



**Instability in the Greater Niger Delta Region of Nigeria: An
Analysis of Violent Events and the Economic Impact**



The Zambakari Advisory, LLC
Phoenix, AZ
<http://www.zambakari.org/>

AO Advisors LLC/Advisers Ltd
New York/Nigeria
<http://www.aoadvisors.com>

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For further information about firm or this paper, please write to The Zambakari Advisory, LLC, P. O. Box 18691 • Phoenix, AZ 85005 • Tel: 602-670-9326 • Fax: 602-441-4299 • info@zambakari.org

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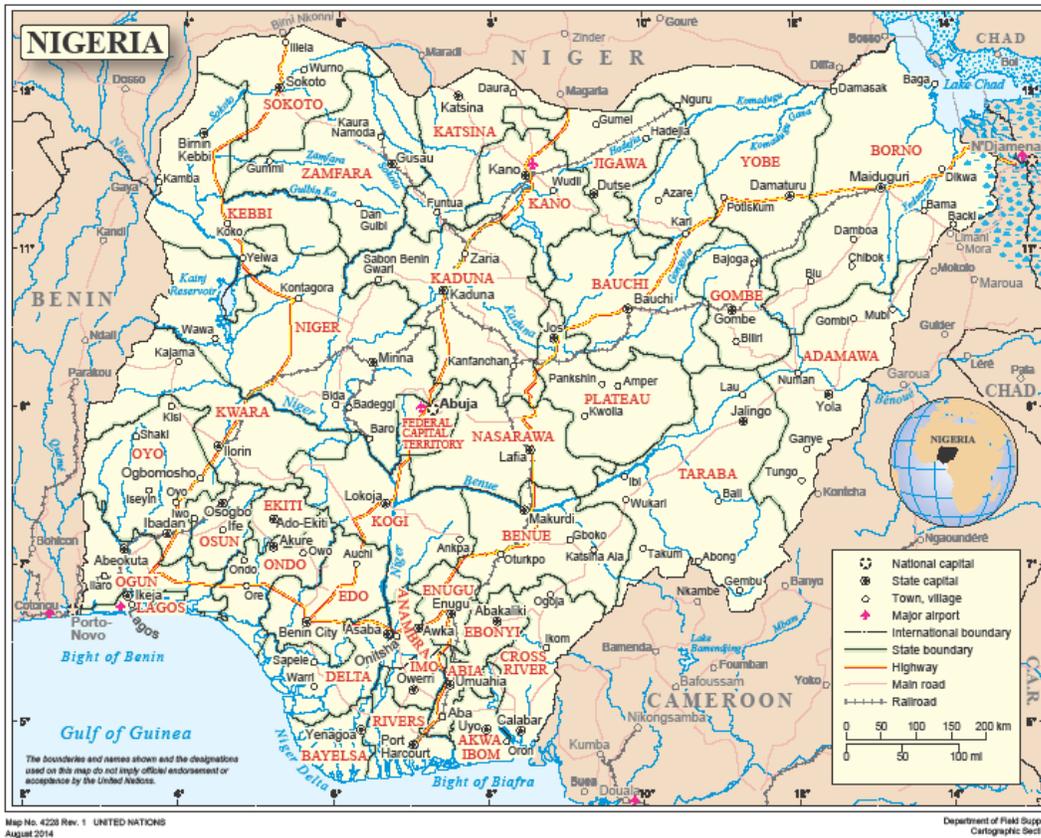


Figure 1. Nigeria [Geographical Map]¹

¹ United Nations, "Nigeria [Geographical Map]." (New York, NY: United Nations. Accessed on June 10, 2016 from <<http://www.un.org/Depts/Cartographic/map/profile/nigeria.pdf>>, 2014).

Executive Summary

This report provides an analysis and evaluation of the violence in Nigeria and one of its regions, the Niger Delta Region, from 2011 to 2015. The objective is to provide insight into the stability and impact of that violence on the country. The analysis used in this report is based on the Armed Conflict Location & Event Data (ACLED). The conflict events in the Niger Delta Region fluctuated between 2011 and 2015. The year 2011 had the lowest conflict events at 2.6 percent while the year 2015 saw the highest number of violent events standing at 39.6 percent. Riots/protests accounted for the majority of conflict events whereas violence against civilians accounted for the second most conflict events in the Niger Delta Region.

The Niger Delta region had a total of 954 events from 2011-2015. There were six major groups of actors contributing to these events: Outside or External Force, Rebel Force, Government or Mutinous Force, Rioters, Militia (Political and Ethnic), and Protesters and Civilians. The number of events in the Niger Delta Region rose each year from 2011 (25) to 2015 (378), whereas the number of fatalities in the Niger Delta Region peaked in 2013 (213), declined in 2014 (110), and rose again in 2015 (167).

This violence has been fueled by a myriad of causes including politics, ethno-religious conflicts, corruption, and economic inequalities. The insecurity in the country, poor governance, and systemic corruptions added to the global economic crisis led to a drop in foreign direct investment (FDI) of US\$6.1 billion. The percentage change in FDI between 2013 and 2014 was the lowest (16.30 %) since 2009. Nigeria's FDI inflow was 4,694 (millions of dollars) down from its peak in 2011 when it stood at 8,915 millions of dollars. The problem of corruption in Nigeria is so significant that it could cost up to 37% of GDP (around \$1,000 per person in 2014) by 2030 (\$2,000 per person) unless it is dealt with immediately. The economic cost of the shut-down in oil production by militants, which represents 70 percent of government revenue, has been enormous.

