on the environment in the Niger Delta and the Nigerian economy is now a crisis situation. We find it difficult to safely operate our pipelines without having to shut them frequently to prevent leaks from illegal connections impacting the environment.

"Ironically, it appears the crude thieves use repair windows to prepare and quickly launch fresh illegal connections when we restart production."

Industry executives said the situation has changed little since then, with oil production down and foreign petroleum companies often declaring force majeure – a legal clause that allows a company to walk away from a supply contract – owing to theft and sabotage. Shell alone has declared force majeure three times over the past six months.

Oil production in Nigeria reached a high of almost 2.5m b/d a decade ago, but since then it has languished because of theft and violence in the delta. In 2008-09 the crisis reached its peak, with production falling 25 percentage points to 1.8m b/d during a wave of attacks by the militant Movement for the Emancipation of the Niger Delta. The government drastically cut the number of attacks in 2009 after it persuaded more than 26,000 militants to disarm in exchange for monthly cash payments.

Industry executives and consultants say that while violence has not returned to the levels of five years ago, theft of crude has become a lucrative enterprise involving well-connected officials and security personnel.

The wave of theft in the delta is pushing foreign oil companies to sell their onshore oilfields to a group of homegrown Nigerian companies, and focus on complex and expensive offshore oilfields. At the same time, uncertainty over the so-called Petroleum Industry Bill (PIB) has prompted oil majors to delay projects.

The legislation, first mooted in 2008, has suffered many delays and nobody in the oil industry believes it will be approved before the next presidential elections, due in early 2015.

Sales to the US bottom out

Nigeria is fighting to find new clients for its declining oil production, after the US, for decades its most important customer, virtually stopped importing the country's petroleum.

US imports of Nigerian crude have fallen to the lowest in at least 40 years, as refiners turn to local oil production on the back of the shale revolution.

In January, the US bought less than 100,000 b/d of Nigerian oil for the first time since at least early 1973, according to data from the US Energy Department.

Although the shale revolution has largely unaffected oil exports from countries such as Saudi Arabia and Kuwait, it has hit Nigeria, which produces a crude of similar quality to the ones from the US shale basins of Bakken in North Dakota and Eagle Ford in Texas.

Before fracking started in North America, Nigeria regularly exported more than 1m b/d to US refiners, regularly making it one of the top-five suppliers.

European refiners are increasingly buying Nigerian oil as a way to offset the drop in production in the ageing fields of the North Sea and Libya.

Europe is now by far the largest importer of Nigerian oil. Brazil and India are also growing in importance. Oil industry executives believe that by late 2014 or early 2015, the US will stop importing Nigerian crude.

Javier Blas

Whistleblowing central banker challenges government in court

Missing billions

The independence of the CBN may rest on outcome of the case, says *William Wallis*

The extent of central bank independence – and of the judicial arm of the state – has come under question in a series of court cases pitting the suspended governor of the Central Bank of Nigeria (CBN) against President Goodluck Jonathan's administration.

Mr Jonathan suspended Lamido Sanusi from his position in February, days after the central bank governor exposed an alleged $20bn shortfall in state revenues from the sale of oil during a 19-month period between 2012 and 2013.

The allegations he brought to a senate inquiry pointed to a multibillion-dollar racket in the allocation of petroleum and kerosene subsidies, the alleged unconstitutional transfer of state oil assets into private hands and other losses associated with mismanagement at the Nigerian National Petroleum Corporation (NNPC).

Mr Sanusi provided detailed evidence to support his claims. According to officials at the CBN, he was moving his line of inquiry from how much money was unaccounted for to where in the banking system it might have gone, when he was abruptly suspended – only a few months before he was due to step down.

Presidency officials denied this was the result of his exposé, and accused him in turn of "financial recklessness" and "far-reaching irregularities" since 2009 in his stewardship of the central bank.

Mr Sanusi has been targeted by all manner of allegations in the national media since then, in what his supporters believe is a sponsored campaign to discredit his reputation as a whistleblower. The governor himself has brought out a detailed public rebuttal of official allegations against him. This shows that at least some of the "reckless" spending he is accused of was authorised by the president himself.

Probe: Sanusi exposed an alleged £20bn gap in revenues

Inured to a degree of corruption associated with oil, Nigerians were nevertheless shocked by the scale of the governor's revelations. Foreign investors also reacted with dismay and the central bank has spent more than $4bn of reserves defending the naira since Mr Sanusi's suspension.

Mr Sanusi won international acclaim for sanitising Nigeria's banking system after a spectacular 2009 crash, and his anti-inflationary policies had played a crucial role in restoring investor confidence in the financial system since.

The NNPC has denied any money is "missing." But officials from the corporation have struggled to justify why they have been withholding billions of dollars in revenues from crude oil sales to cover the costs of fuel subsidies in apparent contravention of federal laws.

Nearly $2bn of the funds concerned were for a subsidy on kerosene, which was abolished by presidential decree in 2009 and which Ngozi Okonjo-Iweala, the finance minister, told the FT has not been budgeted for under her watch.

Nor has the state oil company shed much light on other opaque transactions that appear to be delivering below-value returns to the state. Mrs Okonjo-Iweala says PwC, the professional services company, has been selected to carry out a forensic audit.

Mr Sanusi meanwhile has taken several cases to court. So far, these have gone his way.

> Inured to a level of oil corruption, Nigerians were still shocked by the scale of revelations

In response to a suit he brought relating to his fundamental rights, the federal high court in Lagos last month ordered the government to apologise and pay damages of N50m ($309,000) in compensation for his brief detention and the seizure of his passport.

The court also dismissed state security service attempts to portray him as a financier of terrorism.

The state has appealed against that ruling.

But in a second case, the federal high court also ordered the suspension of an investigation into the CBN accounts during Mr Sanusi's tenure by a body set up within the trade and industry department, whose primary role is to set accounting standards across government institutions.

The Financial Reporting Council of Nigeria (FRCN) was behind the original dossier of allegations relating to the use of CBN funds that was used to justify Mr Sanusi's suspension. The court is set to rule on May 12 on the FRCN's legal authority to carry out the probe.

The third and potentially most significant case challenges President Jonathan's authority to suspend unilaterally the governor of the CBN.

The central bank has emerged as one of the pillars of renewed investor confidence in Nigeria, as successive governors established the independence of the institution.

Mr Sanusi took this more than a step too far, the president's advisers contend, running the bank as a parallel authority.

He could not be sacked outright without support from two-thirds of the senate, which Mr Jonathan can no longer be sure of controlling after recent defections to the opposition. The constitution, however, is not explicit about suspension.

Mr Sanusi's lawyers argue that if he can only be appointed with senate approval, then he can only be suspended with it too.

If they win the case, he could step back into the central bank, albeit briefly, since his term ends in June. That would be a blow to Mr Jonathan's authority and, Mr Sanusi hopes, a strong signal in support of CBN independence.

The supreme court, which elected to expedite the case, has the final word. It is set to rule on May 20.

Federal Republic of Nigeria

AFRICA'S MOST FORMIDABLE CV

✓LARGEST ECONOMY IN AFRICA

✓26TH LARGEST ECONOMY IN THE WORLD

✓HALF A TRILLION NAIRA GDP

✓LARGEST BLACK COUNTRY IN THE WORLD: 170 MILLION PEOPLE

✓LARGEST ENTREPRENEURIAL POPULATION IN AFRICA

✓128 MILLION MOBILE PHONE USERS

✓THIRD LARGEST MOVIE INDUSTRY IN THE WORLD

✓DIVERSIFYING ECONOMY WITH GROWING NON-OIL SECTOR – SERVICES 51%, AGRIC 22%, INDUSTRY 26%, OIL 15%.

LEADING DESTINATION FOR INVESTMENT IN AFRICA - UNCTAD

IF YOU'RE NOT IN NIGERIA, YOU ARE NOT IN AFRICA!

Regional integration still takes a back seat

Partners A secure economic future requires better partnerships within the continent. But progress remains slow, writes *Shawn Donnan*

For years, African leaders have urged a rewriting of the terms of trade for Africa, calling for a move away from exporting raw materials to former colonial masters – and importing finished goods from them.

The whole process should stay "at home", the call has inevitably been. To guarantee its economic future, Africa needs to trade more with Africa.

It is a plea that has at times emanated from Goodluck Jonathan, the Nigerian president, and those around him. For many, Nigeria's status as the largest economy in west Africa – and after a rebasing exercise this year, the whole continent – puts it in a special position when it comes to regional integration.

Nigeria ought to be the trading hub of west Africa and, in that role, both a centre of gravity for the region and a vital conduit in its economic relationship with the rest of the world. The economic future of the region depends on it.

That is even more the case as Nigeria and its nine fellow members of the Economic Community of West African States (Ecowas) set about integrating their economies.

In January, the bloc will introduce a common external tariff structure as part of its move towards a customs union. It is also negotiating a regional agreement with the EU that faces an important deadline in October (*see story below*).

Nigeria's backers argue that the government in Abuja has overseen a big push on infrastructure and built roads and railways and improved port facilities, all of which are designed to link it more effectively with the rest of the region.

But a look at the numbers shows that if even part of Nigeria's economic future lies in refashioning itself as a trading hub for the region, there is plenty of work still to do.

In a report released in April, the IMF dubbed the trade links between Nigeria and its west African neighbours "important but not substantial". And while in some cases the exports of neighbours to Nigeria have doubled in recent years, the absolute numbers are extremely low.

Ghana's exports to Nigeria from 2010 to 2012 accounted for just 0.48 per cent of Ghana's gross domestic product, while its imports from Nigeria represented just 0.32 per cent of GDP, according to the IMF.

Neighbouring Cameroon's exports to Nigeria between 2010 and 2012 represented just 0.3 per cent of its GDP, according to the IMF, while its imports from Nigeria amounted to less than 3 per cent of GDP.

Some experts argue that the numbers do not adequately capture the informal trade across often porous borders between Nigeria and its neighbours. But just how big that informal trade could be is a matter of serious debate.

The paltry trade figures also at least partly explain the frustrations of some regional leaders about Nigeria's role in trade when it comes to its neighbours.

Addressing an audience at the London School of Economics in April, shortly after Nigeria had temporarily blocked the conclusion of the Ecowas-EU trade agreement, John Mahama, Ghana's president accused Nigeria of acting like a protectionist bully in the region.

Too often, said Mr Mahama, who took over the rotating presidency of Ecowas at the end of March, Nigeria was acting as a barrier to regional trade rather than embracing the greater flow of goods.

Moreover, despite being the region's economic giant, Mr Mahama says Nigeria seems to have an irrational fear of outside competition.

"I believe that Nigeria has a certain kind of responsibility in west Africa, because it is the largest economy and the most populous country," he told the LSE audience, according to reports.

"Nigeria has nothing to fear from Ghana in terms of competition. Nigeria has nothing to fear from Cote D'Ivoire in terms of competition. Nigeria has nothing to fear from Benin or Togo or Niger in terms of competition.

"And yet, year in, year out, there is a prohibition list [on certain goods]."

Razia Khan, Standard Chartered Bank's chief Africa economist, says there are bright spots in Nigeria's trade relationship with its neighbours, largely in agriculture.

According to the IMF, she points out, Nigeria now meets 70 per cent of the cereal needs of neighbouring Niger and Chad.

"But [agriculture] tends to be the exception rather than the norm," she says.

At the policy level Nigeria remains all too inward-looking when it comes to trade, Ms Khan says. She also thinks its relatively weak trade position with its neighbours speaks to broader issues.

Thanks to the parlous state of its infrastructure and other challenges, the cost of manufacturing in Nigeria remains relatively high and "we haven't really seen evidence that Nigerian manufacturers are able to export to the rest of the region", she says.

