Overview

On 23 February 2019, Nigeria's President Muhammadu Buhari was re-elected for a second four-year term. On the eve of the polls, Nigeria's economy had turned from continental locomotive to sick man. Economic expansion trailed population growth as the oil sector struggled to recover from crisis and militancy, diversification efforts remained largely perfunctory and policy uncertainty deterred foreign investment.

AKE's Special Report discusses the state of Nigeria's economy, assesses the prospects and potential impact of oil-sector reform and identifies the major security challenges confronting President Buhari in his second term. It argues that, while new investment opportunities might arise in several sectors, the glacial pace of structural reforms and persistent security risks will continue to prevent Nigeria's economy from reaching its full potential in the coming four years.

Nigeria's 2019 federal elections: more of the same?

Nigeria's 23 February elections had promised to be a neck-and-neck competition between President Muhammadu Buhari of the ruling All Progressives Congress (APC) and his main challenger Atiku Abubakar of the opposition People's Democratic Party (PDP). In the end, the electoral map differed little from the 2015 elections, apart from a few swing states changing camp.

President Buhari, a former military strongman-turned-democrat, was voted into office in 2015 on promises of freeing Nigeria from graft and Boko Haram. This year, he secured a 15 per cent lead over his main rival, former vice president Atiku Abubakar of the People's Democratic Party (PDP), who has refused to concede defeat. Abubakar alleges manipulation and is contesting the result in court. The suspension and replacement of Supreme Court chief Walter Onnoghen on charges of violating asset-declaration rules just weeks before the vote has raised questions as to how independent the court, which has the ultimate say on the election's credibility, truly is. Moreover, the polls' last-minute postponement by a week on grounds that election material hadn't been distributed to all voting centres, coupled with a disproportionate security force presence in opposition strongholds, may have deterred Abubakar's supporters. Yet, there is little to substantiate claims of wholesale fraud.

Aso Rock, Abuja

That is not to say that Buhari's victory is unmarred. Going into his second term, Buhari's mandate is undermined by an extremely low voter turnout of less than 36 per cent. In absolute terms, Buhari garnered a mere 15.2 million votes, or about 8 per cent of Nigeria's 200 million strong population. This is hardly a resounding expression of faith in Buhari's leadership.

The abysmal turnout can be largely explained by the delay and controversy surrounding Chief Justice Onnoghen's suspension. Fears of violence certainly played a role as well, with nearly 600 people killed in election-related violence since campaigning began in November 2018. However, voter apathy also reflects a perceived lack of genuine choice. Abubakar campaigned on a pledge to unleash Nigeria's economy but, aware of the glacial pace at which Nigerian law-making tends to move, few voters took this at face value. With corruption scandals under the government of Buhari's PDP predecessor Goodluck Jonathan still fresh in the collective memory, most voters did not find Abubakar's platform convincing enough to give the PDP, Nigeria's ruling party since its return to multi-party democracy in 1999, another try.

The APC, which had been weakened by a wave of defections to the point that some feared its disintegration, expanded its majority in the legislative elections, making it easier for Buhari to push through legislation. Even so Buhari is unlikely to veer much from his previously trodden course. On security, a coherent strategy to de-escalate Nigeria's numerous insurgencies remains elusive. In the Niger Delta, militancy could flare up again at any time given widespread anti-Buhari sentiment in the region. Security force deployments in central and north western states, where communal violence and banditry have surged, have been increased but to the detriment of deployments elsewhere. Meanwhile, Boko Haram's recent attacks on military bases serve as a stark reminder that the group is far from being defeated. Buhari might order a new anti-terror operation, but in the absence of a credible roadmap to develop Nigeria's north-east, any improvement risks being temporary at best.

Muhammadu Buhari: dictator to democrat?

Running under the slogan 'CHANGE', President Muhammadu Buhari's 2015 campaign and subsequent election victory were suffused with hope. The fruit of the country's first democratic transition, the incoming president promised to fight corruption, expand Nigeria's economy and 'decimate' the Boko Haram insurgency. Few of these hopes have been fulfilled. A lack of meaningful structural reform has hampered the Nigerian economy's recovery from the 2014 oil price slump, while Boko Haram has been reinforced by a host of other violent opposition movements.