It is unsustainable for oil and gas to account for ~11% of Nigerian GDP and ~30% of all lending and credit allocation in that economy and it is our view that this reallocation of resources has long been overdue. There will be several avenues to make opportunistic investments given the current USD liquidity needs in the economy and while growth is certainly weak compared to historical averages – both public and private valuations have also become much more attractive as well and NGN production costs are certainly more manageable for investors and with the recent resolution of the dual FX regime; investors should have more currency visibility going forward. It is our view; based on our modeling of the historical data, that Niger Delta incidences of violence will moderate as economic growth picks up. And that given that Nigerian GDP is meant to bounce off of 2016 lows with a World Bank projected GDP growth rate of 3.5% in 2017 and 4% in 2018; we will also see a concurrent reduction in Niger Delta unrest.

I. Introduction

This West African state, the Federal Republic of Nigeria, borders the Gulf of Guinea. It lies between Benin and Cameroon and is comprised 36 states. With its 181 million inhabitants, Nigeria is Africa's most populous country, composed of more than 250 ethnic groups.² After achieving independence from Great Britain in the 1960s, Nigeria's politics was characterized by coups and mostly military rule, until 1998, when its last military ruler died and a political transition soon ensued.

The general elections of 2007 witnessed the first civilian-to-civilian transfer of power in the country's history. Since then, the Nigerian government has struggled to institutionalize democracy and reform its petroleum-based economy, tackle the various security, societal and economic challenges faced by the country. Along with the myriad of economic woes, Nigeria has been dealing with violent incidents, terrorist attacks, secessionist movement,³ and rebellion in peripheral states. In this report we analyze violent events and incidents in Nigeria between 2011 and 2015.

Like many conflicts in Africa, the root causes are many: the institutional legacy of colonial rule,⁴ ethnic and religious tensions, widespread corruption, breakdown in the Presidential Amnesty Program (PAP), failure to demilitarize, demobilize, and reintegrate former combatants. The ruling elites failed to ensure and build a developmental state that benefits the citizenry. Over time social, political, and economic marginalization of peripheral regions in Nigeria led to discontent which has fuel civil war in the past and frequent insurgencies throughout the country. The ethnic and religious dimension aren't fixed. Just as the lines between peaceful protest, militant unrest, and criminality are often times blurred, political alliances are fluid, shifting loyalties that cross ethnic and religious lines whenever necessary.

The Niger Delta crisis cuts across class, ethnicity, region and socioeconomic conditions. According to the International Crisis Group, the peace agreement and amnesty program created some stability and an opportunity for the government to address the multiple grievances and demands at their roots. That opportunity was lost due to political inertia and bad governance. In 2015 Muhammadu Buhari won election in 2015, ending 16 years of rule by the People's Democratic Party. He also inherited a state plagued by bad chronic problems of bad governance and systemic corruption.

² Central Intelligence Agency, "Nigeria," Central Intelligence Agency, <https://www.cia.gov/library/publications/the-world-factbook/geos/ni.html>.

³ Nnamdi Obasi, "Nigeria's Biafran Separatist Upsurge," International Crisis Group, <http://blog.crisisgroup.org/africa/nigeria/2015/12/04/nigerias-biafran-separatist-upsurge/>.

⁴ Toyin Falola, *Colonialism and Violence in Nigeria* (Bloomington, IN, USA: Indiana University Press, 2009).

The country has struggled to contain public discontents, insurrections and violence in large parts of northern region, hit by Islamist insurgency.⁵ This reports analyzes dynamic of violence across Nigeria, and specifically in two of its States, Niger located in the Central region and Delta, an oil and agricultural producing state in the south. The region accounts for accounts for approximately 90 percent of the value of Nigeria's exports.⁶

II. Overview of the Niger Delta Crisis

There is increasing evidence about the greater cost of violence on human, infrastructure, its impact on development around the world. The world's expenditure on violence containment activities (containing, preventing and dealing with the consequences of violence) remains very high.

Niger Delta is a region in southern Nigeria, sitting on the Gulf of Guinea on the Atlantic Ocean in Nigeria. The region is subdivided into three administrative divisions: Western, Central and Eastern. Together these region brings together a group of nine states including Abia, Akwa Ibom, Bayelsa, Cross River, Delta, Edo, Imo, Ondo, and Rivers. However, the core Niger Delta consists of Rivers, Bayelsa, and Delta States. Dissatisfaction with the Nigerian government has given rise to local indigenous militancy in the region. These militant target primarily the government, commercial oil refineries and pipelines to disrupt the flow of oil. These uncertainties in Nigeria has prompted several refineries from India to the United States to back away from buying Nigerian oil.⁷

In recent years the frequency of attacks has increased dramatically. Whereas the crisis has roots back in the 1990s, the recent waves began around the 2003 election. The most recent violence in the Niger Delta, Asuni said, grew out of the political campaigns in 2003. Politicians in Rivers State manipulated the Niger Delta Vigilantes led by Ateke Tom and the Niger Delta People's Volunteer Force, led by Alhaji Asari Dokubo. In most cases, politicians used these local groups to advance their own agenda and interest.⁸

⁵ The Economist Intelligence Unit, "Country Report Nigeria December 2015," (London: The Economist Intelligence Unit. Accessed from <<http://country.eiu.com/nigeria>>, 2015), 3.

⁶ Dorina Bekoe, "Strategies for Peace in the Niger Delta," United States Institute of Peace, <http://www.usip.org/publications/strategies-peace-in-the-niger-delta>.

⁷ Libby George, "Nigerian Chaos Leaves Refiners Cold and Oil Unsold Amid Outages," Thomson Reuters, http://af.reuters.com/article/topNews/idAFKCN0YU1CV?sp=true&utm_source=Media+Review+for+June+9%2C+2016&utm_campaign=DMR-+EN+-+06%2F9%2F2016&utm_medium=email.