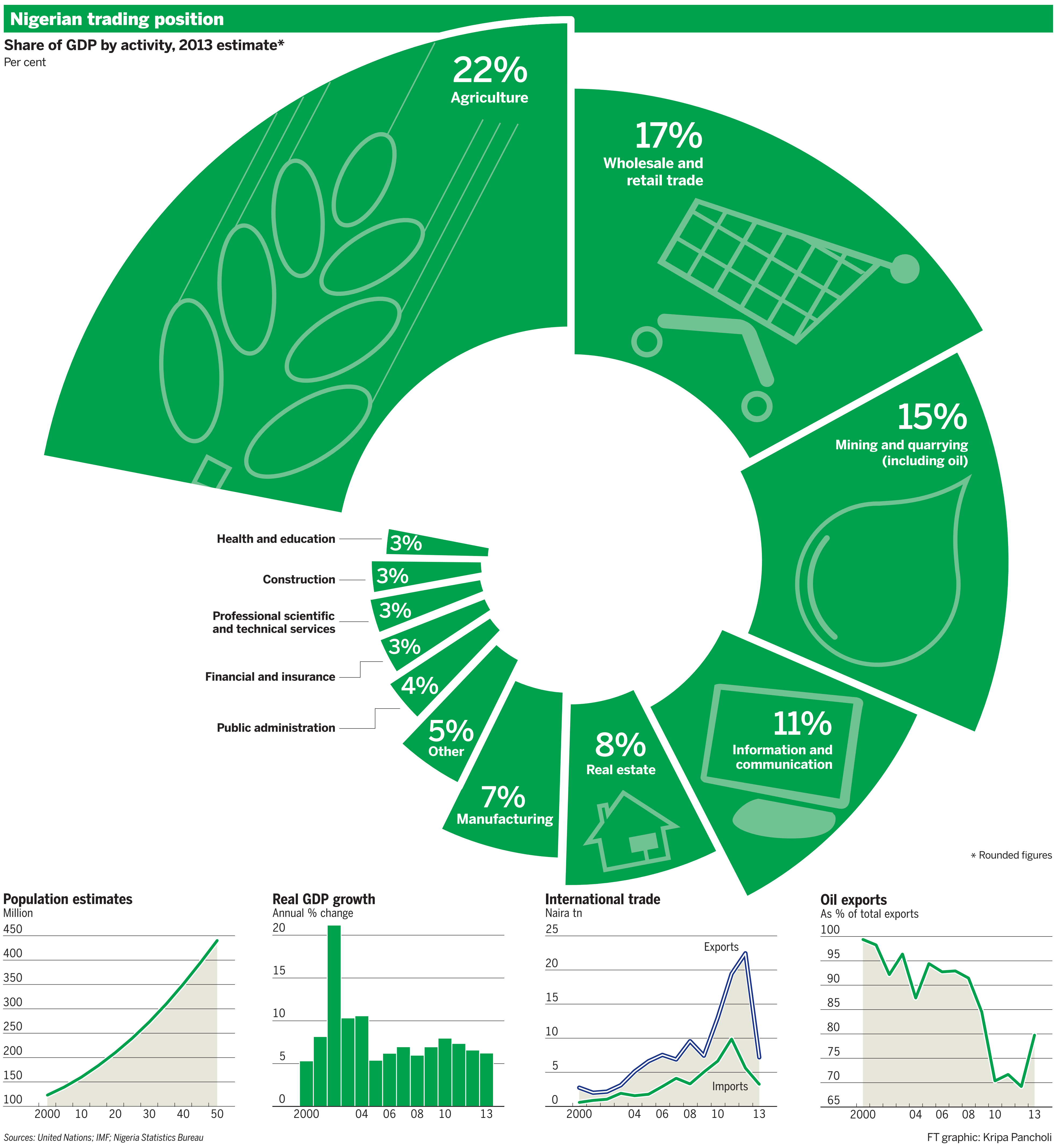
> 'The country needs to play a more prominent role in moving forward the regional agenda'

Few challenge the notion that Nigerian businesses – and the economy as a whole – would benefit from greater trade with its neighbours. It is hardly a new idea. In its 2012 country strategy for Nigeria, the African Development Bank cited greater regional trade among the potential "strengths and opportunities".

"Nigeria stands to benefit more from regional integration," the AfDB's economists wrote. But they also added ominously: "In this regard the country needs to play a more prominent role in moving forward the regional agenda."

Two years on, with elections looming and the shine starting to come off Africa and emerging markets as a whole, the call remains largely the same.

To guarantee its economic future, Nigeria needs to start looking with greater vigour towards its neighbours. And trade is a good place to start.



Domestic concerns override enthusiasm for Europe deal

Negotiations

Protectionism is blocking a trade agreement with the EU, writes *Shawn Donnan*

Trade negotiations almost always go to the wire, but for the EU and west Africa's main regional grouping time is looking especially tight.

A decade after talks started, the EU and the 15-country Economic Community of West African States thought they had finally struck a deal in February.

But at a meeting of Ecowas leaders in March, last-minute objections from Nigeria, the grouping's biggest member by far, threw the agreement into doubt.

The big question now is whether Nigeria can be persuaded to sign up to an EU-Ecowas Economic Partnership Agreement before an October deadline.

In a world where regional blocs are increasingly striking deals with each other, a pact with the EU could be an important step to west Africa's integration with the global economy. Especially as such a move would coincide with the 2015 introduction of an Ecowas customs union.

However, with presidential elections due in Nigeria before February 2015, there is a real possibility that domestic politics may trump regional imperatives.

Nigeria's move to block the deal came after the government of Goodluck Jonathan was confronted with opposition to the pact from trade unions and other civil society groups.

The main complaint from opponents was that opening Nigeria's economy to competition from European goods would put local jobs at risk. That view does not necessarily agree with the experience of other developing economies.

Economists often point to South Korea as an example of a once-emerging economy that has found prosperity since opening up to the outside world. On the other hand, countries such as Argentina, which for decades has sought to protect domestic industry, have not fared nearly as well.

But the government in Abuja has made clear that it does not buy into that orthodoxy. In an interview soon after Ecowas surprised the EU by not endorsing the pact, Nigeria's trade minister, Olusegun Aganga, argued that west Africa was not ready for the competition.

It needed time to industrialise, he said. The risk was that if it did not, the region would be stuck in a quasi-colonial cycle of exporting raw materials and importing finished goods.

"It's important that we do not create a situation where Nigeria and the other economies of Ecowas would become – and remain – import-dependent," the minister told CNBC-Africa. "We should not create a situation where Nigeria and the member states remain countries that continue to export raw materials. We want to add value to our products.

"We want to take advantage of our market. We want to be able to maximise the trade . . . within not just Ecowas but within Africa."

EU officials argue that the West African states are the ones that stand to gain most from any deal.

The EU-Ecowas agreement was conceived after the World Trade Organisation pushed the EU to replace the preferential trade deals it had with African, Caribbean and Pacific countries.

At its centre is a development agenda meant to help the economies of the 15 Ecowas members grow. The compromise approved in February would immediately give Ecowas countries full, duty-free and quota-free access to EU markets.

In return the EU's members would gain access to only 75 per cent of Ecowas' markets over a 20-year phase-in period. The EU would also dole out €6.4bn to help Ecowas members update their customs and other relevant infrastructure.

The officials also say the longstanding October deadline, which is related to the WTO's push to dismantle the previous agreement and a soon-to-expire waiver, is not going to change. "Even if we were to say 'Oh no, what a bad idea, let's do something,' it would take us two years," an EU official says.

There is still some hope for the EU-Ecowas Economic Partnership Agreement. Faced with Nigeria's opposition, other Ecowas members did manage to craft a compromise at their March meeting.

After endorsing the idea of a pact with the EU "in principle" they set a committee of negotiators from the Ivory Coast, Ghana, Nigeria and Senegal to "revisit the outstanding issues".

They are due to report this summer.

Fair trade: Alassane Outarra, Ivory Coast president and Ecowas chairman addresses west African leaders in March Getty

> 'We want to add value to our products. We want to take advantage of our market'

Future voices

Oby Ezekwesili

'I foresee that the people of Nigeria will be forced by current circumstances to negotiate and finally forge a rare and rallying consensus for the birth of a new nation that is anchored on good governance, equal opportunity and inclusion and goes on to become a world-class economy.'

Oby Ezekwesili is a former vice-president of the World Bank

Homegrown oil and gas need international capital to grow

Indigenous energy Local companies buy up onshore fields as majors move operations offshore to avoid sabotage, writes *Javier Blas*

Opportunity: Seplat has raised output rapidly after buying blocks from Shell

For the Nigerian homegrown hydrocarbons sector, the multimillion dollar initial public offering of Seplat in London is a coming of age.

The Lagos-based company raised $500m in the UK and Nigeria in a listing this year, highlighting the rapid growth of a sector that hardly existed five years ago.

"Other Nigerian exploration and production oil companies will follow us," says ABC Orjiako, chairman of Seplat. "It will not surprise me if we see more IPOs."

Indigenous Nigerian oil and natural gas companies have grown exponentially since 2008-09, buying assets worth $5bn from the world's big energy groups and reshaping a 60-year-old oil industry. Royal Dutch Shell, Total of France, Eni of Italy and Chevron and ConocoPhillips of the US have sold large onshore oilfields. They have been bought by Nigerian oil companies, such as Oando and Shoreline Natural Resources, as well as Seplat.

Other companies are bidding for new fields coming on to the market. Industry executives believe that over the next two to three years, another $10bn of assets could be up for grabs, including emblematic fields of the Nigerian oil industry.

The challenge for the homegrown companies is twofold: to find enough money to finance the acquisitions, and to prove they are able to operate the fields.

Shell and several of its partners are in the process of selling their stakes in four oilfields in Nigeria for between $4.5bn and $5bn, according to industry executives and bankers familiar with the talks. The buyers are all homegrown companies.

Wale Tinubu, chief executive of Lagos-based Oando, says that homegrown oil companies are set to account for nearly a quarter of the country's oil production within five years, up from about 10 per cent today and 1-2 per cent five years ago.

"The sector could be up to 600,000 barrels a day in five years," he says.

Today, Nigeria produces less than 2m b/d, although it has pumped 2.5m b/d in the past and the government is targeting production of up to 4m b/d.

The change of guard comes as Shell and its peers retreat from onshore oil and gasfields to concentrate instead on deepwater offshore operations. The move is to avoid the widespread sabotage and oil theft that has crippled the industry in the Niger delta.

Mr Tinubu says that homegrown companies are more adept at working in the difficult conditions of the Niger delta.

"This is a local problem and you need local expertise," he says, adding that the key is to involve communities in protecting pipelines.

Foreign oil workers and analysts are not so sure, saying that indigenous companies are also struggling with the threats of theft and have to spend heavily hiring local staff to protect the pipelines and investing in social projects, in effect paying for security.

> 'The sector could be up to 600,000 barrels a day in five years'

But the homegrown companies contend that Seplat and Shoreline Natural Resources have raised output rapidly after buying blocks from Shell.

As the majors exit and local companies buy in, international investors are seeking exposure to the sector, with sovereign wealth funds, commodities trading houses, large institutional investors and private equity groups all circling the few companies seen as reputable.

Temasek, the mighty S$215bn ($172bn) state-backed investor of Singapore, recently bought into Seven Energy, an indigenous Nigerian energy group.

"Africa is still long on opportunity and short on capital, while most investors are long on capital and looking for opportunities," says Miguel Azevedo, head of investment banking in Africa at Citigroup.

The arrival of international investors is critical for the sector, as the new companies face multibillion US dollar price tags to purchase the oil and gasfields that are on offer.

Local banks and investors cannot finance the investments on their own, according to industry executives and bankers.

The need to raise funds to compete in auctions has so far favoured individuals and companies that have strong relations with global banks, such as BNP Paribas, Citigroup, Standard Bank and Standard Chartered, and international trading houses.

Mercuria, a Switzerland-based trader, is an investor in Seplat. Other trading houses, including Vitol and Glencore, have in the past made approaches to the indigenous companies, either as investors or to help finance their crude sales.

The arrival of deep-pocketed financiers will mark the point when the industry embarks on its first round of consolidation through mergers and acquisitions.

"We are not far from the first wave of M&A; we will see it in the next two years," says Mr Orjiako of Seplat.

On top of the sell-off by the majors, the privatisation of the power sector in Nigeria is offering a fresh opportunity to local companies.

Seven Energy, for example, is betting on rising demand for natural gas from power plants. Nigeria is sitting on a huge endowment of natural gas, with the largest proven reserves in Africa and the ninth largest in the world. However, lack of infrastructure and low prices have hitherto slowed the development of a domestic gas industry. The government's proposed power reform has changed the situation.

Enticing market has intimidating barriers to entry

Manufacturing

Cost of doing business a burden, says *Abigail Fielding-Smith*

On the factory floor of Lagos-based children's clothing company Ruff 'n' Tumble, a small paisley shirt hangs up bearing the label "Proudly Made in Nigeria".

The pride is understandable because Nigeria is not an easy place to make things. Though the manufacturing sector has been growing, the recent rebasing of GDP still puts it at only 7 per cent of the total.

As Reginald Odiah, chairman of the infrastructure committee at the Manufacturers Association of Nigeria, points out, production costs are significantly higher not only than South Africa's but also than Ghana's, and businesses have to compete with cheap, under-regulated imports.