This is not Buhari's first time in power. From 1984 to 1985 he ruled as a military leader. During this time, he developed a reputation as a strong-armed disciplinarian with little tolerance for corruption, a persistent problem in Nigeria. Today he maintains his reputation for personal incorruptibility. His first term saw notable, if slow and highly partisan, progress in combatting corruption, with the number of high-profile convictions nearly doubling.

Critics allege his tenure as military ruler has left another, more troublesome legacy: a hard-headed 'tough guy' attitude that is limiting Nigeria's ability to attract foreign investment. Authorities' attempts to prosecute MTN earlier this year – widely seen as a pre-election political ploy – is a prominent example of this. MTN, a South African telecoms company, is one of Nigeria's biggest foreign investors. In a clear affront to this valuable patron, Nigeria's Central Bank ordered the company to return US$8.1bln it had allegedly repatriated to South Africa using illicit certificates of exportation, alongside a claim by the Attorney General for over US$2bln in back taxes. In the end, the central bank and MTN agreed to resolve the dispute for the paltry sum of US$53m. The episode succeeded in painting Nigeria as a hostile environment for foreign investors.

Nigeria can hardly afford to dent foreign investor confidence in this manner. Overwhelmingly reliant on oil revenue, Nigeria's economy tumbled into recession following the 2014 oil price slump and is struggling to recover. Despite this, Buhari has shown little interest in the kind of structural reform necessary to balance the economy and drive more substantial growth. He has made no effort to continue the economic liberalisation programme of former president Olusegun Obasanjo and despite being involved in its construction, has resisted joining the continental free trade area due to protectionist concerns. Similarly obstinate is his dogged adherence to a policy of fixing the value of the naira. By the time the central bank forced him to abandon the policy in 2016, investor confidence had already been rocked. He has ruled out fully floating the currency in his second term. Nor has Buhari done much to invest in sorely needed public services such as health and education, although his government did recently suggest a 50 per cent rise in the minimum wage, widely considered unsustainable. Despite Buhari's failure to revive the economy, such populist promises were well received by Nigeria's largely impoverished electorate.

President Muhammadu Buhari

Central to Buhari's 2015 victory and a deliberate evocation of his time as military ruler, was his promise to take a harsh stance against Boko Haram. Buhari's claim in 2016 that the insurgency had been 'technically defeated' looks woefully presumptuous now. Boko Haram has continued to kill soldiers and civilians across north-eastern Nigeria, despite the president's success in releasing US$1bln in additional funds to fight the insurgents. Buhari is also struggling with separatist 'Biafran' insurgents in the south-east and a spiralling conflict between nomadic herders and sedentary farmers in central and north-western states. Buhari has been accused of taking an unduly soft approach to the nomads because they, like him, belong to the Fulani ethnic group.

Nonetheless, Buhari has taken some positive steps during his first four years in office. Avoiding the taint of corruption is no mean feat and sets him apart from his predecessor, Goodluck Jonathan. Economically, the government boasts a supposed increase in foreign reserves, a current account surplus and reduced inflation. Furthermore, whilst Boko Haram are currently enjoying something of a resurgence, the group is not as prominent a threat as it was in 2015. Ultimately though, Buhari has acted as a conservative custodian of the state rather than a reformer.

On economic policy, the government is likely to remain committed to reviving investment in the upstream and midstream hydrocarbons sectors while increasing local capacity building and accelerating economic diversification, with a priority on the first of the three. Passage of the long-awaited Petroleum Industry Governance Bill remains uncertain, although prospects have moderately improved following Buhari's backtracking on his vow not to sign the bill into law. To the chagrin of the business community, the naira is unlikely to be floated.

Thus, beyond the short-term economic boost that the removal of election-related uncertainty might bring, Buhari's second term is unlikely to usher in an economic renaissance.

Nigeria's economy: recovering, but barely

As sub-Saharan Africa's largest economy Nigeria has an estimated 2018 GDP of nearly US$400bln and is the region's largest oil exporter with 2017 exports valued at US$38.6bln. As such, Nigeria should be a veritable continental powerhouse. However, since emerging from a recession in 2017, the Nigerian economy has recovered only sluggishly, with minimal growth carried mainly by oil-sector activity. A number of factors continue to threaten Nigeria's weak recovery as well as its longer-term economic outlook. In particular, Nigeria's lack of economic diversification leaves the country's economy susceptible to fluctuations in global oil prices while the mounting cost of servicing debt consume an increasingly large portion of government revenue.