⁸ Bekoe, "Strategies for Peace in the Niger Delta".

Under pressure from commanders of the Ijaw ethnic group, President Obasanjo brokered a peace agreement between Ateke Tom and Alhaji Asari Dokubo in October 2004. After failure to resolve the issues that led to the violence, a new militant group called the Movement for the Emancipation of the Niger Delta (MEND) was formed in 2006 when they kidnapped Western oil workers. According to a report by The Council on Foreign Relations one the group has mixed motives and composition some of them criminally motivated, others politically and ideologically driven.”⁹

These new waves of unrest have been driven by a confluence of old grievances and new disappointments. According to the Nnamdi K. Obasi, Crisis Group's senior analyst for Nigeria, “Nigeria’s Middle Belt is suffering increasing violence, involving pastoralists, cattle rustlers, agrarian communities, rural bandits and community vigilantes.”¹⁰ Nigeria is Africa’s biggest petroleum producer and the Niger Delta region alone accounts for approximately two million barrels a day. The extraction of oil and natural gas has taken its toll on the people in the Niger Delta region where much of the extracted gas is burnt or flared into the air.

The environmental cost and health hazard from thousands of oil spills has been enormous. Even worse, the local communities have seen little benefit from the revenue obtained by extraction of natural resources. The paradox of the region is that it is an oil-rich region, but remains plagued by poverty, local grievances over oil and gas pollution, lack of basic infrastructure, high unemployment, and unequitable distribution of the region’s share of oil revenues. These issues have led the Niger Delta Region to be racked by insecurity.

In 2009, President Umaru Yar’Adua, signed the Presidential Amnesty Program (PAP). The program granted former militants unconditional amnesty.¹¹ The 2009 amnesty deal included provision for job training and monthly allowance to an estimated 30,000 fighters. Luke Patey, senior researcher at the Danish Institute for International Studies, writes that the current Buhari’s cash-strapped government is phasing out the program and payments to former militants dwindle.¹²

⁹ Judith Burdin Asuni, "Understanding the Armed Groups of the Niger Delta," in *WORKING PAPER* (Council on Foreign Relations. New York, NY. Accessible from <<http://www.cfr.org/nigeria/understanding-armed-groups-niger-delta/p20146>>: The Council on Foreign Relations, 2009), 3.

¹⁰ Nnamdi Obasi, "Buhari’s Nigeria: Boko Haram Off Balance, but Other Troubles Surge," International Crisis Group, http://blog.crisisgroup.org/africa/nigeria/2016/05/30/buharis-nigeria-boko-haram-off-balance-but-other-troubles-surge/?utm_source=Sign+Up+to+Crisis+Group%27s+Email+Updates&utm_campaign=70b8524210-Weekly_Update_27_May_3_June_2016&utm_medium=email&utm_term=0_1dab8c11ea-70b8524210-359396393.

¹¹ "Chapter Four: Sub-Saharan Africa," *Armed Conflict Survey* 2, no. 1 (2016): 163.

¹² Luke Patey, "Africa’s Petrostates Are Imploding," *Foreign Policy*, <http://foreignpolicy.com/2016/04/04/africas-petrostates-are-imploding/>. Former militants in the Niger Delta who became reliant on the PAP were not benefiting

Patey goes on to note that the collapse of the peace deal and its amnesty and a resurrection of the insurgents in the Niger Delta, who managed to shut down a quarter of Nigeria's total oil production, now threatens the production of oil which represents 70 percent of government revenue.¹³ After the government initiated a process to prosecute ex-militant leader Government Ekpemupolo on corruption charges, two other armed groups emerged known as the Niger Delta Avengers¹⁴ and Egbesu Mightier Fraternity. They resumed attacks on the government and oil industry assets, bringing down the output the lowest in two-decades.¹⁵ A major demand is a revenue sharing scheme for oil. The response of the government has been deployment of military to crush the militant group and unmitigated crackdown on those who support the group.¹⁶

When he was elected in 2015, President Muhammadu Buhari, a former army general, promised to stabilize Nigeria and take on Nigeria's militant Islamist group Boko Haram.¹⁷ The group has caused great havoc through bombings, assassinations and abductions and vows to overthrow the government and create an Islamic state.¹⁸ Concern over wave of cross-border insurgent and spillover into the region prompted the African Union's Peace and Security Council to assist the Nigerian Government in its fight against its domestic militant groups.

The AU set up the Multinational Joint Task Force (MNJTF), comprised 8,700 troops from Cameroon, Chad, Niger, Benin and Nigeria. By the end of the year the combined forces managed to seize all 20 local-government areas once controlled militant groups.¹⁹ While Buhari has managed to strike the group and force it into recession, the group has proven rather resilient. At the same time new challenges are emerging in other regions of Nigeria, namely in the south east, Middle Belt and Niger Delta.

from the social-development and training initiatives at the core of the amnesty program "Chapter Four: Sub-Saharan Africa," 164.

¹³ "Africa's Petrostates Are Imploding".

¹⁴ Dulue Mbachu and Michael Cohen, "Who Are the Militants Attacking Nigeria's Oil Industry? Q & A," Bloomberg, http://www.bloomberg.com/news/articles/2016-06-06/who-are-the-militants-attacking-nigeria-s-oil-industry-q-a?utm_source=Media+Review+for+June+8%2C+2016&utm_campaign=DMR-+EN+-+06%2F8%2F2016&utm_medium=email.

¹⁵ George, "Nigerian Chaos Leaves Refiners Cold and Oil Unsold Amid Outages".