Nonetheless the enlarged and relatively underserved middle class provides an attractive market for boutique manufacturers such as Adenike Ogunlesi, Ruff 'n' Tumble's owner. She makes some of her clothes in Nigeria and supplements them with imports to ensure a competitive selection. The enterprise grew from a sewing hobby in the 1990s to a business with 10 stores and some 60 employees today. She plans to open another five stores this year.

"It's a growing economy, a growing market; it's an aspirational market," she says. Though larger, foreign companies are keen to get a slice of it, she is convinced that being Nigerian gives her an advantage.

"You have to know the influences, the cultural nuances," she says. "People think Nigerians will buy anything [but] it's a discerning market."

Enticing though the market is, the barriers to entry are intimidating, and for now it is production of essential goods that dominates manufacturing in Nigeria.

One significant subsector is cement, built up and dominated by the richest man in Africa, Aliko Dangote. Critics and competitors complain that he has benefited from good connections in government and import protection, though the scale of his investments in the country is undeniable.

> 'There's a challenge but there's also a great opportunity'

Last year, Mr Dangote announced plans to invest $4.7bn in improving cement production in Nigeria and to create a $9bn oil refinery, petrochemical and fertiliser plant on the coast

The biggest manufacturing subsector is food, beverages and tobacco, where there is huge potential to take advantage of Nigeria's large and rapidly growing population for those who can control operating costs.

The sector, which includes Nestlé and SABMiller, grew 60 per cent between 2007 and 2011 according to Oxford Business Group, an emerging-market consultancy, though some have been affected by pressures on consumer spending in 2012.

Seni Adetu, Guinness Nigeria's managing director, describes the country as an "attractive market". "We're confident of the viability of our business in the long term," he says. He acknowledges however there are "headwinds".

The most frequently cited complaint by manufacturers is power. Nigeria suffers from chronic shortages, adding up to 40 per cent to the cost of doing business. Mr Odiah says the need to secure a reliable alternative supply eats up about 25 per cent of investment start-up costs for manufacturers. The government privatised 15 electricity companies last year, though analysts do not expect the supply to substantially improve for some years.

Another problem is the cost of distribution across the country's strained and inadequate transport network. Bismarck Rewane, an economist, estimates that costs have risen more than 15 per cent in the past two years, as manufacturers increasingly outsource to delivery companies such as DHL.

Imports – on which the sector is heavily dependent – are also a logistical headache. Goods that are not fast-tracked are said to take about 60 days to clear at the port in Lagos.

"I've had three months in some cases . . . it's a major, major issue," says Mr Adetu.

This intersects with another common complaint in the Nigerian business community – the cost of credit, which for small businesses can be more than 20 per cent. Another issue is the uncertainty of the policy and regulatory environment. Keith Richards, managing director of Promasidor food manufacturers, says a significant amount of his time is spent dealing with red tape issues. "[There are] 27 state or federal agencies that could shut me down," he says.

Home brew: SABMiller's Hero lager bottling plant in Nigeria

Bloomberg/OneRedEye

The government has launched a Nigeria Industrial Revolution Plan aiming to help industry by tackling "substandard" imports and working to improve power supply to key industrial areas. It has also been trying to encourage car manufacturing to return to Nigeria. Last year, Nissan signed a preliminary agreement to start assembling cars there.

Analysts say it is too early to tell whether carmaking investments will take off. The Economist Intelligence Unit, says it is unclear how big the market would be for new cars, arguing that Nigeria's per capita income of $2,700 is significantly below the $5,000-6,000 threshold at which car buying usually picks up in developing countries.

Mr Rewane argues that, for all the difficulties associated with it, Nigerian manufacturing will prove a good long-term investment as infrastructure costs eventually improve. "There's a challenge, but there's also a great opportunity," he says.

Broadband revolution requires a $25bn infrastructure boost

Telecoms

High cost of internet access hampers growth, says *Abigail Fielding-Smith*

Less than five years ago, internet speeds in Lagos were so slow that digital entertainment entrepreneur Jason Njoku used to take Nigerian films to London on hard drives to upload them.

Now, he has internet access fast enough to do it from Lagos, albeit by connecting directly to an undersea cable at eye-watering cost.

But most internet users in Nigeria are unable to stream films, so Mr Njoku aims his online video library iROKOtv at the diaspora. He is hoping this may change. "We've never lacked or had any fear about the demand in Nigeria," he says. "It's just a question of infrastructure holding it back."

After the astonishing growth in adoption of mobile phones, all eyes are on the next phase of the telecoms story in Africa.

Nigeria's transition from zero to 70 per cent mobile penetration in just over 10 years highlights the potential in frontier markets.

In the recent recalculation of Nigeria's GDP, the telecoms sector's share shot up to almost 9 per cent, although some think the real figure could be even higher.

If broadband internet penetration – currently less than 10 per cent – grows at the same pace as mobile telephone services, it would give a massive boost to an economy that suffers from the country's poor physical communications.

Internet shopping and banking have taken off. Vanso, a Lagos-based messaging and software provider, processes more than 1bn text messages a year for Nigerian banks.

"Nigeria is a data-hungry country," says Vanso's chief operations officer in Lagos, Akinola Sawyerr.

But bottlenecks exist. The government has yet to free the "digital dividend" spectrum, 3G handsets became affordable only relatively recently and building the infrastructure to roll out fast internet nationwide will be expensive. Telecoms minister Omobola Johnson estimates $25bn will need to be invested in telecoms infrastructure over the next five to 10 years for the data phase to take off.

"The jury is out on the demand side," says Akinwale Goodluck, a corporate services executive at the South African telecoms company MTN, the largest mobile operator in Nigeria.

He says MTN expects to have 3G available in every state of the country by the end of the year, but it "doesn't make economic sense" to put 3G infrastructure in remote rural areas.

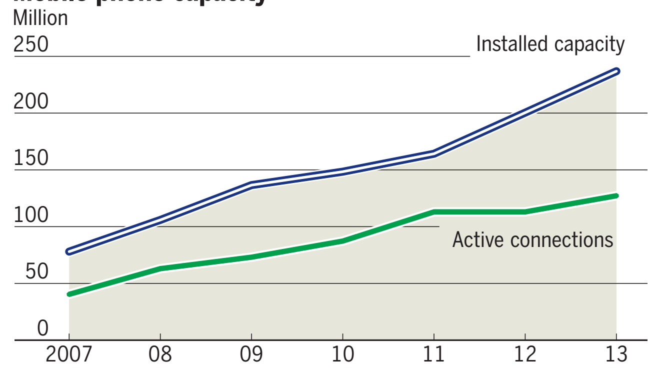
Tariffs for voice services have dropped in the past three years as competition between the country's four operators has increased.

Analysts say operators are likely to look for other ways to diversify revenue streams. Last year, MTN, with Millicom, the Swedish digital services provider, and Rocket Internet, the German venture capital firm formed the internet company Africa Internet Holding, which backs several ecommerce businesses. Nonetheless, Mr Goodluck insists, the voice market is "still king".

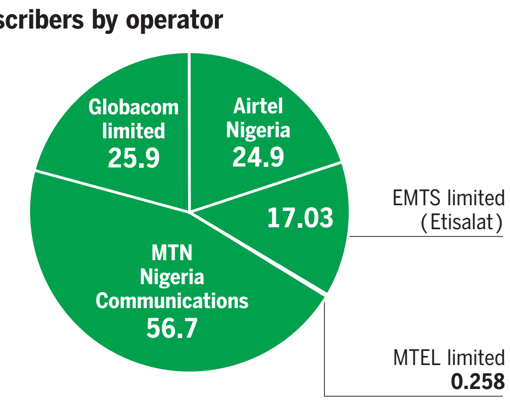
Matthew Willsher, chief executive of Etisalat Nigeria, the last GSM (2G) operator to enter the market, agrees there is still potential in the voice market. UAE-based Etisalat is eager to extend its 3G rollout, but suggests faster internet services may be tiered on top of the existing subscriber base like a wedding cake rather than spread out evenly across it. "We're keen. It's a question of being able to do it in an economic way," he says.

> 'We're keen. It's a question of being able to do it in an economic way'
> **Matthew Willsher**

Mobile phone capacity
Million



Mobile subscribers by operator
Million



Source: Nigerian Communications Commission

As well as spectrum access, the other main thing necessary for a faster rollout of 3G and the introduction of 4G services is developing the right collaboration structures to manage overhead costs, he says.

"Rushing out and building your own network isn't the way to go. Collaboration is important," says Mr Willsher. The government recognises the problem. "Nigeria is 1m square kilometres and we've got people living in just about every part of the country," says the telecoms minister.

Ms Johnson's ministry has policies to encourage companies to bring infrastructure to remote areas in its National Broadband Plan, including subsidies, licensing fibre network construction, and negotiating tortuous right of way issues at federal state level.

Meanwhile, smaller companies such as Smile, a pan-African telecoms company, have moved in to capitalise on immediate demand at the high end of the market.

Smile began offering 4G/LTE data bundles in Lagos in February. It keeps costs down by sharing masts, and outsourcing infrastructure management to Ericsson, the Swedish telecoms group. Videos on its connection run at first-world speeds. "We give people the internet the way it was meant to be," says Thibaud Weick, Smile's chief communications officer.

Unfortunately, the way it was meant to be is only available to those who can afford N70,000 (about $430) a month for a 100GB data bundle. How quickly it will become available to the rest of the populace is unclear.

What is clear is, that African telecoms continue to attract investor interest.

In the past two months Lagos-based infrastructure providers IHS Towers has announced it has raised $600m from partners including Goldman Sachs.

"The population is very young," says Thecla Mbongue, senior research analyst at Informa Telecoms & Media. "If devices are affordable I see them consuming a lot of data."

DEBT MANAGEMENT OFFICE
NIGERIA

Managing Nigeria's Debt as an asset for growth, development and poverty reduction while relying on a well motivated professional workforce and state-of-the-art technology

History and Role

The Debt Management Office (DMO) was established in the year 2000 and operates under the Debt Management Office (Establishment, E.T.C) Act, 2003. It is an agency of Government that is dedicated wholly to the management of public debt. In this capacity, the DMO's principal responsibilities are to:

» Advise the Government on all matters related to debt.

» Negotiate and contract debt, including issuing securities in the domestic and international markets.

» Issue guarantees on behalf of the Government.

» Maintain public debt records.

» Service the public debt.

Achievements

Since commencement of operations, the DMO has pursued the execution of its mandate with clarity of purpose and determination and has recorded landmark achievements in the domestic and international markets. Amongst them are:

» The debt relief secured in 2005 in which USD18 billion of debt owed to the Paris Club was written off.

» Formulation of a National Debt Management Framework incorporating debt management policies.

» Accurate, up to date and published debt data.

» Regular and timely servicing of the Government's debt.

» Restructuring of the domestic debt to include more longer-dated securities, thereby extending the maturity profile of the domestic debt stock and reducing its re-financing risk.

In addition to managing the public debt, the DMO assumed a developmental role to support the private sector in order to enable it to fulfill its envisaged role in Vision20:2020 and the Transformation Agenda of President Goodluck Ebele Jonathan, GCFR both of which are anchored on a private sector-led growth.

The DMO's contributions towards enabling the private sector to play its role as growth drivers are through the creation of opportunities for corporates to access long term capital in the domestic and international capital markets to sustain and expand their business, as well as partner with the Government in critical sectors of the economy such as infrastructure. The DMO's contributions in this regard are:

» Issuance of Federal Government of Nigeria Bonds in 2003 to resuscitate the domestic bond market and, thereafter, regular Issuance and the development of an active secondary market, establishing a sovereign yield curve extending up to 20 years.

» Facilitating access to the International Capital Market for Nigerian corporates through the Issuance of a USD500 million Sovereign Eurobond in January 2011 and USD1 billion dual-tranche Eurobonds in July 2013, thereby creating benchmarks for corporate borrowers, providing information about Nigeria to international investors and attracting foreign portfolio investors and foreign direct investments into Nigeria.

The DMO on behalf of the Government also issues Sovereign Guarantees to support public-private partnership projects.

Another role which the DMO assumed in its quest to ensure prudent management of debt and the adoption of best practices at all levels of government, is the development of a comprehensive programme for sub-nationals to enable them to determine their domestic debt stock and manage it as a matter of routine. The programme included capacity building, enactment of relevant legislations on public finance and the establishment of dedicated debt management institutions at the sub-national level. Through this initiative which entailed active collaboration with the 36 States of the Federation and the Federal Capital Territory, the following outcomes were achieved:

» The compilation and the publication of the domestic debt of the States and the Federal Capital Territory for the first time ever in 2013.