In Nigeria's previous growth period from 2006 to 2016, GDP grew at an average annual rate of 5.7 per cent, carried by a general upward trend in global oil prices. However, amid an oil price slump in early 2016, the economy entered a five quarter-long recession, the country's first extended period economic contraction in nearly two decades. Although the economy emerged from recession and returned to positive growth in early 2017, recovery has been troublingly sluggish, hovering around 2 per cent.

Source: International Monetary Fund

Nigerian policy-makers have attempted to address the economy's overexposure to oil market volatility by encouraging economic diversification, most notably in 2017's Economic Recovery and Growth Plan (ERGP), but schemes to encourage investment in non-oil sectors have failed to yield any major transformations thus far. With oil prices in 2019 forecast to be particularly volatile, Nigeria's lack of meaningful economic diversification is likely to pose a serious risk.

Compounding matters, Nigeria's fiscal health is another source of potential risk, especially in regard to the longer-term economic outlook. During the 2016-2017 recession, ill-devised monetary policy decisions pressured the government to rely heavily on fiscal instruments to combat the recession's effects, raising debt and interest payments to unsustainable levels. The ratio of interest payments to Federal Government revenue currently stands at over 60 per cent, near the limit of what is likely to be sustainable. With the debt-service-to-revenue ratio expected to grow further in the coming years, a fiscal crisis may be looming. Nigeria's near-term fiscal health is likely to be maintained by the current level of oil prices and the potential for considerable additional revenue mobilisation is high. However, price fluctuations pose a severe threat to the country's economic outlook, especially as government balance sheets remain fragile and as the high fiscal deficit crowds out the private sector.

The Nigerian economy's near-term outlook will continue to be defined by a disappointing recovery in a relatively low-risk environment, with slow growth likely to continue due to moderately rising oil output. However, looking into the longer term, serious risk factors begin to emerge. Overexposure to global oil markets, a lack of economic diversification, and a mounting debt load that is projected to reach unsustainable levels within the next five years pose significant risks to the economy.

Oil: the lifeblood of Nigeria's economy

For over half a century, Nigeria's economic fortunes have risen and fallen with its oil sector. With estimated reserves of 38bln barrels and an average daily output of around 1.9m bpd, Nigeria is Africa's largest oil producer and the sixth largest in OPEC. In 2016, the double setback of falling oil prices and a peak in militant activity in the Niger Delta sent Nigeria's economy into its first recession in 25 years. Despite successive governments' formulaic pledges to diversify the economy away from oil, petroleum products continue to account for 80-90 per cent of Nigeria's total exports and a similar share of government revenue. For the foreseeable future, Nigeria's finances will remain dependent on the sector.

Although output is on course to rebound to pre-2016 levels of over 2m bpd from its nadir of 1.6m bpd, the sector continues to be dominated by a small group of international companies and is at risk of falling behind OPEC peers as a result of long-term underinvestment. With FDI inflows into Nigeria's oil and gas sector declining by over 60 per cent to US$118m in the first three quarters of 2018, government promises to jumpstart the sector have yet to bear fruit. A poor regulatory environment, the notoriously corrupt and cash-strapped state-owned Nigeria National Petroleum Corporation (NNPC), and a fiscal regime that discourages deep-water exploration are frequently cited as reasons for foreign oil companies' reluctance to launch major new projects in Nigeria. Although the government has championed local capacity building, Nigerian firms by and large continue to lack the financial capacity and expertise to lead major offshore projects. Whilst a significant number of new licences have indeed been awarded or re-allocated to Nigerian firms, these have, for the most part, concerned smaller fields or minority holdings in production-sharing agreements with international oil majors. Thus, despite the fact that Nigeria's government recognises the need for incentives to breathe new life into the upstream oil sector in principle, the vested interests of Nigeria's elites have so far forestalled any meaningful reform.