¹⁶ Obasi, "Buhari's Nigeria: Boko Haram Off Balance, but Other Troubles Surge".

¹⁷ The group's official name is Jama'atu Ahlis Sunna Lidda'awati wal-Jihad, which in Arabic means "People Committed to the Propagation of the Prophet's Teachings and Jihad." Residents in the north-eastern city of Maiduguri, where the group had its headquarters, dubbed it Boko Haram Farouk Chothia, "Who Are Nigeria's Boko Haram Islamists?," BBC Africa, <http://www.bbc.com/news/world-africa-13809501>.

¹⁸ Ibid.

¹⁹ "Chapter Four: Sub-Saharan Africa," 158.

In 2015, when former President, Goodluck Jonathan, the first president from the Delta, lost re-election, the event has led to a steady rise from activists demanding “greater resource control and self-determination, and a number of ex-militant leaders are threatening to resume fighting.”²⁰ Today the peace agreement is threatened and the opportunity the government had to resolve the multiple grievances were wasted due to political inertia and bad governance. Today many of the root causes of the issues that led to the conflict remains unaddressed.

III. Methodology

The data on violence that is used in this report come from the Armed Conflict Location & Event Data Project (ACLED).²¹ ACLED database is the most comprehensive public collection of political violence and protest data for developing states from 1997 through June 2016. The organization collects the forms, agents, dates and locations of political violence and protest.²² The report combines both data sources to provide a comprehensive insight into suicide attacks and death resulting from those attacks in Nigeria in addition to providing an analysis of various events and violent incidents in the nine states that make up the Greater Niger Delta region between 2011 and 2015.

ACLED data are based on several secondary sources, including local and regional news sources, Integrated Regional Information Network (IRIN), Relief Web, Factiva, and various humanitarian agencies.²³ The database includes nine types of events, both violent and nonviolent, that may occur during a period of political violence. The unit of analysis is event. An event may occur between designated actors. The event occurs at a specific named location (identified by name) and on a specific day (date).²⁴

²⁰ International Crisis Group, "Curbing Violence in Nigeria (Iii): Revisiting the Niger Delta," in *Africa Report N°231* (Brussels, Belgium. Accessible from <<http://www.crisisgroup.org/en/regions/africa/west-africa/nigeria/231-curbing-violence-in-nigeria-III-re-visiting-the-niger-delta.aspx>>: International Crisis Group, 2015), i.

²¹ Clionadh Raleigh et al., "Introducing Acled: An Armed Conflict Location and Event Dataset: Special Data Feature," *Journal of Peace Research* 47, no. 5 (2010).

²² ACLED, "Methodology," Armed Conflict Location and Event Data Project, <http://www.acleddata.com/methodology/>.

²³ Raleigh et al., "Introducing Acled: An Armed Conflict Location and Event Dataset: Special Data Feature," 656.

²⁴ *Ibid.*, 655.

IV. Results

In the next section we discuss the results from our analysis based on the ACLED data. We offer insights on the state of violence to approximate the state of stability in the country. This includes frequency and percent distribution of event year, frequency and percent distribution of type of conflict event, number and percent of actor type, number and percent of events and people killed per year in the for the Niger Delta Region. For the second part of our analysis we rely on ACLED data.

Table 1

Number and Percent of Suicide Attacks, People Killed and People Wounded Reported by Year

<u>Year</u>	<u>N of Suicide Attacks</u>	<u>%</u>	<u>N of People Killed</u>	<u>%</u>	<u>N of People Wounded</u>	<u>%</u>
2011	5	3.2	78	3.5	144	3.6
2012	23	14.6	183	8.1	642	15.8
2013	3	1.9	54	2.4	85	2.1
2014	29	18.4	573	25.4	1013	25.0
2015	98	62.0	1365	60.6	2169	53.5
Total	158	100.0	2253	100.0	4053	100.0

Table 1 and Figure 1 show the aggregate number of suicide attacks by year. Roughly twice as many people are wounded, as compared to killed, by suicide attacks. In comparison to the first three years that is 2011-2013, 2014 and 2015 were the deadliest years with 573 killed in 2014 and more than twice killed in 2015.

Table 1
Frequency and Percent Distribution of Event Year for Niger Delta Region

<u>Year</u>	<u>N of Events</u>	<u>%</u>
2011	25	2.6
2012	111	11.6
2013	177	18.6
2014	263	27.6
2015	378	39.6
Total	954	100.0

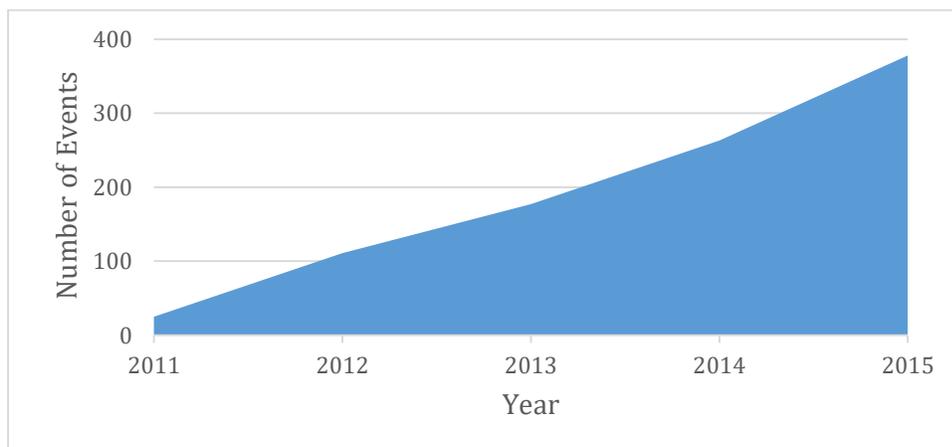


Figure 2. *Distribution of Events Each Year for Niger Delta Region*

The number of events in the Niger Delta Region rose each year from 2011 to 2015. From 2011 to 2012, there was an increase of 9 percent, from 2012 to 2013 the increase was 7 percent, then from 2013 to 2014 and 2014 to 2015, there increases were 9 and 12 percent, respectively. The year 2015 saw the highest number of events standing at 39.6 percent and 2011 had the lowest at 2.6 percent.