» The enactment of public finance laws and fiscal responsibility laws by 19 States.

» The establishment of Debt Management Departments in all the 36 States and the Federal Capital Territory.

Recognitions and Awards

The DMO has received international recognitions and awards for its activities amongst which are:

» Inclusion of 3 Federal Government of Nigeria Bonds in the J.P. Morgan's Emerging Markets Government Bond Index in October 2012 and an additional 2 in 2013.

» Inclusion of 10 Federal Government of Nigeria Bonds in the Barclays Capitals Local Currency Bond Index in 2013.

» Receipt of the EMEA Finance Award for the Best Sovereign Bond in Africa in 2013 for the USDI billion Eurobonds issued by Nigeria in July 2013.

Plans

The DMO remains committed to its vision of **managing Nigeria's debt as an asset for growth, development and poverty reduction** while actively introducing and supporting initiatives that are consistent with the goals of the Transformation Agenda of President Goodluck Ebele Jonathan, GCFR.

DEBT MANAGEMENT OFFICE

The Presidency

NDIC Building (First Floor)
Plot 447/448 Constitution Avenue
Central Business District
P.M.B, 532, Garki, Abuja
Email: enquiries@dmo.gov.ng

www.dmo.gov.ng

Piracy forces producers to seek profits elsewhere

Creative industries

Music and film executives are turning to the internet and satellite channels for returns, says *Abigail Fielding-Smith*

Nollywood or bust: on the set of 'Dazzling Mirage', directed by Tunde Kelani Reuters

Film producer Christopher Ozoemena sits in his poorly-lit shop in the Alaba market on the outskirts of Lagos, surrounded by stacks of discs. The market, one of the main distribution hubs for Nigeria's film industry, is scruffy and down at heel, but Mr Ozoemena has the crisply starched shirt and self-possessed bearing of a successful businessman.

When Nigeria's National Bureau of Statistics announced last month that the film and music industries contributed nearly 1.5 per cent to GDP, it raised eyebrows in some quarters.

Nollywood, Nigeria's high-volume low-budget film industry, is undoubtedly popular – stars are said to command huge fees to appear at corporate events and weddings.

But the country is notorious for having some of the most rampant levels of piracy in the world.

The GDP figure came as no surprise to people such as Mr Ozoemena. Like other businessmen in Nigeria, he knows how to play the numbers game. The country is thought to have a population of 170m growing at about 2.4 per cent a year.

Piracy has undoubtedly eaten alarmingly into profits since the film industry took off in the early 2000s, he says, but "because of the large population, even with pirates you will make your money". Some producers are rumoured to take a cut of pirate sales.

When a producer scores a monster hit as Mr Ozoemena did in 2010 with romantic comedy *The Maidens*, it can sell as many as 1m copies. These typically wholesale at about N40-50 (about 25 US cents).

The video CDs cost about N27 to make and movie production costs tend to be the tens rather than the hundreds of thousands of dollars, so profits are potentially significant.

Okey Ezugwu, another producer, estimates that a film needs to sell 200,000 copies to break even.

Mr Ozoemena makes about three films a year. Like many producers, he is also a distributor, enabling him to capture the retail profits directly.

Nonetheless, piracy is hurting profits. Emem Isiong, an award-winning producer, says: "We're not making as much money from films as we used to." In considering what elements make for a hit film, she says: "It's something that defies logic – we tried to study the pattern.

"What I think works for a Nigerian audience is a story that people can relate to: beautiful women, beautiful locations."

Like her counterparts in Los Angeles, Ms Isiong has started to explore other ways of generating revenue such as product placement. She is also convinced that the growth of satellite channels in Africa will create demand for her back catalogue.

"That's why I keep producing content; one day someone will need it," she says. "I think that in the next five years, we will probably be doing better financially in the movie industry."

Both she and Mr Ozoemena see the internet as a potential source of sustainability for the industry rather than a threat.

"As the content owner, you can put the original master up . . . It's given a kind of security to the business because we're the content owners. As far as I'm concerned, the online thing is good," says Mr Ozoemena.

He and 14 fellow producers have taken tentative steps towards embracing the internet, setting up their own YouTube channel.

The person who has done most to explore the revenue-generating potential of online distribution of Nigerian cinema is Jason Njoku. He spends \$3m-\$4m a year licensing films to his iROKOtv online video streaming site. They are almost entirely streamed by the diaspora because of poor internet speeds in Nigeria (*see story, page 12*).

He is concerned, however, that the economics of the industry at home are destroying the foundations on which it was built, leading to films with poor production values spun out over several discs to shift more units.

"An emotion you can portray in 60 seconds is now taking 15 minutes," he complains. To try to prevent further deterioration in quality, he has begun financing films himself, spending about \$3m a year.

Piracy issues also apply to the music industry. Though some downloading is paid for, Mr Njoku, who runs a free digital music service too, says the scale of illegal downloading is vast.

It is not so much the prospect of record sales that fuels the ambition of up and coming artists, however, but corporate sponsorship contracts and appearance fees. Performers such as General Pype, Olamide and Davido have huge followings in Nigeria, where nearly half the population is estimated to be under the age of 15.

As Niyi Beecroft, a youth worker, points out, getting endorsement from rappers and singers is a no-brainer for corporations looking to tap this bulging market. "If you want to get across a message – wrap it in entertainment," he says.

Indeed according to Babatunde Layode, an entertainment entrepreneur, some artists pay pirates to include their songs on mix CDs to try to generate the hype needed for corporate sponsorship, which is said to be worth tens of thousands of dollars a year.

Brief performances at either corporate-sponsored shows or weddings are said to net A-List performers between \$10,000-\$20,000. "With a hit song, an artist's life could change," says Mr Layode. "For the first time, when you say to your parents 'I want to be a musician', its not bad."

Future voices
Victor Ehikhamenor

'These are the best and the vilest of times. It is obvious what can happen if the current crop of leaders keeps on ruling in a rudderless manner.

The saving grace as usual is the private sector and that too is threatened by the current insecurity in the country.'

Victor Ehikhamenor is a visual artist, writer and photographer

Reforms prompted by central bank boost professionalism

Finance

The sector is moving towards a digital age, writes *Christopher Thompson*

In the upmarket Lagos suburb of Lekki lies a digital vision of Nigeria's banking future.

At the Ikota branch of Access Bank, counter staff have been replaced by six computer stands where customers can, with a swipe of an index finger, access their account, pay bills, transfer money and make deposits. An office in the corner contains a telephone for the bank's call-centre. The only staff are two security guards at the entrance.

The rise of e-banking reflects a broader transformation in Nigeria's financial sector, which is expanding at about twice the rate of gross domestic product growth of 7 per cent.

"The development of the economy – power, oil, consumer goods, industries, agriculture – is increasing demand for banking," says Emeka Emuwa, managing director of Union bank. "People are spending more and are more willing to borrow."

Such sentiment is partly the result of a push from the Central Bank of Nigeria to promote cashless transactions, with the goal of reducing corruption. Recent CBN rules also mandate higher minimum interest rates for retail customers.

But the push has also come from an increasingly cut-throat retail market, as banks such as Access, which has about 40 such e-branches, GTB, First Bank and Zenith vie for customer deposits while trying to keep costs low.

Between 2008-12, the number of people in Nigeria with bank accounts grew from 18.3m to 28.6m, according to Enhancing Financial Innovation & Access, an industry organisation.

There are estimated to be 25m bank cards in circulation. There are also more than 12,000 ATMs, from just a handful at the turn of the millennium.

"In the past, some retail banks just set up many branches and expected customers to put their money there," says Herbert Wigwe, chief executive of Access Bank. "These days you have to offer something."

Today's banking scene is a far cry from the tumultuous days of the 2008-09 crisis that nearly tore Nigeria's financial sector apart.

When customers withdrew their money during the economic downturn, the banks' deposit ratios deteriorated, driving up their cost of funding. Combined with exposure to the local equity market, which suffered sharp losses, many banks faced a liquidity crunch or, worse, outright insolvency.

Enter the CBN and Lamido Sanusi, its reformist governor, who was suspended this year. He is credited with overriding the wishes of many of the banks' politically powerful patrons to raise minimum capital thresholds, force mergers, write off unprofitable businesses and clean up bad loans. The number of banks was slashed from dozens to about 20 now.

"[Pre-2008,] it was like the Wild West," says one senior Lagos-based banker. "Bank owners were lending to themselves and their friends. Corporate governance is better now than it was and much of that is down to Sanusi's reforms."

Critics accused the CBN governor of overstepping his remit. But Mr Wigwe warns of the perils of the CBN not acting. "If there had been no safe harbour for the systemically important banks, the national deposit insurance scheme [which guarantees consumer deposits] would not have coped and there would have been a huge loss of confidence."

Higher capital requirements have slowed banks' balance sheet growth from pre-crisis highs, with credit growth only recovering in 2011 to 5 per cent, and 9 per cent in 2012.

> 'Corporate governance is better and much of that is down to Sanusi's reforms'

The sector remains fragmented: the four biggest banks account for 60 per cent of the sector's assets according to research by Renaissance Capital.

Mr Wigwe predicts further consolidation. "The smaller banks that rely on government funding don't have the skills or reach to diversify into retail."

The sector's margins and profitability have attracted interest from overseas. This year, Bob Diamond, the former Barclays chief executive, announced that Atlas Mara, a cash shell he established to buy African banking assets, would acquire a 9 per cent stake in Union bank via the purchase of Botswana-based BancABC.

"There is growing international interest in Nigerian banking," says Arnold Ekpe, former chief executive of Togo-based Ecobank and chairman at Atlas Mara, "and it is reinforced by the recalibration of Nigeria's economy as the largest on the continent.

"Most of the heavy lifting in reforming the sector has been done. The challenge is to make sure banks don't deviate."

Nigeria's GDP rebasing saw the country's debt-to-GDP ratio fall to 11 per cent from 19 per cent, providing more room for borrowing.

But familiar complaints persist. Businesses, particularly small and medium-sized enterprises, cite high interest rates and difficulties in obtaining loans.

Bismarck Rewane, a banking consultant, says the industry is hampered by a lack of management experience. "The Nigerian banking industry has grown, but not the quality and depth of management," he explains.

One senior Lagos banker says political instability in the north is hampering business in what traditionally has been a trading hub for the country. Another points to the concentration of loans in the oil and power sectors of the economy. "The challenge is to make sure that the concentration of risk within the banks is not so much that there is destabilisation if those markets turn sour," says Mr Ekpe. "There is more diversification towards the manufacturing sector and a real push into retail banking."

The most ominous development is the sidelining of Mr Sanusi this year, after he raised questions about the government's oil accounting figures. But, in general, the country's seasoned bankers agree that there is enough institutional competence at the CBN to prevent a return to the bad old days.

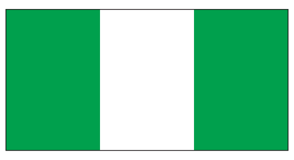
Future voices
Atedo Peterside

'The same characters swing between both parties while ensuring deadlock on items that could improve the lives of ordinary Nigerians.

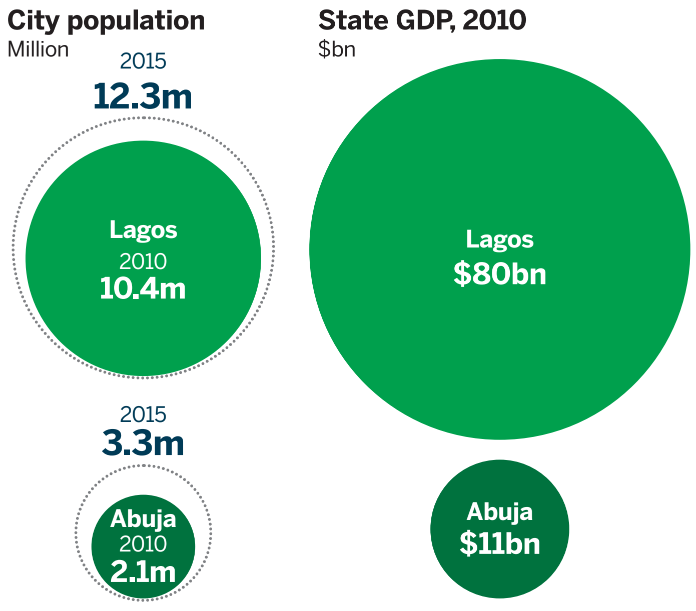
This polarisation disappears and is replaced by bipartisan harmony when their own interests are affected.'