Development of the long-neglected gas, midstream and downstream oil sectors also have the potential to boost economic growth and reduce the risk of foreign exchange shortages that hang over Nigeria's economy like the sword of Damocles. Owing to an acute lack of refining capacity, Nigeria is, absurdly, the only OPEC member to import refined petroleum despite its ample crude reserves. In 2016 Nigeria imported US$7.2bln worth of refined petroleum products, making fuel Nigeria's top import by far. These imports weigh on the NNPC's finances and foreign reserves, partially offsetting increases in international reserves when oil prices rise.

Complaints concerning unfavourable government policies and a lack of regulatory transparency in Nigeria's petroleum and gas sector are hardly a novelty – nor are proposals to overhaul it.

To unleash the untapped potential of Nigeria's oil sector, government officials and oil companies alike have set their hopes on what could be the largest regulatory and fiscal reform of the sector in decades: the Petroleum Industry Bill. First formulated under President Olusegun Obasanjo in 2000, the reform, which has since been split into four different pieces of legislation to increase their chances of passing, came closer to becoming reality than ever before in 2018. For the first time, both houses of parliament approved the same version of the Petroleum Industry Governance Bill (PIGB) – arguably the most important of the four bills. But hopes for a swift ratification before the 2019 elections were dashed when President Muhammadu Buhari, who had previously declared his support for the reform, made a U-turn, withholding his signature over concerns the bill would transfer the president's discretionary powers over the industry to unelected technocrats.

Since then, the future of the bill has been hanging in the balance. To what degree Buhari's change of heart was a calculated move to boost his image as a tough enforcer of regulations, and to what extent it reflects genuine concerns remains unclear. In January 2019, Buhari vacillated once more, promising to sign the bill into law despite no further amendments having been made.

Oil sector reform

If and when it is eventually signed into law, the PIGB will fundamentally alter the structure of the industry's supervisory bodies and policy-making processes. The PIGB will re-allocate responsibilities among existing institutions and establish several new ones, with the objective of limiting the potential for political interference and graft.

Under the proposed changes, the Ministry of Petroleum will continue to be responsible for setting overall policy and strategy for Nigeria's oil sector. However, the minister's discretionary powers to grant, amend or revoke licences and create new public entities will be curtailed by a yet-to-be created National Petroleum Regulatory Commission (NPRC), to whose recommendations the minister will be bound. The NPRC is to replace the Petroleum Inspectorate, Petroleum Pricing Regulatory Agency and Department of Petroleum Resources as the single industry regulator, increasing efficiency, reducing costs and increasing transparency by eliminating redundant structures. The NPRC's responsibilities will include the administration and enforcement of oil-sector laws and regulations, the monitoring and enforcement of compliance with the provisions of oil licences, the conduct of bid rounds, the establishment of a framework to determine the fair market value of oil and gas products and the marketing of said products. On paper, the NPRC is to be wholly independent of the Petroleum Ministry. However, it is to be run by a government board appointed by the President, raising concerns of continued government interference.

The second major change concerns the notoriously mismanaged Nigeria National Petroleum Corporation (NNPC). As per the PIGB, the NNPC is to be split into two separate entities and part-privatised. A new Nigeria Petroleum Assets Management Company will be responsible for managing all assets currently held by the NNPC under Production Sharing Contracts and back-in rights, while a Nigeria Petroleum Company, run by an independent committee constituted by shareholders, will manage all other assets currently held by the NNPC. 40 per cent of the companies' shares are to be floated on the Nigeria Stock Exchange. Given the traditionally tight grip of Nigeria's government on the sector, the NNPC's part-privatisation would amount to a minor revolution that has the potential to significantly increase accountability and profit-orientation.

A new fiscal regime

Alongside reform of the sector's governance structure, an overhaul of the fiscal regime has been among the key promises of the Petroleum Industry Bill since it was first proposed in 2001. Whilst President Muhammadu Buhari has expressed his support in principle, the Petroleum Industry Fiscal Bill (PIFB) – the second of four reform bills – remains stuck in parliamentary review.

It is uncertain whether it will be passed anytime soon, nor have industry reactions to the proposed changes been universally positive. With low investment identified as a central cause for Nigeria's difficulty in boosting oil output beyond 2m bpd, the fiscal bill aims to incentivise the development of more costly marginal and offshore fields.