Table 2

Frequency and Percent Distribution of Type of Conflict Event in the Niger Delta Region

<u>Conflict Event Type</u>	<u>N of Events</u>	<u>%</u>
Headquarters or base established	1	.10
Remote violence	14	1.47
Strategic development	40	4.19
Battle-No change of territory	116	12.16
Violence against civilians	251	26.31
Riots/Protests	532	55.77
Total	954	100.0

Riots/Protests accounted for the majority of conflict events, whereas Violence against Civilians accounted for the second most conflict events in the Niger Delta Region. Violence against Civilians and Riots/Protests accounted for 82 percent of all conflict events.

Table 3

*Number and Percent of Actor Type in the Niger Delta Region
(N = 954 events)*

<u>Actor Type</u>	<u>N of events</u>	<u>%</u>
Outside or External Force (e.g. UN)	4	0.4
Rebel Force	14	1.5
Government or Mutinous Force	126	13.2
Rioters	128	13.4
Militia (Political and Ethnic)	381	39.9
Protesters & Civilians	685	71.8

Note. Actor type categories are not mutually exclusive

The Niger Delta region had a total of 954 events from 2011 to 2015 accounted for by six major groups of actors: Outside or External Force (e.g. UN) (0.0 %), Rebel Force (1 %), Government or Mutinous Force (13 %), Rioters (13 %), Militia (Political and Ethnic) (40 %), and Protesters and Civilians (72 %).

Table 4

Number and Percent of Events and People Killed per Year in the Niger Delta Region

<i>Year</i>	<i>N of Events</i>	<i>%</i>	<i>Fatalities</i>	<i>%</i>
2011	25	2.6	19	3.1
2012	111	11.6	107	17.4
2013	177	18.6	213	34.6
2014	263	27.6	110	17.9
2015	378	39.6	167	27.1
Total	954	100.0	616	100.0

Note. Statistics Reported of Niger Delta Region

The reported number of fatalities due to events in the Niger Delta stood at 954 deaths over the five-year span from 2011 through 2015. The number of events in the Niger Delta Region rose each year from 2011 (25) to 2015 (378), whereas the number of fatalities in the Niger Delta Region peaked in 2013 (213), the declined in 2014 (110) and rose again in 2015 (167).

V. Discussion: Analysis of Events in Nigeria and the Niger Delta Region

In the next section we discuss the results from our analysis focusing on the Niger Delta Region. We discuss violent events in the events in the nine states that make up the Greater Niger Delta Region. This includes such events and struggles for territorial control, violence by either a rebel or government on unarmed civilians, deliberate violent acts perpetrated by an organized political group, rioting, nonviolent and monadic events such as rebel’s establishment of a headquarter or base at a location, nonviolent rebel presence including recruitment rallies, speeches, looting, destruction of property, and other activities that do not result in the deaths of civilians and finally protests.

Two types of events were prevalent in the region. Riots/Protests accounted for the majority of conflict events, whereas violence against civilians accounted for the second most conflict events in the Niger Delta Region. Violence against civilians and riots/protests accounted for 82 percent of all conflict events in the Niger Delta Region. The Niger Delta region had a total of 954 events occurring from 2011 to 2015 accounted for by six major groups of actors: Outside or External Force (e.g. UN) (0 %), Rebel Force (1 %), Government or Mutinous Force (13 %), Rioters (13 %), Militia (Political and Ethnic) (40 %), and Protesters and Civilians (72 %).

The reported number of fatalities due to events in the Niger Delta stood at 954 deaths over the five-year span from 2011 through 2015. The number of events in the Niger Delta Region rose each year from 2011 (25) to 2015 (378), whereas the number of fatalities in the Niger Delta Region peaked in 2013 (213), the declined in 2014 (110) and rose again in 2015 (167).

The causes of insecurity in Nigeria has many causes among others ethno-religious conflicts, political and economic motivated violence, systemic corruption, and pervasive inequalities. This insecurity in Nigeria has fueled the crime rate and terrorists attacks in different parts of the country, leaving unpalatable consequences for the nation's economy and its growth.²⁵ There is clear upward trend in the number of events and incidents including include armed robbery, ethnic crisis, assassination, militancy, kidnapping and terrorist attacks. One study confirms that insecurity in Nigeria has been increasing over time. This in turn constitutes a serious threat to lives and properties, hinders business activities and discourages local and foreign investors, all which stifles and retards Nigeria's socio-economic development.²⁶

VI. The Economic Cost of Violence

The net impact of insecurities throughout Nigeria has impacted economic development.²⁷ According to the National Bureau of Statistics, Nigeria's unemployment rate increased to 23.9 percent in 2011 compared with 21.1 per cent in 2010 and 19.7 per cent in 2009.²⁸

²⁵ Olabanji Olukayode Ewetan and Ese Urhie, "Insecurity and Socio-Economic Development in Nigeria," *Journal of Sustainable Development Studies* 5, no. 1 (2014).

²⁶ Ibid.