Atedo Peterside, founder and chairman of Stanbic IBTC Bank

Lagos and Abuja: a tale of two cities



Capital:	Abuja
Commercial capital:	Lagos
Population:	170m (estimated)
Independence from Britain:	1960
Currency:	Naira
President:	Goodluck Jonathan
Form of government:	Federal republic
Next general election:	2015



Sources: UNFPA; Nigeria Statistics Bureau

FT graphic

Urban life: overlooking Nigeria's capital Abuja Charlie Bibby

City planted in the interior grows and flourishes

Abuja Federal capital has mushroomed over the past two decades, writes *Tolu Ogunlesi*

In December 1991 Lagos lost its title of capital to Abuja, 8,000 square kilometres of land carved out years earlier from the heart of the country. It was a move reminiscent of events in Brazil three decades earlier, when the capital relocated from coastal Rio de Janeiro to specially built landlocked Brasília.

If Lagos felt resentful, it did not show it, wasting little time filling up the spaces left behind by the bureaucrats and diplomats leaving the city.

Two decades on, it is still Nigeria's most populous city, with an estimated 10m residents, and the commercial hub: home to the country's biggest ports complex, and to the bourse, banks, industrial estates, movie studios and ecommerce start-ups that oil the wheels of a $510bn economy.

Its place as literary capital, enduring muse to generations of poets and novelists, remains unthreatened.

Unlike Brasília, which was a three-year construction blitz from start to finish, Abuja was – in keeping with Nigeria's penchant for drawn out construction projects – in the making for a long time. Its emergence dates back to 1975, when the military government, flush with cash from an oil boom, set up a committee to explore the possibility of moving the capital. With limited room for expansion because it sits on the Atlantic, Lagos was under strain from congestion.

There was a desire for an "ethnically neutral" and "centrally accessible" capital for a country as ethnically diverse as Nigeria; Lagos is predominantly occupied by people from the Yoruba ethnic group.

The result was Abuja, a heart-shaped Federal Capital Territory, containing a much smaller Federal Capital City as "a symbol of Nigeria's aspirations for unity and greatness". On February 4 1976, a decree was issued establishing Abuja as the Federal Capital of Nigeria. It would take 15 years before the seat of government moved.

An aborted coup attempt in 1990 rattled military President Ibrahim Babangida into deciding he needed to exchange crammed and vulnerable Lagos for the relative safety of Abuja, where the new presidential palace nestles beneath the 400m Aso Rock.

A second wave of migration occurred at the turn of the century, when Nigeria elected its first civilian government in 16 years. Alkasim Abdulkadir, a journalist who has lived in Abuja since 1998, recalls that some of its sprawling suburbs were not in existence a little more than a decade ago. Today, its urban population is estimated at 3m or 4m, up from the 776,000 of the 2006 census.

Democracy arrived, with its indulgences. Where the military had ruled without a parliament, it now required two legislative houses, with more than 400 members who are the highest paid of their kind in the world.

"The politicians came with a lot of money," Mr Abdulkadir says.

But none of that oil wealth could buy the city character, or history – unlike Lagos, which by the end of the 18th century had a reputation as the biggest slave port in west Africa and whose character is forged from centuries of migration, conquest and trade.

The easy manner with which Lagos combines a Portuguese name (dating back to the 15th century) with Brazilian-style architecture (the work of returnee ex-slaves), Ghanaian high life (from the early 19th century), and street names inherited from the British (who annexed the city in 1862, and held on for a century) are a testament to its melting-pot character.

Apart from lacking that sort of illustrious history, Abuja also long suffered the crippling burden of a reputation for sterility. But that is now changing, says Mr Abdulkadir. Now, there is an emerging arts scene, bringing together poets, painters and photographers. "Young people get together, read poetry and short stories. The soul [of Abuja] is growing."

> 'Young people get together, read poetry and short stories. Abuja's soul is growing'

So, too, is the residents' capacity for enjoying themselves. Far more easy-going than the harried multitudes in Lagos, they love their "gardens" – the large open-air places of entertainment that dot the metropolis, and at night are abuzz with loud music, barbecue grills and drums of cold beer – landmarks one would be hard pressed to find in the space-deprived Lagos.

The beer gardens might explain why Ebuka Obi-Uchendu, 31, who divides his time between both cities, thinks Abuja's upwardly mobile men lean towards beer, unlike those in Lagos whose affinity is for spirits.

He also sees differences in occupational predilections. "Lagosians are quicker with start-ups and SMEs," he says. "Young people in Abuja are more into nine-to-five jobs and [government] contracts."

However, the challenges both cities face are similar. Both have issued bans on public smoking and motorcycle taxis, with Lagos seeming to take its cue from Abuja.

In terms of traffic however, Abuja appears to be the one doing the shadowing. Residents will readily agree that Lagos-style traffic jams are now common in Abuja.

And, as in Lagos, Abuja's slums are growing faster than the government can deal with them. The Social And Economic Rights Action Center (Serac), a Lagos-based NGO that defends the rights of slum-dwellers in Nigeria, estimates that more than 800,000 people were forcibly evicted in Abuja between 2003 and 2007, from 31 informal settlements that were demolished by the city administration as part of a renewal policy.

Serac is also active in Lagos, where it estimates that the city's slums have tripled to 120 in the past three decades, and is involved in a series of legal battles with the state government over demolitions.

Both cities press on. Both are hard at work on their first light rail projects, as part of ambitious infrastructure programmes. But if one of the two best embodies Nigeria – the chaos of its systems, the entrepreneurial energy of its people, the endless contest for space, the sandwiching of extreme wealth and poverty – it would easily be Lagos. And if non-Lagosians think of the city as being too much in a hurry, as they are wont to do, that is perhaps because Nigeria, by its nature, tends to err on the side of haste, not caution.

Growth industry: a woman works at a rice mill at Aliade in the eastern state of Benue. The production of crops such as rice has become a priority in order to end years of imports Reuters

Slow start to farming transformation

Agriculture Scheme to reduce reliance on imports is criticised for being protectionist, writes *Javier Blas*

Half a century ago, Nigeria was growing enough rice to feed itself, and export across the west African region. Today, it is one of the world's top three importers, spending billions of dollars buying the cereal from as far away as Thailand.

Akinwumi Adesina, the country's agriculture minister, wants to put an end to decades of import dependency, not only for rice but for other important farm products, including corn, sugar and chicken through a boost to commercial agriculture.

Nigeria plans this month to launch a fresh push to increase food output, with the promise of multimillion-dollar investments from international agribusiness groups such as US-based Cargill, and local companies such as Dansa Food, owned by Aliko Dangote, Africa's richest man. The creation of so-called "staple crop processing zones" is a cornerstone of the Agricultural Transformation Agenda (ATA).

"We have strong interest from investors: many of them are big local investors," Mr Adesina says. "The crop zones will cut the cost of businesses by up to 30 per cent, because we will invest to upgrade the roads, power and water," he adds.

So far the ATA – launched in 2011 – has produced more headlines than big crops.

Supporters say that transforming agriculture – which employs more than 50 per cent of the labour force in Nigeria – from a subsistence into a commercial sector is vital to reducing poverty in a country where roughly 60 per cent of the population lives on less than $1.25 a day.

But critics complain that the import substitution policy has yet to benefit poor consumers. On the contrary, it is lining the pockets of local businessmen who largely benefit from the protection of the hefty import tariffs. For example, Nigeria imposed a 100 per cent tariff on brown, semi-milled, and wholly milled rice in February 2013.

Mr Adesina is undeterred by the criticism, insisting that the transformation agenda is a success, raising farm output across the country, attracting millions of dollars in investment and creating badly needed jobs in rural areas.

"Agriculture should be our next oil," he says. "The future of billionaires in Nigeria is in agriculture," he adds. "The mistake [in the past] was to see agriculture as a development sector, not as a sector to generate wealth. Now, we look at agriculture as a business."

Mr Adesina strongly defends the high tariffs on rice – and other crops – as crucial to kick-starting local production. "There is a massive revolution in rice in Nigeria: we said that we will be self-sufficient in rice in four years, and we are close," he says.

> 'Before ATA, only 0.7 per cent of bank lending went to farming; today it is 5 per cent'

But the country faces enormous challenges.

Lack of infrastructure – notably roads, storage and power supply – poor policy implementation and insecurity in the grain-producing northern states because of the attacks of Boko Haram, the militant Islamist sect, have all conspired against the plans to boost agricultural output.

Worse, the US Department of Agriculture has warned that the import substitution policy is "weakening food security and increasing informal cross-border trade flows in grain".

Agricultural commodities traders say there has been a surge in imports to neighbouring Benin and Cameroon, a sign that smuggling in to Nigeria is picking up.

The International Monetary Fund is also encouraging Nigeria to change its approach, saying that Abuja "should use domestic tools that boost agricultural productivity rather than protectionist measures". The IMF, in its annual report on Nigeria released in April, cited the example of Brazil, one of the most successful countries in transforming its farming sector over the last two decades.

"Brazil mostly supports the agricultural sector through domestic measures that directly address market distortions, in particular preferential credit lines and price support mechanisms that aim at reducing uncertainty in agricultural production," the IMF notes, adding that in Nigeria, "in the last year, protectionist measures on selected agricultural products have largely increased".

International companies looking to invest in Nigeria's agribusiness sector are also taking a cautious approach.

Cargill, for example, has yet to decide formally to invest in the $100m cassava-based starch and sweeteners facility mooted by the Nigerian authorities.

"This project is still in development and discussions with the government and local stakeholders are ongoing," the US company says.

In any case, Nigeria can claim some success. Agricultural production has increased, and so have exports of agricultural commodities – including cocoa (*see box*), natural gum arabic, cashews, cotton and frozen shrimps.

Reforms are helping improve the system for distribution of seeds and fertilisers through the use of biometric identity cards. Credit is also flowing.

"The key is to get a lot more finance into the agriculture sector," says Mr Adesina. "[Before the agenda was launched,] only 0.7 per cent of total bank lending went to the agricultural sector.

"Today, 5 per cent is going to farming, and [the amount is] expected to rise to 10 per cent by the end of next year," he adds.

Cocoa Country tries to reverse decades of neglect

In the 1960s and early 1970s, Nigeria used to be Africa's largest cocoa producer, with output peaking in 1971 at 310,000 tonnes and contributing significantly to the country's foreign exchange earnings.

But after the first oil boom of 1973-74, the importance of cocoa declined sharply, and today the country has fallen way behind Ivory Coast and Ghana in the African production ranking. Even Cameroon is fast approaching Nigeria, where production is expected this year to reach about 250,000 tonnes.

"These countries [Ivory Coast and Ghana] have been able to outperform Nigeria partly as a result clearer government policy towards the sector, including robust support of it," the Cocoa Association of Nigeria said recently in a statement.

The Nigerian government is trying to reverse the situation and has announced plans to double production to 500,000 tonnes in the next few years. After decades of neglect and the dismantling of support measures in 1986, obstacles to meeting the target abound.

Nigeria was the first African country to liberalise the cocoa trade in 1986, which led to a sharp drop in prices and the use of agricultural inputs such as fertiliser and pesticides.

The UN's Food and Agriculture Organisation has warned that "the ageing of cocoa producing trees also plays a role in the decrease of productivity" in the country.

According to the FAO, roughly 60 per cent of the cocoa farms in Nigeria are more than 40 years old. Traditionally, cocoa trees see a drop in output after 25 years.

JB

Forum to discuss the future stirs controversy

National Conference

Tolu Ogunlesi on a commission to advise on the constitution

Nnaemeka Ikegwuonu, 32, usually runs a community radio station that provides farming advice to thousands of smallholder farmers in southeast Nigeria.

The work has earned him international acclaim – an Ashoka Fellowship in 2008, a Rolex Laureateship in 2010, and a BMW Young Leader award in 2011, among others.

But in March he relocated to Abuja, the capital, to a world far removed from that of subsistence farmers and community broadcasting. He is one of 493 Nigerians nominated as delegates to a three-month "National Conference" sponsored by the federal government.

The idea for the conference surfaced in President Goodluck Jonathan's Independence Day national broadcast, in October last year. He announced plans to commission a group of Nigerians "to establish the modalities for a National Dialogue or Conference" that would provide an opportunity for Nigerians to discuss their future.

The committee submitted its report in December.