The most recent draft circulated among lawmakers provides for Nigeria's Petroleum Profits' Tax of 50 per cent under current Production Sharing Contract regulations to be replaced by a Nigerian Hydrocarbon Tax (NHT) with two rates: 50 per cent for onshore and shallow water areas and a discounted rate of 25 per cent for deep-water, frontier and bitumen acreages. In return, existing tax allowances would be scrapped and replaced with new fiscal incentives for the development of smaller fields and gas finds.

The Companies' Income Tax, currently at 30 per cent, will be payable on both downstream and upstream operations. Moreover, the tax would not be deductible from NHT payments. Most likely, this would more than offset any savings from the reduced-rate NHT for most companies.

In addition, loyalties are to be increased and based on output and oil prices rather than depth. The sliding scale would be maintained, but the government's entitlement to oil proceeds would be increased from the current 20 per cent to 50 per cent when prices and output are high, defined as prices above US$150 per barrel and output of 5000b/d onshore and 50,000 bpd in offshore and deep-water fields. The minimum rate would be raised from 0 to 5 per cent. Lawmakers have argued that this would allow the government to capture oil windfalls from productive fields at the front-end and reduce the relative fiscal pressure on companies somewhat when oil prices are low.

In addition, companies would have to pay a certain share of their profits from oil operations to support development projects in host communities, a change that is hoped to ease tensions in the Niger Delta and reduce the risk of militant attacks.

While the proposed changes, if passed into law, would ensure that the government receives a greater share of oil revenues, they are unlikely to unleash the new investment required to maintain Nigeria's position among the world's top oil-producing countries in the longer term. Oil companies argue that any fiscal relief for marginal and deep-water fields would only be relative, while overall costs would increase for all producers. It is estimated that at an oil price of US$75/barrel the government take from a medium-sized deep-water field would increase from an average of 73 to 82 per cent under the new provisions. Companies might take comfort in the fact that it could be years before the bill becomes law and that its provisions could yet be substantially amended.

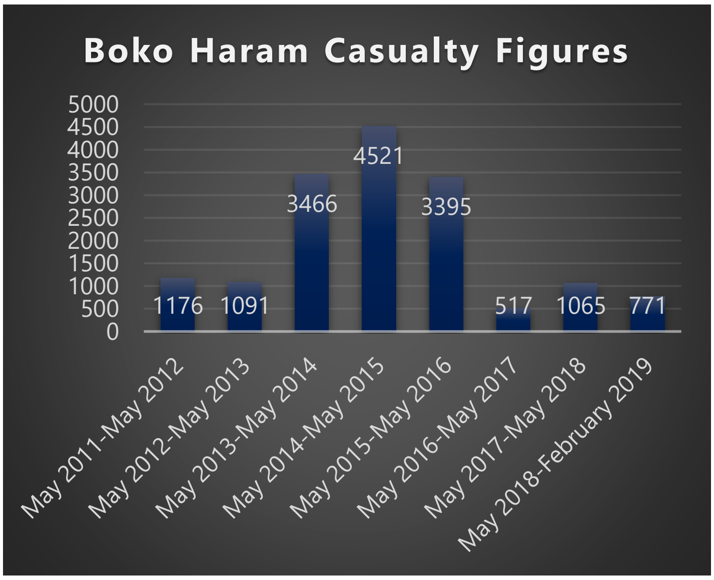
Boko Haram: far from defeated

Islamist militant group Boko Haram remains one of the world's deadliest terrorist organisations. Since 2011 approximately 34,500 people have been killed in the Boko Haram conflict. The group is principally active in Nigeria's northern Borno State, but has also established a presence in Niger's remote southeast Diffa region and Cameroon's Far North region in the Lake Chad area. Predictions of the group's imminent demise, routinely uttered by President Buhari himself, have proved premature.

Since the inception of Boko Haram's militant activities in 2009, the group has proved highly adaptable to a changing military and political environment having, seemingly with relative ease, oscillated between insurgent tactics and more conventional methods of warfare. The former have involved suicide attacks, mass kidnappings and targeted assassinations, whilst the latter have seen Boko Haram fighters routinely target military bases in the Borno region.