²⁷ Callistar K Obi, "Challenges of Insecurity and Terrorism in Nigeria: Implication for National Development," *OIDA International Journal of Sustainable Development* 8, no. 02 (2015).

²⁸ cited in Ewetan and Urhie, "Insecurity and Socio-Economic Development in Nigeria," 41.

Anthony A. Adebayo, from Federal University of Nigeria, writes that there was a drop in foreign direct investment (FDI) of US\$6.1 billion in 2010 due to Boko Haram²⁹ and exasperated by global financial crisis, representing a decline of 29 percent from the previous fiscal year.³⁰ From 2010 to 2011, there was an increase of 46 percent in FDI to Nigeria. This was the only such year from 2009 to 2014 where there was an increase, and not a decrease, in FDI to Nigeria. Likewise, the percentage change in FDI between 2013 and 2014 was the lowest (16.30 %) since 2009. Nigeria's FDI inflow was 4,694 (millions of dollars) down from its peak in 2011 when it stood at 8,915 millions of dollars according to the 2015 World Investment Report, published by United

Nations Conference on Trade and Development.³¹ Nigeria ranked 136 in the world on the Corruption Perceptions Index in 2015. According to the PricewaterhouseCoopers the problem of corruption in Nigeria is so significant that it could cost up to 37% of GDP (around \$1,000 per person in 2014) by 2030 (\$2,000 per person) unless it is dealt with immediately.³² It scored poorly on indicators for basic rule of law and justice.³³

The new waves of insecurities have fueled further demand for greater federal structure, fiscal and political restructuring, equitable distribution of resources by different ethnic group throughout Nigeria. Peripheral regions of Nigeria have been plagued by instability, lack of rule of law, and economic development. The radical extremist movements³⁴ known as Boko Haram have carried out various attacks in Northern part of Nigeria while old and emerging militant groups are now carrying out new waves of attacks in the Greater Niger Delta Region.

²⁹ See The Institute for Economics and Peace (IEP), "The Global Terrorism Index (GTI) 2015: Measuring and Understanding the Impact of Terrorism," in *The Global Terrorism Index (GTI)* (Sydney, New York and Mexico City. Accessible from <<http://economicsandpeace.org/wp-content/uploads/2015/11/Global-Terrorism-Index-2015.pdf>>: The Institute for Economics and Peace (IEP), 2015), 66.

³⁰ A.A. Adebayo, "Implications of Boko Haram Terrorism on National Development in Nigeria," *Mediterranean Journal of Social Sciences* 5, no. 16 (2014).

³¹ UNCTAD, "World Investment Report 2015: Reforming International Investment Governance," (Geneva, Switzerland United Nations Conference on Trade and Development. Accessible from <http://unctad.org/en/PublicationsLibrary/wir2015_en.pdf>, 2015), Annex Table A4.

³² PricewaterhouseCoopers, "Impact of Corruption on Nigeria's Economy," (Nigeria: PricewaterhouseCoopers. Accessible from <<https://www.pwc.com/ng/en/assets/pdf/impact-of-corruption-on-nigerias-economy.pdf>>, 2016), 3.

³³ Transparency International, "Corruption Perceptions Index 2015" (Berlin, Germany: Transparency International. Accessible from <http://www.transparency.org/cpi2015?gclid=CjwKEAajwp-S6BRDj4Z7z2IWUhG8SJAAbqBF3r6G2t1G3OhNcp-Re4gQMNqxsQVKUsxxeZT_FBXiCsRoCxbbw_wcB#downloads>, 2015).

³⁴ Natalie Delia Deckard, Atta Barkindo, and David Jacobson, "Religiosity and Rebellion in Nigeria: Considering Boko Haram in the Radical Tradition," *Studies in Conflict & Terrorism* 38, no. 7 (2015). Also the group's ongoing campaign of terror against the State of Nigeria "Anatomy of African Terrorism: Boko Haram: Nigeria's Homegrown Terror Network," *World Policy Journal* 29, no. 4 (2012).

These events and incidents have led to significant loss of lives and properties.³⁵ According to Callistar K. Obi from the Delta State University, this included:

suicide bomb attacks, sporadic shooting of unarmed and innocent citizens, burning of police stations, churches, kidnapping of school girls and women, etc. Kidnapping, rape, armed robbery and political crises, murder, destruction of oil facilities by Niger Delta militants alongside the attacks carried out by Fulani Herdsmen on some communities in the North and South have been another major insecurity challenge facing the country. Nigeria has been included among one of the terrorist countries of the world.³⁶

According to The Global Terrorism Index, developed by the Institute for Economics and Peace, the economic cost of global terrorism alone reached its highest level in 2014 at US\$52.9 billion, an increase of 61% from the previous year's total, tenfold increase since 2000.³⁷ The report also showed that Nigeria experienced the largest increase in terrorist activity, registering an increase of over 300% since 2013.³⁸ Boko Haram also overtook other Islamic fundamentalism like the Islamic State of Iraq and the Levant (ISIL) as the world's deadliest terrorist group.

In March of 2016, the group abandoned its affiliation with al-Qaeda, instead pledging allegiance to the Islamic State (also known as ISIS or ISIL).³⁹ The joint collaboration between these militant groups acting in Africa in collaboration with international terrorist groups like ISIL raises greater concerns for countries in the region where groups like al-Qaeda have active branches in places like Mauritania, Morocco, Mali and Niger and Nigeria. The group members have received training and funds from outside in far-away Afghanistan and Mauritania.⁴⁰

The factors contributing the crisis in Nigeria and specifically in the Greater Niger Delta Region are many. They cut across class, ethnicity, region, and socioeconomic conditions. What is certain is that the Niger Delta Region has been significantly marginalized and it has suffered from lack of economic development the failure in the amnesty program and the country has been hit hard by public discontents, insurrections and violence in large parts of northern region, hit by Islamist insurgency.