In February the government asked for delegate nominations from state governments, religious groups, women's and youth organisations, political parties, professional bodies, civil society, labour unions and the private sector.

And on March 17, President Jonathan inaugurated the conference.

Among prominent Nigerians, opinion has been divided regarding the conference. Bola Tinubu and Muhammadu Buhari, leaders of the opposition All Progressives Congress (APC) wasted little time dismissing the idea.

Mr Tinubu called it "a wingless bird [that] will not fly". Mr Buhari said it sounded like "an attempt to muddle the waters, to befuddle the issues and to mask the failures of a clueless government".

Those who support the conference have been equally passionate.

As the conference prepared to open, banker and businessman Atedo Peterside published a widely circulated letter titled "This National Conference Must Succeed".

"To my fellow conference delegates I plead that we leave no stone unturned in a bid to disprove all the cynics," he wrote.

The cynics' most compelling argument is a constitutional one. They point out that reworking Nigeria's constitution – which is the conference's main ambition – can only be attempted by the elected National Assembly.

"It's a talking shop," says Ben Nwabueze, a lawyer who played a key role in drafting Nigeria's 1979 Constitution. "It only has a token function, which is to advise."

He told a local newspaper recently that the conference "has no power to adopt a constitution that will be binding on all Nigerians as the supreme law of the country".

At least one lawsuit has been filed challenging the existence of the conference, on constitutional grounds.

But enthusiasm about the conference appears to be generally high. About 78 per cent of respondents in a telephone poll by the Gallup-affiliated NOI Polls expressed support.

Nigerians are of course no strangers to constitutional conferences and their heated contentions.

There were at least three in the 1950s, as the clamour for independence from the British grew louder, and the need arose for an acceptable arrangement for power-sharing among Nigeria's three regions – which coincide with its three biggest ethnic groups.

The 1978 Constituent Assembly dispensed with the parliamentary system Nigeria put in place at Independence in 1960, and adopted an American-style presidential system, which has survived. Other conferences followed in 1989, 1994 and 2005, with varying degrees of success.

Various conflicting stories have emerged as to how much each delegate is to be paid from the N7bn ($42m) conference budget. An online poll by daily newspaper Punch asked respondents to indicate if they thought the conference was "a waste of public funds"; 71 per cent said yes.

> 'It's a talk shop. It only has a token function, which is to advise'

But Mr Ikegwuonu is unfazed. "I see the conference as a call to help restructure Nigeria for the next generation," he says.

After a month of meeting as a whole, the conference broke up into committees.

Mr Ikegwuonu has been assigned to economy, trade and investment. The committees were expected to prepare reports on their subject areas, and will be presenting them at the conference this month. Mr Ikegwuonu has no illusions – it will be a time-consuming process, as delegates clamour to make their voices heard.

Before the conference he says he held a dim view of Nigeria's older generation of politicians, believing they ought to "step aside" for the younger generation.

Now, he has a different view. "I've had interactions with them. To be frank with you, they know what is wrong with the country," he says. "We need to learn from them. That intergenerational cross-fertilisation of ideas is what [Nigeria] needs most."

No easy money to be made from shoppers

Retail

New online sellers avoid old pitfalls, says *Christopher Thompson*

The entrance to Palms Mall in Lagos would not be out of place in Miami – or for that matter Dubai, Beijing or São Paulo. A blur of global designer clothes greets the prospective shopper while boutique stores such as "Twice as Nice" and "Diva" – the latter offering golden iPhones and a bejewelled microphone – cater to the *nouveaux riches*.

The Nigerian shopper has long been targeted by companies eager to crack the country's $61bn retail market. Store sales increased by 19 per cent year on year in 2013 bolstered by an expanding middle-class and economic growth more than double the western average.

Big brand companies such as Diageo, Nestlé and Unilever are pioneers in Nigeria. Old relationships with local wholesalers and distributors have enabled them to reap rewards for selling lager, chocolate and soap to 160m consumers. Over the past decade bricks and mortar retailers, particularly from South Africa, have hoped to follow suit in western-style malls.

One of three Lagos malls, Palms is dominated by a cavernous Shoprite. It hopes to tempt consumers away from open-air markets such as Mile 12 and Oshodi to its climate-controlled aisles that offer bourgeois staples such as pork ribs, ketchup and Chardonnay as well as local specialities like cassava bread.

Shoprite, a South African company, which opened its first store in late 2005 and now has eight, sees room for more than 40 stores over the next five years. Such expansion is supported by the fact that modern supermarkets account for less than half a per cent of Nigeria's estimated 780,000 food retail outlets.

Dutch supermarket chain Spar, operated by Artee, a local company, plans to open four outlets before the end of this year, up from its current six stores.

"You have to be committed to Nigeria for the long term in order to succeed," says one Lagos-based expat retail manager. "You cannot make a fast buck here."

One consequence of the retail sector's growth can be found at the suburban offices of Jobberman, which – in a playful jab at perceptions of Nigerians' penchant for subterfuge – translates as "conman" in pidgin English. With backing from a New York hedge fund Jobberman has become west Africa's biggest online job engine in the past five years, a feat helped in no small part by the retail market that accounts for a tenth of all vacancies.

"Retail growth is key," says Olalekan Olude, co-founder. "Every mall that opens means a huge number of people who are employed. A lot of positions are being created that didn't even exist beforehand – like brand managers, category managers and market place managers. More middle-class shoppers go to the mall to buy meat instead of the market so they need professional butchers and deboners – we help to fill these roles."

Beyond the Palms the picture is mixed. Political unrest in the north, import tariffs and slower government-spending growth have constrained the environment, according to research by Renaissance Capital.

Outside Lagos – projected to account for $25bn in household spending by 2020 – and Abuja, plans to build malls in Port Harcourt and Calabar have slowed.

Massmart, which owns hard goods retailer Game, recently highlighted electricity shortages at its stores. South African clothing store Truworths said last year that it has no plans to expand beyond its two stores. Even Shoprite has scaled back expansion plans since 2010. Woolworths, a South African food and clothes retailer, recently announced it would shut all three Nigerian shops. It cited high rents, taxes and difficulties with its supply chain.

"They never really understood the market," says one competitor. "It seemed like they used a 'clearance sale' strategy for the stuff that didn't sell in South Africa, but that doesn't work here . . . Nigerians are sophisticated consumers."

Such challenges speak to a truth about Africa's largest market. While projected sales growth of 18 per cent this year and operating margins often more than double those in Europe continue to tempt new entrants start-up costs are high and success is uncertain.

International companies often have to build logistics and supply chains from scratch amid decrepit infrastructure and a reliance on generators for electricity.

"The independent, small grocers have done the best in terms of increasing sales and outlets," said Victor Ajibola, a research analyst at Euromonitor in Lagos. "They've mimicked the international retailers in terms of product offering and a better shopping environment while operating in an environment they are familiar with."

Enter the brave new world of ecommerce which wants to sidestep much of the expense incurred by bricks and mortar retailers.

In the past few years a rash of online companies – such as Konga, DealDey and Jumia – have opened to deal direct with Nigeria's biggest single market: its 40m internet users, mostly through mobile phones.

"For bricks and mortar the real estate is too expensive, that's why you have only a few malls for a city of 20m people," argues Nicolas Martin, the Paris-born managing director of Jumia Nigeria. "The traffic conditions are so awful that a trip to the mall can take six hours, then they don't have what you want because of difficult logistics leading to poor stock, so it ends up being a very frustrating experience. With ecommerce you click and it's delivered to your door."

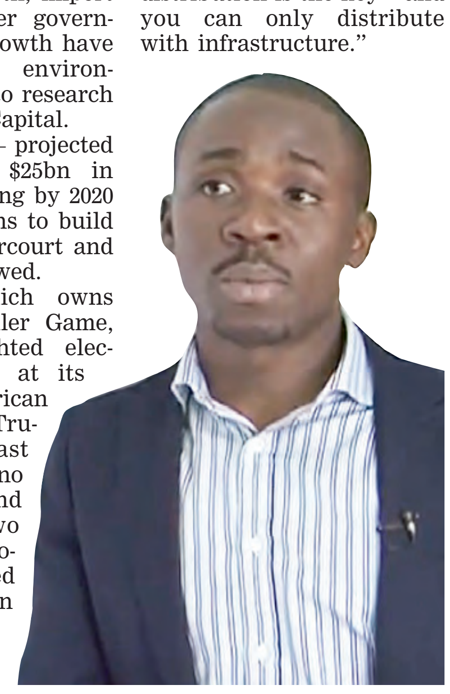
> 'Distribution is the key – and you can only distribute with infrastructure'

Although Nigeria's ecommerce market remains small – making $104m in sales last year – it is projected to grow by more than a quarter this year.

"Our traffic is hundreds of thousands of visitors each day," says Mr Martin, who added that, while not yet profitable, the company has posted "double-digit" revenue and traffic growth month-on-month.

In spite of such start-ups economies of scale are hard to come by and the sector remains dominated by small, niche players. Such fragmentation is reflected in a lack of political organisation with which to lobby government – particularly on infrastructure.

"To leverage economies of scale you need to get distribution right," says Deji Adewumni, Jobberman's chief executive. "Whether you're an ecommerce or bricks and mortar retailer distribution is the key – and you can only distribute with infrastructure."



Olalekan Olude: jobs boom

Jet-set propels demand for private flights

Aviation Security and poor alternatives are behind the boom, says *Christopher Thompson*

Ten minutes drive from Lagos's Murtala Muhammed international airport, the Evergreen Apple terminal is better known by locals as the "Big Man airport", a sobriquet befitting its status as the transit station of choice for the country's jet-set.

As might be expected from a place where clients who pay a minimum of $8,000 an hour of flying time, the building's reflective glass panels, marbled stairs, and air-conditioned interior are a world away from the sprawling, dilapidated concrete mass of Nigeria's busiest airport down the road. But it is out on the tarmac where the differences end: the same number of private jets sat preparing for take-off one mid-afternoon as commercial planes across the runway.

The assembled Bombardier and Gulfstream planes are part of a more than 100-strong national fleet that has doubled over the past decade to serve the demands of an increasingly fleet-footed elite.

"Because of the way the economy has boomed, there has been a boom in private aviation," says Nick Fadugba, chief executive of African Aviation Services, a prominent industry consultant. "A lot of that activity has been driven by the petroleum sector, both domestically and also by foreign companies using jets to fly their chief executives into the country."

In the process, Nigeria has become Africa's biggest private aviation market, leapfrogging South Africa and well ahead of third-placed Angola.

Over the next five years, the number of private jets could rise to 200, according to some projections.

Nigeria's aviation industry has an infamous record. Stories of abruptly cancelled flights, delays lasting for half a day or more and summary ejections of fee-paying passengers to make way for politically important patrons are part of historical lore among the country's seasoned travellers.

Such was the sector's safety record that customers drolly referred to travelling on "flying coffins".

That was a reflection of Africa's parlous aviation sector generally; while accounting for a tiny fraction of global air travel, it was responsible for a fifth of all air accidents.

"The three things every new independent state had to have was an anthem, a flag and a national airline," says Mr Fadugba. "But the latter was not maintained in several African countriesand the fleets fell into disrepair."

The liquidation of Nigerian Airways in 2004 and subsequent liberalising of the industry attracted a rash of start-ups, eager to fill the vacuum.

But even now, commercial airlines tend to concentrate on only on a handful of the most lucrative routes.

"The domestic air companies only have regular scheduled services to five airports – Lagos, Abuja, Port Harcourt, Kano and Sokoto – so we fill a huge gap in the market," says Jaiye Adeola, a private plane pilot with 30 years' flying experience.

The demand is so great that private travel has expanded beyond the preserve of multinational chief executives and billionaires such as Aliko Dangote, Nigeria's richest man, who has tripled his private fleet to three jets since the country's return to civilian rule.

For example, local companies such as Toucan Aviation offer monthly blocks of 30 hours, whose use can be spread across family members or company employees.

"You can earn $500,000 per annum and still use it," says one operator, seeking to dispel the idea of private jet travel as a millionaire's preserve. "It's seen as a business tool."

As a result, Nigeria's chartered flights business has flourished, offering flights to those not able to stump up the $20m to buy a Gulfstream jet, attracting international companies such as Hanger8 and VistaJet as well as a clutch of locals such as Toucan and Triton Aviation.

Support companies have sprouted to service them. What the aviation industry calls "fixed base operations" – which provide the catering, VIP lounges, immigration services, fuel provision and general maintenance – have sprung up like daffodils around the crumbling edifice of Murtala Muhammed airport in Lagos's Ikeja district.