Boko Haram has suffered substantial territorial setbacks in the last five years; the group's population control fell by 75 per cent between 2014 and 2017 owing to extensive counter-insurgency operations by the Nigerian military. Just 770 people were killed in Boko Haram attacks between May 2018 and February 2019, a figure considerably lower than the 4,520 people killed at the height of the conflict in 2014/15. Nevertheless, the group's ability to carry out attacks remains largely unimpaired and attacks continue to occur on an almost daily basis. Rather than a decrease in operational capabilities, the decline in fatalities reflects a shift in strategy that has seen Boko Haram and its offshoot Islamic State in West Africa (ISWAP) carry out scores of raids on military bases in Borno and Yobe states. Hundreds of soldiers may have died in the attacks. The government has played down the scale of the threat, which only highlights its comparative weakness against the group.

In the lead up to the general elections in February 2019, Boko Haram conducted several high-profile attacks in Borno State, including a raid on the town of Rann on 4 February which killed at least 60 people and a triple suicide attack in Borno's state capital, Maiduguri, on 16 February which killed 11 people and injured 15 others. Boko Haram militants even launched a sophisticated attack on the heavily fortified city of Maiduguri on the day of the elections in a sign of its fighters' resurging confidence.



Source: Council on Foreign Relations

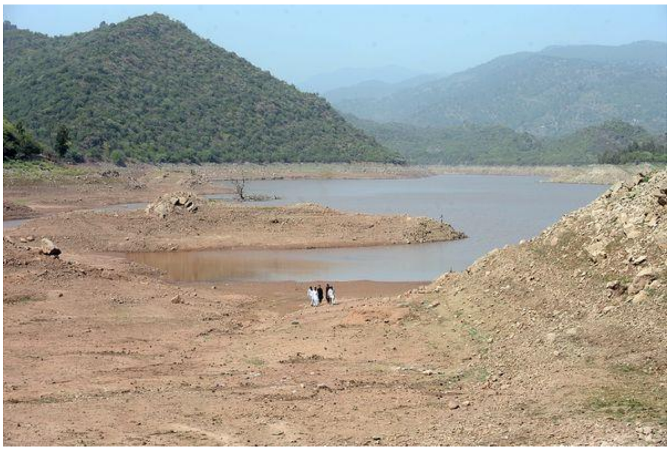
Thus far, the Nigerian military's efforts to defeat Boko Haram have failed. Although the group has been driven out of many towns and villages in northern Nigeria, it retains a presence in isolated areas of Borno State and the Lake Chad region. The latter area in particular is extremely difficult for government security forces to access and offers an ideal place of refuge for Boko Haram militants to regroup in the face of military pressure.

In addition, the prospect of a political solution to the conflict appears remote at present. The situation is complicated by the fact that the original Boko Haram group has split into at least two factions. The largest of these consists of approximately 3,500 fighters and has pledged allegiance to Islamic State (IS), renaming itself Islamic State West Africa Province (ISWAP). The rump group is led by Abubakar Shekau, who was replaced as leader of ISWAP by Abu Musab al-Barnawi in August 2016 after he justified attacks on Muslims who passively accepted the government's rule – sentiments that were unacceptable even in IS' core leadership.

Although Nigeria reportedly conducted peace talks with Boko Haram in March 2018 which saw the release of over 100 schoolgirls kidnapped from Dapchi in February of that year, a cessation of hostilities remains a distant hope. Any future peace talks are likely to exclude Shekau's faction, whilst ISWAP's former leader Abu Musab al-Barnawi was reportedly replaced by Abu Abdullah Ibn Umar al-Barnawi (no relation) in February 2019, just months after ISWAP commander Mamman Nur was reportedly killed by his own allies for being 'too soft'. The latest developments may herald a further radicalisation of the group and are likely to complicate any dialogue between the government and ISWAP.

Boko Haram's brutal impact is wide and varied, often permeating borders. In addition to the large number of civilian casualties, the UN estimates that Boko Haram's activities have led to the displacement of at least 2.4 million people. The Council of Foreign Relations also found the group to be responsible for the destruction of more than half of Borno State's schools, as well as the near-total breakdown of the already inadequate local public health system. Boko Haram has also discovered more creative measures to extend its control. The group's factions have utilised social media platforms including Facebook, Twitter, and Telegram as a means to release their statements and disseminate propaganda. The use of modern technology including videos and social media provide the cell-like structures within the group a global platform on which to reinforce ideology, discuss strategy and draw in potential recruits. Meanwhile, there are rumours Boko Haram has downed army helicopters, indicating that the group has access to more sophisticated weaponry than previously assumed.