³⁵ Obi, "Challenges of Insecurity and Terrorism in Nigeria: Implication for National Development."

³⁶ Ibid.

³⁷ The Institute for Economics and Peace (IEP), "The Global Terrorism Index (Gti) 2015: Measuring and Understanding the Impact of Terrorism," 3.

³⁸ Ibid., 2-4.

³⁹ "Chapter Four: Sub-Saharan Africa," 157.

⁴⁰ Freedom C. Onuoha, "The Islamist Challenge: Nigeria's Boko Haram Crisis Explained," *African Security Review* 19, no. 2 (2010): 57 & 63.

The region itself has been plagued by poverty, local grievances over oil and gas pollution, lack of basic infrastructure, high unemployment, and unequitable distribution of the region's share of oil revenues and racked by insecurity.

The shutdown in oil production, which represents 70 percent of government revenue, has been enormous. For communities who live in the oil-producing region, the environmental degradation caused by oil extraction and production cost and health hazard from thousands of oil spills has been devastating. The surge in militant activities and increasingly the cross-border activities of these groups has promoted the African Union's Peace and Security Council to pledge assistance to the Nigerian Government in its fight against its domestic militant groups. The continental body has already set up a Multinational Joint Task Force (MNJTF), comprised 8,700 troops from Cameroon, Chad, Niger, Benin and Nigeria.

These are positive developments. However, given the challenges facing the Nigerian military in its fight against insurgents it is difficult to see how the situation will improve in the short-term given existing constraints in the country. A recent report by The International Crisis Group tried to provide an overview of structural challenges facing the Nigerian military: a crisis of leadership and civilian oversight, funding constraints, systemic corruption and lack of accountability, equipment and logistics deficits, personnel and training gaps, poor civil-military relations, and poor welfare conditions.⁴¹ As with most political violence, without resolving the root-causes of the issues fueling the violence the problem may be resolved in the short-term but only to return in the long-term. Only a social, political and economic strategy that address problems that sparked the insurgency stands to provide durable peace and stability.

VII. Implications for Investors

Given what the historical data and the Zambakari-AO Niger Delta Predictive Model implies; that there is a relationship between oil price declines, FDI declines and increases in Niger Delta Unrest; what's next for the Niger Delta and how can the Nigerian Government and other stake holders mitigate the current cycle of unrest and what does this bode for Investors?

It has been our in-house view that the President and the defense establishment had been focused on Northern Nigeria as Boko Haram was and is considered the main national security threat and did not realize the new threat in the Niger Delta; a threat exacerbated as shown in our research by the negatively correlated relationship with oil prices and the number of incidences in attacks.

⁴¹ International Crisis Group, "Nigeria: The Challenge of Military Reform," (Brussels, Belgium International Crisis Group. Accessible from <<http://www.crisisgroup.org/en/regions/africa/west-africa/nigeria/237-nigeria-the-challenge-of-military-reform.aspx>>, 2016).

With the current downturn in oil prices, correspondent GDP contraction and the reduction in FDI; this current wave of Niger Delta unrest could have been predicted by the historical data. However, the sophistication and apparent counter intelligence and propaganda capabilities of the Niger Delta Avengers do appear to have been underestimated.

We believe that with the uptick in these attacks; that will change and President Buhari's bonafides on National Security imply that the Niger Delta and the security of oil exports and infrastructure will become a core national security priority for the current government. In addition, there had been a détente between militants and the previous government that had been facilitated by the previous amnesty program. However, given the current economic environment and the current anti-corruption environment as evidenced by the Nigerian EFCC's freezing of a former militant leader's assets⁴²; it is unclear that the country has the resources or the political desire to resurrect the Presidential Amnesty Program in its previous incarnation.

As GDP growth improves, it is our belief that insurgent activity will moderate for a variety of factors; including increased government revenues and increased capital investment in the Niger Delta Region; capital investment which has been held off as the result of both low oil prices and current instability. As such, we end our report on a positive note; Nigerian GDP Growth is projected to bounce off of recent lows; with World Bank forecasts predicting GDP growth of 3.5% in 2017 and 4.0% in 2018.⁴³ Given our previously established relationship via the Zambakari AO Niger Delta Predictive Model between GDP growth and Insurgent activity; as GDP picks up our view is that insurgent activity will moderate from recent multiyear highs – with the concomitant effects on oil production and energy production in the country.

⁴² Gbenga Bada, "Efcc Freezes Ex-Militant's N3bn Bank Account," <http://pulse.ng/local/tompolo-efcc-freezes-ex-militants-n3bn-bank-account-id5150577.html>.

⁴³ The World Bank, "Global Economic Prospects: Divergences and Risks," in *Flagship Report* (Washington, DC: The World Bank . Accessible from <<http://pubdocs.worldbank.org/pubdocs/publicdoc/2016/5/842861463605615468/Global-Economic-Prospects-June-2016-Divergences-and-risks.pdf>>, 2016), 4.