"This is the fastest-growing market in Africa and the biggest," says Peter de Waal, chief executive of Zurich-based ExecuJet Nigeria, one of the biggest fixed base operators.

Mr de Waal estimates there are 1,700 international passenger journeys from Lagos each month and another 800 domestic journeys, although many of those involve repeat users. ExecuJet, which began in 2012, started with one jet maintenance contract and presently has 16.

"The logistical environment is complicated, but the growth and opportunities are phenomenal," says Mr de Waal, adding that passenger journeys grew by an annual average of 11 per cent for over the past five years.

The rush to meet demand has created a fragmented market, with stories of local entrepreneurs setting up with one plane and no office. Overall, there are about 15 private jet operators, although others have gone out of business. "In this industry, you need deep pockets," says Mr de Waal.

Critics point out that the boom in jet travel in part reflects the decrepit state of the nation's infrastructure. Nigeria's Lagos-Abuja flight route, which takes just over an hour, is the second busiest in Africa after South Africa's Johannesburg-Cape Town route and a cash-cow for private aviators. By car, it takes about 10 hours, along roads that are frequently potholed and prone to armed robbery.

"Business people take jets because it is safe, convenient – and for status purposes," says one Lagos businessman. "But it is also because the government has not invested adequately in infrastructure."

A cynic might add that the private jet boom reflects the growing divide between the many hundreds of Nigerians estimated to have assets worth $50m or more and the rest of its 170m citizens.

Last year, the Nigerian Airspace Management Authority tried to raise extra funds from the jet boom by increasing the take-off tax for each private jet departure, from about $250 to about $3,000. Less than a month later, Nigeria's senate cancelled the increase.

First-class: Nigeria's fast-growing super elite and corporate travellers are turning to private aviation

Let there be flight: Priests take to the skies to spread the word

Most people associate private jets with globe-trotting business chiefs, but Nigeria's booming sector has spawned its own variant of the archetypal industry customer: "pastorpreneurs".

These pastors, or priests, are the leaders of Nigeria's Pentecostal mega-churches whose followers number in the millions.

Through the generous tithe-giving of their congregations many of the wealthiest churches have used private jets for their increasingly nomadic priests to spread the gospel far and wide.

One jet contractor says he knows of four churches that use private jets. "They undertake a lot of travel for their leaders," the person says. "Evangelising – and shopping."

Jaiye Adeola, a pilot, says he knows of three priests who use such planes, including from the Winners Chapel International and The Redeemed Christian Church of God, which has used a Gulfstream Four.

"They use it mainly for international travel," says Adeola. "They have owned their jets for a long time, but they have a fleet of one – not more."

Jet-setting priests are one manifestation of the boom in Nigerian private aviation. Toucan Aviation was established in 2011 after its founder, Achuzie Ezenagu, a former logistics head at a bank was sent to Ghana to help establish a local branch.

"The meetings with the Ghanaian banking regulators were a breeze, but getting to and from Ghana was a nightmare," says Mr Ezenagu. "I also experienced an extremely hard time arranging trips for my boss to get to various parts of Nigeria itself.

"It was my dream to find an opportunity in the midst of chaos and I knew this was going to be my calling."

Toucan, which provides jet travel to Total, the French oil company, began with two planes. It now has five.

Such opportunities have attracted Nigeria's flying school graduates, who once pined to work for British Airways or Air France.

When he completed his training as a dispatch controller in 2007, Chukwuerika Achum, Toucan's operations manager, said he did not expect to be servicing Gulfstreams – not least for God's emissaries.

"It was seen as a nothing industry. You wanted to work for one of the big international airlines to have a career," he says.

"The growth over the past few years has been unbelievable. The pool of people [who use private jets] is in the hundreds, but they are heavy users."

Anecdotes abound to illustrate this. One leasing company agent claims to have sold a client $300,000 worth of hours a month.

Another said a businesswoman who ordered a Bombardier 'Global Express', which is capable of flying from Lagos to Beijing direct, sent it to China for redecoration because the wood-panelled interior was not to her taste.

Because of Nigeria's poor historical safety record, problems of perception remain. The cluster of jets opposite Lagos's domestic airport bear registration marks from Europe and the Cayman Islands. Nigerian local markings would drive down their resale value, says one aviation employee.

Such matters, however, are brushed off by an increasingly peripatetic elite who show little sign of slowing down. Not least the pastorpreneurs.

One Lagos banker who is familiar with the priests says. "You can't have layovers when doing God's work."

Christopher Thompson

Nine ways the oil industry can be changed to benefit the nation

Guest Column
CONSTANTINE 'LABI' OGUNBIYI

The year 2013 was one of the busiest for transactions in Nigeria's oil industry, with some $8bn of asset sales and the emergence of at least eight homegrown oil and gas companies.

Divestments by the international oil companies are opening a wave of opportunities for existing and emerging domestic companies. But investment in exploration has been limited and, while new production is coming on-stream, the pipeline of projects has dried up.

Here are nine ways I believe the economy could be improved.

1 Create and build a strong and independent national oil company
The single largest obstacle to long-term growth is investment and the ability of the government to fund its proportion of the costs of joint ventures. If Nigeria were to list a National Oil Company (NOC) today, we could be looking at a national champion the size of Petrobras or Statoil, rivalling the leading international oil companies in terms of market capitalisation.

It is anomalous that an indigenous company can raise debt at commercially attractive levels for asset developments based on reserves and that the NOC has not done so.

The capacity and interest are there from big financial institutions, product traders and many of the Nigerian National Petroleum Corporation's joint venture partners.

2 Improve market participation
Creating an enabling environment for greater market participation through listing oil and gas companies on the Nigerian Stock Exchange will deepen our capital markets and bring the industry closer to the wider population. Although Nigeria's equity markets are relatively illiquid, the process could be kick-started by requiring a meaningful but manageable portion of shares of internationally listed companies with a "real" Nigerian presence to be listed locally. More listings would mean more interest, more liquidity, and ultimately more idomestic participation.

3 Address the midstream and downstream markets
The commitment of Nigerian industrialist, Aliko Dangote to construct an oil refinery, petrochemical plant and fertiliser facility is a potential game-changer.

But it has been made by perhaps the one man who could take the financial and completion risks without the enabling environment that other investors require.

The latter need the legislation, fiscal incentives and regulation to facilitate further investment. A Nigeria that consumes its own oil and produces and distributes refined products has the potential to free itself from its reliance on energy markets.

4 Deepen local content
The impact of local content initiatives has been transformational and should be deepened in the upstream and services sector.

In the latter, recent legislation has driven rapid growth in indigenous ownership and there is an opportunity to domicile value, financing capacity and technical knowhow in Nigeria. But we must be pragmatic. Indigenous owners must have a mechanism to work with international partners, with a clear requirement to build capacity over time.

5 Monetise gas reserves
Gas flares in the Niger Delta reflect badly upon Nigeria. The lost value is deplorable, not to mention the environmental and socioeconomic damage.

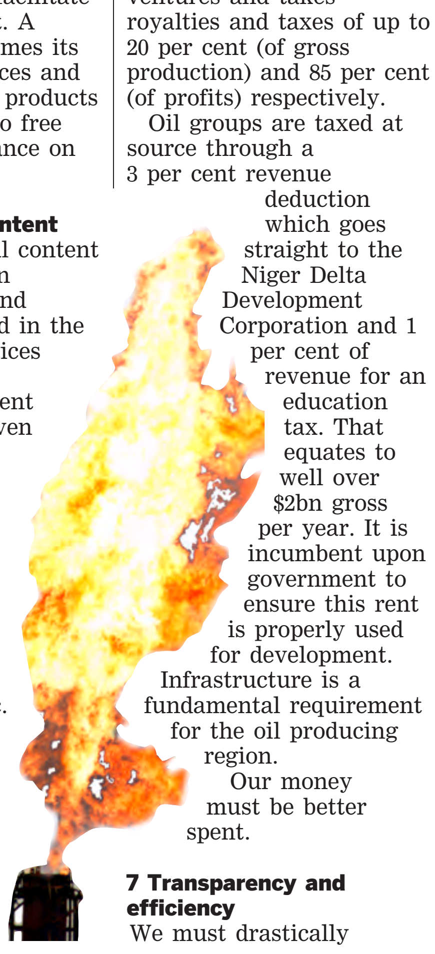
Government must take responsibility by investing in the infrastructure that will allow for development and processing. A realistic policy for the pricing of offtake is essential.

This should be market driven or government should provide subsidies. Nigeria has the world's eighth largest gas reserves. We need them to power our economic growth.

Monetising gas will allow the country to take its place as Africa's leading energy hub, supplying gas to our energy-hungry neighbours.

6 Invest in real development
The government, through NNPC, owns 55–60 per cent of the assets and production from its joint ventures and takes royalties and taxes of up to 20 per cent (of gross production) and 85 per cent (of profits) respectively.

Oil groups are taxed at source through a 3 per cent revenue deduction which goes straight to the Niger Delta Development Corporation and 1 per cent of revenue for an education tax. That equates to well over $2bn gross per year. It is incumbent upon government to ensure this rent is properly used for development.



Infrastructure is a fundamental requirement for the oil producing region.

Our money must be better spent.

7 Transparency and efficiency
We must drastically improve transparency in the way the state accounts for oil revenues.

We cannot accept the kind of doubt that permits governmental institutions and the NNPC to have wildly different interpretations of the numbers. We must build on the Nigerian Extractive Industries Transparency Initiative and institute independent and regular audits of revenue from oil and gas.

8 Legal certainty
The continuous struggle by oil companies operating in Nigeria to have their licences renewed is seriously affecting investment. A number of the assets sold by the independent oil companies and currently on sale have a licence expiry date as early as 2019.

That means current acquisition financing is being done on a maximum of five-year terms.

There has to be clarity on the structure for licence renewals and taxation.

The majority of transfers of ownership of oil and gas licences need government consent, a requirement that has caused unprecedented delays to what should be straightforward transactions.

9 Eradicate oil theft
We need a long-term strategy for the problem of oil theft and the underlying economic and social issues that encourage it.

The international community is ready to assist our government, as it continues to establish the technical ability to do so.

Without a holistic solution, the future value of Nigeria's oil and gas will always be discounted by the threat and risks presented by pipeline infractions and theft.

Constantine 'Labi' Ogunbiyi is one of the founders of indigenous oil company Afren.

Commercial hub status sparks a chain reaction

Hotels Operating costs may be high but business is booming, writes *Tolu Ogunlesi*

Profits are well over half of revenues for most hotels in Lagos, an appreciably higher margin than in Europe, says Trevor Ward, managing director of W Hospitality Group, a consultancy.

Considering operating costs are already significantly higher than elsewhere in the world – because all have to supply their own electricity and water – it is easy to understand why Lagos hotel rates are among the highest in the world. In one 2013 survey, only Moscow cost more.

Despite this, the city is enjoying a hotel boom, courtesy of its status as the commercial hub of a rising Nigeria. The number of rooms in leading hotels has tripled in the past decade. "Lagos is one of the world's megacities, with deep-water ports, an international airport and an improving internal infrastructure – roads, waterways, light rail," says Mr Ward.

"The economy is very diverse, with little or no dependence on the oil and gas industry. The population is in excess of 20m, and young, with a higher level of education than other parts of the country. All this drives demand for hotel rooms."

The two stretches of road that ring Victoria Island to the Lagos's south are highly prized by developers, because of their waterfront locations.

Ozumba Mbadiwe Avenue – named after a nationalist politician famous for his linguistic bombast – sits on the Lagos Lagoon, and Ahmadu Bello Way on the Atlantic Ocean.

Ozumba Mbadiwe has, in recent years, welcomed a Radisson Blu Anchorage (170 rooms) and a Lagos Oriental Hotel (73 rooms). Between the two, a 150-room Marriott – the first in west Africa – is rising, and is due for completion in 2014. Across the road from the Oriental Hotel, at the point where Victoria Island joins Lekki Peninsula, is a Four Points by Sheraton (234 rooms).

Adjoining the Radisson Blu end of Ozumba Mbadiwe Avenue is Kofo Abayomi Street, home to the Intercontinental Hotel (352 rooms; 34 suites), the first Intercontinental Group property in west Africa. At 330ft, the 23-storey hotel is the tallest in Nigeria and provides excellent views of the city and ocean.