Despite a marked decline in casualties, the group has lost none of its operational capabilities and has retained its ability to conduct attacks on a near daily basis in Borno State and remote regions in Niger and Cameroon. With the total eradication of the group appearing increasingly improbable in the medium term, it may be that containment is the most appropriate strategy for the Nigerian military to adopt at present. Four years on from President Buhari's pre-election pledge to defeat Boko Haram, a cessation of the conflict appears more remote than ever.



Magnificent Lake Chad

The Niger Delta insurgency: risk of post-election escalation

Following an amnesty deal in 2009 between the Nigerian government and the Movement for the Emancipation of the Niger Delta (MEND), an estimated 20,000 fighters were demobilised between 2009 and 2011 in the Niger Delta region. Since then, a fragile peace, punctuated by sporadic violent incidents, has existed in the oil-rich region. MEND has effectively dissolved as an organisation (despite continuing to issue propaganda) and a return to the endemic violence of the mid-2000s, which saw Nigeria's daily oil output routinely cut by almost 50 percent, is therefore highly unlikely.

However, a number of armed splinter groups continue to operate in the region, including the Niger Delta Avengers (NDA), the Niger Delta Greenland Justice Mandate and the recently formed War Against Niger Delta Exploitation (WANDE). The latter group, which announced its formation in December 2018, explicitly stated its intention to disrupt the elections that occurred in February should President Buhari refuse to develop the Niger Delta in favour of local communities. Specifically, WANDE threatened to attack the headquarters of the Central Bank of Nigeria in Abuja and major oil facilities in Nigeria.

The prospect of the President eventually acceding to the group's demands is extremely remote. WANDE has stipulated that the government must not renew oil licenses with Shell and several other multinationals, conditions with which any future president will almost certainly refuse to comply. Militant groups in the Niger Delta routinely issue such threats and it is possible that WANDE poses no real threat to security in the region. However, it may be that the group sees the aftermath of the February elections as the ideal time to properly announce its presence in the Niger Delta and the risk of attacks in the region is therefore slightly elevated as a result.

The Niger Delta

Of greater concern is the risk of a resumption of hostilities by the Niger Delta Avengers. In January 2018, the group threatened to attack the Shell-operated Bonga Platform and the Agbami field operated by Chevron following the collapse of protracted peace talks with the Nigerian government. Although these threats have yet to materialise, a resumption of attacks would significantly reduce oil output and would undermine confidence in the economy as a whole given Nigeria's heavy reliance on crude exports. In 2016, the NDA's attacks contributed to Nigeria's slump into recession. The group carried out more than 30 attacks on oil and gas infrastructure, cutting crude production from a peak of 2.2m barrels per day (mbpd) to approximately 1 mbpd – the lowest level seen in Nigeria for 30 years.

The precise reasons for the NDA's current inaction are difficult to determine. It is possible that the two-year ceasefire has led to a shortage of manpower and has damaged the group's operational capabilities. It seems more likely, however, that the NDA was waiting to see the outcome of the presidential election in February 2019. If this is indeed the case, the group may well choose to renew attacks as a sign of strength to President Buhari.

Although no major attacks have been carried out in the Niger Delta since January 2017, the February elections may yet trigger a renewed wave of violence in the region as rival groups seek to strengthen their hand in preparation for future negotiations with the government. However, attacks are unlikely to directly target personnel and will instead predominantly focus on pipelines and other oil facilities, especially in remote locations.

Alongside militancy, vandalism and oil theft will remain major concerns for companies doing business in the Niger Delta and elsewhere in Nigeria. If the past four years are anything to go by, a resolution of Nigeria's perennial security problems remains a distant hope in the absence of an integrated, long-term security strategy.

Since Nigeria's return to democratic rule in 1999, policy has been characterised by a comparatively high degree of continuity. For better or worse, Buhari is unlikely to be an exception.