Table 5

Projected Real GDP Growth (%)

<u>Country groups(Aggregates)</u>	<u>2013</u>	<u>2014</u>	<u>2015e</u>	<u>2016f</u>	<u>2017f</u>	<u>2018f</u>
Sub-Saharan Africa	4.8	4.5	3	2.5	3.9	4.4
SSA Oil exporters*	5.4	5.3	2.5	1.7	3.8	4.2
SSA excluding South Africa	5.7	5.6	3.5	3.2	4.8	5.1
CFA countries	4.6	5.6	4	5.3	5.3	5.7
Emerging market and developing economies (EMDEs)	4.7	4.2	3.4	3.5	4.4	4.7
World	2.4	2.6	2.4	2.4	2.8	3
Nigerian economy						
Nigeria	5.4	6.3	2.7	0.8	3.5	4

Source: *World Bank*.⁴⁴

*Includes Angola, Cameroon, Chad, Cote d Ivoire, Democratic Republic of Congo, Gabon, Nigeria, Republic of Congo, and Sudan.

Economic growth will reflect the environment around Nigeria. The Joint collaboration between the African Union, regional actors, and the Nigerian government will improve the regional and domestic security. This is reflected in the projected growth path. As the government steps up pressure on insurgents, stability will return to the oil producing region of the Niger Delta which produces over 70% of the oil for export in Nigeria. The AU Multinational Joint Task Force (MNJTF) has already managed to seize all 20 local-government areas once controlled militant groups. As condition improve the predicted GDP growth will bounce from the current 0.8% to 3.5% in 2017 and 4% in 2018.

However, in the near to medium term we do expect to see some volatility and disruptions to certain aspects of oil and gas production. We do however continue to view these attacks as restricted to either IOCs or National Oil Company JVs and do not believe that local oil companies will be affected and our view is that the underlying uncertainty around the Niger Delta Avengers actions will keep oil prices elevated above the \$41 World Bank prediction through the end of the year. It is also apparent that at current prices – the \$50 per bbl 2017 World Bank prediction is also achievable.

⁴⁴ "Global Outlook Summary: June 2016 Forecasts " The World Bank, <http://www.worldbank.org/en/publication/global-economic-prospects#data>.

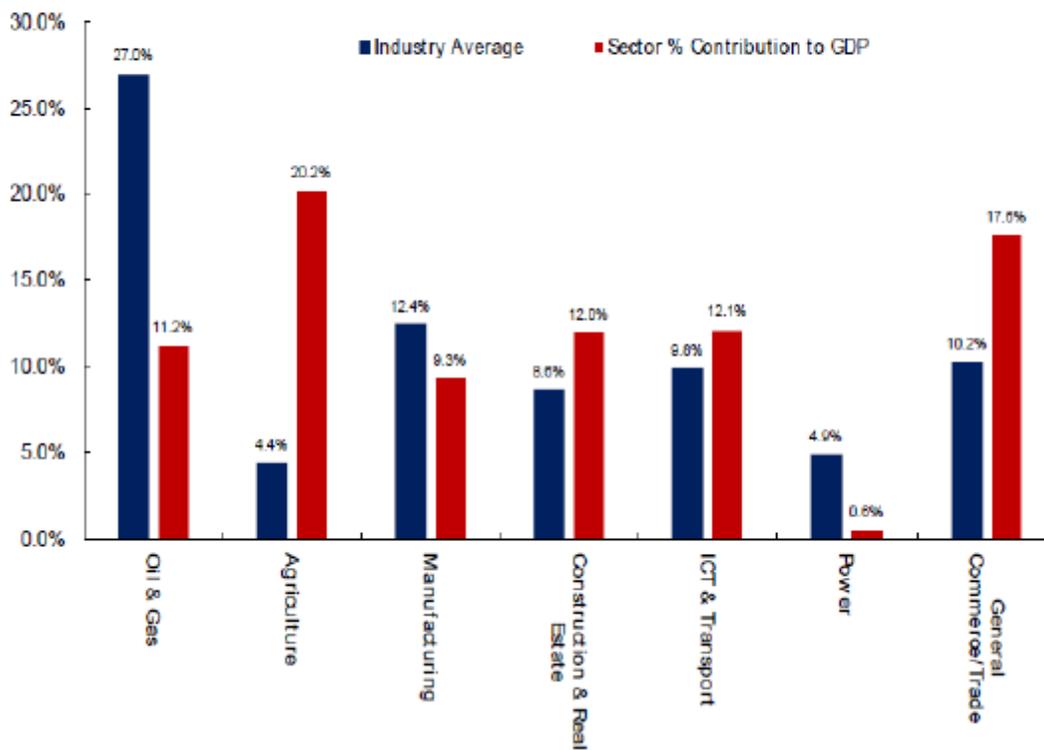
We believe that the Buhari Administration will need to approach the current standoff with the militants through a mixture of drastically revamped and improved security service action, negotiations and a reworking of the Amnesty program that takes into account current macroeconomic reality.

If successful, this bodes well for a better medium term period of price and revenue stability for Nigerian oil producers (and the Federal Government) while also forcing the economy and the banking sector as a whole to continue to reallocate and reorient the economy away from a reliance on the Oil Sector and creating a myriad of opportunities as a result of this “Great Reallocation” away from Oil and Gas.

It is unsustainable for oil and gas to account for ~11% of Nigerian GDP and ~30% of all lending and credit allocation in that economy and it is our view that this reallocation of resources has long been overdue. However only now; with current global macroeconomic environment, the larger economy and a government focused on transforming the economy has the opportunity been viable.

And this is where we believe the bulk of forecast/future GDP growth will come from. At the same time there will be several avenues to make opportunistic investments given the current USD liquidity needs in the economy and while growth is certainly weak compared to historical averages – both public and private valuations have also become much more attractive as well and NGN production costs are certainly more manageable for investors and with the recent resolution of the dual FX regime; investors should have more currency visibility going forward.

Sector Credit Distribution vs Contribution to GDP



Source: Altinvest Nigerian Banking Survey 2015

Figure 3. Sector Credit Distribution vs Contribution to GDP

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