Ahmadu Bello Way is home to the Federal Palace Hotel (150 rooms; run by Sun International of South Africa), which in 2010 opened a 24-hour, 41-slot casino, the biggest in Nigeria. With 654 rooms, the Eko Hotel and Suites, on Adetokunbo Ademola Street, is Lagos's biggest. It also covers the largest expanse of land, and offers the grandest convention centre space (seating 5,000 people) in the city. It is also the Lagos hotel most likely to feature in non-fiction accounts of Nigeria penned by expatriate journalists. The neighbouring Kuramo Beach – at the point where Ahmadu Bello and Adetokunbo Ademola meet – used to be famous for its night time offering of *suya* (meat on brochettes), music, prostitutes and marijuana, but the shanty town of bars that provided the entertainment and refreshment was closed and demolished by the government in 2012 after a tidal wave hit the shore.

To the west of Victoria Island is Ikoyi, the eastern half of Lagos Island, an expanse of land once the most exclusive in the city – home until 1960 to the colonial bureaucrats who ruled Nigeria and, after that, to the indigenous political and military elite who replaced the British expatriates.

Ikoyi offers serenity and colonial history in abundance. Many of its streets are still referred to by their old English names, even though the government has since renamed them. Ikoyi is also home to one of the city's most popular *suya* spots.

A Southern Sun (195 rooms) is now to be found where the Ikoyi Hotel – site of the fatal shooting of an army Colonel during Nigeria's first military coup in January 1966 – once stood.

But if you are on a budget, Bogobiri House is the place. A 16-room boutique hotel in southwest Ikoyi, just off the always-jammed Awolowo Road, the Bogobiri is a haven for artists and foreign journalists, attracted by its relatively inexpensive rooms, ethnic decor, live bands and open-mic outings. The islands offer many hidden gems, such as the Victoria Crown Plaza (49 rooms), another boutique establishment in the heart of Victoria Island.

If you are going to be spending most of your time on the Lagos Mainland (to the north of the island), or staying close to the airport is a priority, check out the Sheraton Hotel & Suites (332 rooms) in Ikeja. Nearby are a Protea (92 rooms), a Best Western (112 rooms) and an Ibis (165 rooms).

The closest branded hotel to Lagos International Airport – less than 1km away – is another Ibis (199 rooms).

> Lagos hotel rates are among the highest in the world

Highly prized: the Victoria Island district of Lagos is popular with developers Reuters

Lagos Five tips for visitors

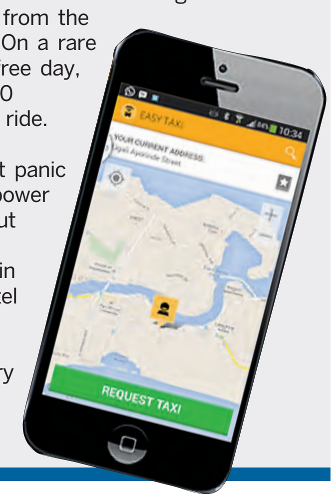
1 Bring along a car-charger for your mobile, and plenty of reading material, for all the time you will spend in traffic.

2 Taxi bookings are now a lot safer and easier, with apps such as EasyTaxi. And you can get a sense of what traffic's like by following @GidiTraffic.

3 It's now a lot easier to book a room online; between them, the booking site frontrunners Jovago and Hotels.ng have the market covered.

4 Leave plenty of time for your trip to the airport. There's no fast way of getting there (unless you hire a helicopter). It can sometimes take as much as three hours to get to the airport from the Island. On a rare traffic-free day, it's a 30 minute ride.

5 Don't panic if the power goes out while you're in the hotel lift. It won't last very long.



New milestone in NLNG growth story

PORT HARCOURT MAY 5, 2014 (ANF)

The year began with a new milestone in the remarkable track record of Nigeria Liquefied Natural Gas (NLNG), which contributes roughly four per cent of the country's Gross Domestic Product. NLNG has converted more than four trillion cubic feet of associated gas, and delivered its 3000th cargo to a Turkish customer.

It was an extraordinary achievement. Four trillion cubic feet of gas is enough to meet the needs of four million households for 12 years. By converting associated gas into liquefied natural gas and natural gas liquids, which can be burned for space heat and cooking or blended into vehicle fuel, NLNG had monetised waste and acted in an environmentally responsible manner. As a recent World Bank assessment based on satellite data noted, from 2005 to 2010, global gas flaring decreased by about 20 per cent. Nigeria and Russia made the most significant reductions in terms of volume. It's fair to say that NLNG, Nigeria's only operational LNG company, plays an important role in the global reduction of flaring.

"NLNG has a vision to be a world class organization helping to build a better Nigeria," says Managing Director Babs Omotowa.

That process starts with the ethos of the company, which is jointly owned by Nigerian National Petroleum Corporation, Shell Gas BV, Total LNG Nigeria Limited and Eni International.

"Our plant at Bonny Island has been rapidly transformed from a two-train plant to a world class, six-train operation manned by a wholly Nigerian senior management team and a 95 per cent indigenous workforce, which generates an annual production of 22 million metric tonnes," reveals Mr Omotowa.

Plans for a seventh liquefaction and purification facility are at an advanced stage. Once complete, the expanded plant will increase NLNG's production capacity to more than 30 million tonnes per annum.

Recently, the company delivered its 3000th LNG cargo to a client in Turkey, on the LNG Lokoja, one of the 23 vessels in NLNG's fleet, which is Nigeria's largest.

NLNG prides itself on being a good corporate citizen. From 2014, it will pay more income tax than any corporate entity in Nigeria and Sub-Sahara Africa.

As a world-class Nigerian energy company with a footprint in the global marketplace – the Far East, Europe, the Middle East, North and South America – NLNG is helping to convey the unmistakable impression of a nation on the move, against all odds.

Whether it's the mass deworming of children aged six to 15, supporting the provision of care for HIV-affected people or scholarships for students at primary, headed to college or beyond, NLNG lives the hopes and dreams of all Nigerians.

As it strives to maintain international standards on quality, cost, schedule and health, safety and environmental protection, NLNG represents holistic and sustainable development.

Early on, it established a nature park on Bonny Island, the natural habitat of the salt-water hippopotamus, which is now rare in Nigeria. The 1000-hectare Finima Nature Park covers rainforest, mangrove swamps and an ecologically important area of sandy soil with freshwater ponds and tall timber.

The park is a good example of NLNG's commitment to environmental responsibility. Not only is the plant built on 2.27 sq km of largely reclaimed land, but NLNG conducted an Environmental Impact Assessment in the project area from its very inception. It subsequently initiated forest protection and biodiversity conservation enlightenment campaigns.

Established to harness Nigeria's vast natural gas resources and produce LNG, NLNG has been described as one of the fastest growing ventures in the world. But it stands out for its commitment to diversifying the Nigerian economy, cleaning up the environment and actively promoting the sustainable development of Nigerian businesses, expertise and excellence.

It is in this context that it sponsors the annual $100,000 USD Nigeria Prize for Literature, which is now in its eleventh year and is Africa's most prestigious. NLNG's sponsorship arose from its caring commitment to scholarship and research in the arts. It also sponsors a science prize of the same cash value.

Nearly 12,000 Nigerians were trained during construction of the plant. In every sphere of operations, NLNG makes a proactive attempt to discover Nigerian sources for goods and services. Nigerian content surveys and vendor forums are conducted at regular intervals to identify indigenous providers of towage and mooring services, aviation services and work on construction projects.

This process is assisted by NLNG's commitment to organizing a series of forums every year, exclusively for Nigerian manufacturers and services providers. In 2013, 368 vendors attended the three-day event in Port Harcourt and Bonny Island. Over the years, there have been many success stories as a result of such engagement, not least the evolution of a small community-based company Riviera Nigeria Limited from a provider of ancillary services to a construction vendor on Bonny Island. Another company, Trans Kontinental Services Limited, went from humble origins to providing strategic procurement services to NLNG.

It is with success stories like these that the NLNG narrative grows steadily more powerful. (ANF)

www.nlng.com

A super elite laps up luxury as 60% live in severe poverty

Wealth More tycoons – and better taxation – are needed to help the country develop in a more equitable way, writes *William Wallis*

The statistics might have lagged behind. But the anecdotal evidence of how wealth is concentrated in Nigeria – in pockets of relative affluence in the south and centre of the country and within an emerging super elite – has been clear for some time.

Wealthy Nigerians are now among the biggest foreign shoppers in London. Nigeria is among the fastest growing markets globally for champagne and also for private jets – there are at least 138 private jets registered in the country, according to Bombardier, and with orders for 12 more from that company alone this year.

Luxury brands have been moving retail outlets closer to the market, with the likes of Zegna and Polo – a local brand – setting up luxury boutiques to sell Dolce & Gabbana, Jimmy Choo and Gucci. Going by the evidence at Heathrow's Terminal 5, Nigerians are now among the best dressed Africans, and not only those sitting in the front end of the plane.

The extent to which the wealth created by a decade and a half of economic expansion has been concentrated however, is one of the more worrying trends highlighted by the government's review of economic activity endorsed by the IMF. This puts gross domestic product for 2013 at $510bn, nearly double previous estimates.

That 60 per cent of the population are living in extreme poverty in an economy much larger than previously thought explains why so few Nigerians were uncorking champagne when the country was named as Africa's largest economy last month.

A new middle class may have emerged as a result of the jobs created by the rapid expansion of services such as banking and telecoms. On top of this, however, is a new super elite.

The debate goes both ways. If Nigeria is to develop in a more equitable way, it requires government to become far more efficient at taxing a broader range of economic activity. The proceeds would improve delivery in health and education, and potentially provide a safety net, so that the dividends of economic expansion are more widely felt.

Road to riches: a potential customer examines a Porsche at a newly-opened Lagos showroom Reuters

Presently, the state captures only 4.5 per cent of GDP in tax from non-oil sources, a fiscal base that is exceptionally narrow by any standards.

Femi Falana, an activist lawyer, says the National Conference, at which hundreds of delegates are examining the fundamentals of the nation, provides Nigerians with an opportunity to "find out why we are poor in the midst of plenty, while a microscopic minority of the population is rich and smiling to the bank daily". Leading figures within the business community see it another way. Nigeria needs more, not fewer entrepreneurial tycoons, they tend to argue, to lift a greater proportion of the population out of poverty. The government, in other words, should be prioritising improving the investment climate – which also scores poorly by global standards.

"I am worried that we are allowing the political narrative to take over. At this stage, we need lots of sources of investment. We want a China situation where we have 100 billionaires and 100,000 millionaires. Lifting people out of poverty when you are 170m people requires a lot of people doing the lifting," says Aigboje Aig-Imoukhuede, former chief executive of Access Bank, one of the country's leading banks. Put another way, the country needs more Aliko Dangotes.

> 'Raising 170m individuals out of poverty requires a lot of people doing the lifting'

Mr Dangote, a merchant turned industrialist, is now Africa's richest man with a fortune estimated by Forbes at $23bn. The many cement factories controlled by his Dangote group give him overwhelming dominance in domestic and potentially regional markets – although Abdulsamad Rabiu, who, like Mr Dangote, hails from the northern city of Kano, is also investing in cement.

Mr Dangote made his fortune trading and then producing basic foods including sugar, salt and flour.

He is now ploughing $9bn into an oil refinery, fertiliser and petrochemical plant – setting a trend whereby more homegrown fortunes are being ploughed back into the economy.

He is the foremost of a cabal of tycoons that emerged into the big league during the tenure of Olusegun Obasanjo, who unabashedly promoted the emergence of national business champions during his eight years as elected president between 1999 and 2007.

The biggest of these made their fortunes from the rapid expansion of the banking sector, including Tony Elumelu at UBA bank and Jim Ovia at Zenith – and from importing fuel, such as Femi Otedola of Zenon.

Mike Adenuga, also quietly accumulated a fortune estimated by Forbes at $3bn from telecoms, oil and banking. The discretionary allocation of oil trading and import licences has spawned a fresh crop of multimillionaires and billionaires under President Goodluck Jonathan.

Opportunities to invest in state power generation and distribution, has seen some of that money circulated back into the economy. The sale by international oil companies of marginal onshore blocks has also seen more money both from private incomes and from the banking system, put back into oil production.

The most ostentatious of the new super elite strut the globe in private jets, acquiring real estate and luxury motor yachts.

According to analysis by several investment banks, capital flight is also on the increase, as shown up by anomalies in trade and balance of payments figures.

There are also the faceless fortunes being made. "There are so many young people who are multimillionaires. You can't find them on Google search. Some are fronts for big men. Others are [Niger delta] militants who are stealing crude.

"They are awash with all kinds of funds for all kinds of purposes," says a senior figure in the political opposition.