

# UBA rightsizing set to boost productivity, increase value delivery

## ... bank announces appointments to Group Board and Africa operations

SEGUN ADAMS

For Nigeria's biggest employer of labour in the banking industry, finding the right size to optimise value delivery to its cus-

tomers, shareholders and other stakeholders means a motivated and productive workforce is essential in the very competitive banking industry.

United Bank for Africa (UBA) recently announced that it em-

barked on a careful re-jigging of its workforce in the last quarter of 2019 which led to the promotion of more than a fourth of its workforce, easing of mobility through its corporate ranks, and upward review of salaries.

The bank also recruited additional staff and let go of some of its underperforming employees in a carefully planned restructuring aimed at making its workforce one of the most competitive within the industry,

it said.

UBA has the largest workforce among Nigerian banks but also generates the lowest profit per employee and gross earnings

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### BUSINESSDAY MARKET MONITOR

<b>NSE</b>  <b>Biggest Gainer</b> <b>Biggest Loser</b> Dangcem            Seplat N142    +2.82pc    N592.1    -0.44pc <b>27,339.68</b>	 Foreign Reserve - \$38.5bn Cross Rates    GBP-\$:1.29    YUANY - 51.96 <b>Commodities</b> Cocoa            Gold            Crude Oil US\$2,491.00    \$1,565.22    \$69.04	<b>Bitcoin</b> ₦2,687,877.67 +1.74	<b>Everdon Bureau De Change</b> BUY            SELL \$-N    358.00    362.00 £-N    468.00    481.00 €-N    390.00    400.00	<b>FMDQ Close</b>						
				<b>FOREIGN EXCHANGE</b> Market            Spot (\$/N)		<b>TREASURY BILLS</b> 3M            6M		<b>FGN BONDS</b> 5Y            10Y            30Y		
				I&E FX Window	364.57	0.00	-0.25	0.00	-0.18	-0.08
				CBN Official Rate	307.00	5.16	4.08	10.29	11.48	12.69
				Currency Futures (\$/N)	NGUS MAR 25 2020 364.46	NGUS JUN 24 2020 365.37	NGUS JAN 27 2021 367.48			



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Access, UBA, Seplat, Zenith, GTB, Dangote Cement are top stock picks for 2020

... analysts' base case scenario sees equities returning +5.3%

IHEANYI NWACHUKWU

Access Bank plc, Zenith Bank plc, United Bank for Africa plc, Seplat Petroleum Development Company plc, Guaranty Trust Bank plc, Flourmills Nigeria plc and Dangote Cement plc are among

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### BD INVESTIGATIVE SERIES

# How security agencies hunt, extort local farmers over border closure (1)

From disguising as a National Youth Service Corps (NYSC) member hitching a free ride on a van conveying smuggled tomatoes to fronting as a fruits dealer, CALEB OJEWALE, in this investigative report uncovers how a highly organised racket involving security agencies exploits rural farmers and traders in border communities.



Farmers across Nigeria were ecstatic when the government announced the closure of the country's land borders in August 2019. Finally, it was their time to become rich.

"Let the borders remain closed," the farmers echoed. "We can feed Nigeria."

They were joyous that they would no longer suffer headaches over imported agricultural goods. Not in their wildest dreams did farmers in border communities think the border closure would put them on the hit list. But that's exactly what has happened.

This BusinessDay reporter, from disguising as a National Youth Service Corps (NYSC)

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## NEWS

## How security agencies hunt...

Continued from page 1

member hitching a free ride on a van conveying smuggled tomatoes, to posing as a representative of government sent from Abuja, and finally as a fruits dealer, uncovered a highly organised racket. Set up since late August, it involves the Nigeria Customs Service, Nigeria Immigration Service, Nigeria Police Force, and Nigerian Army.

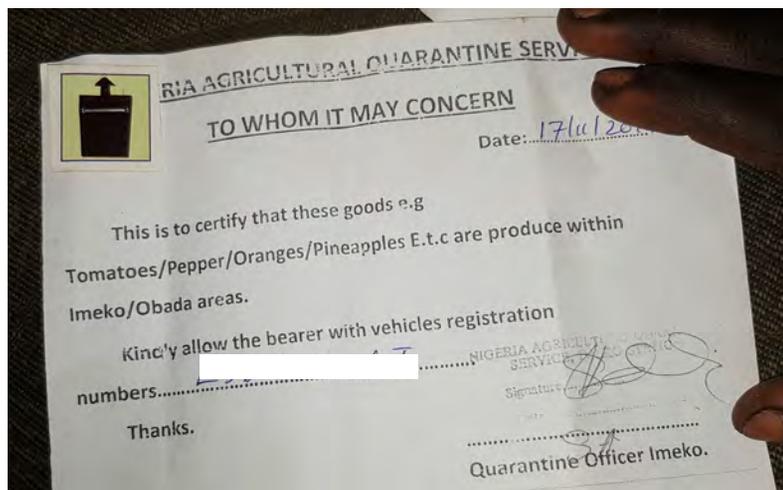
The linchpin of this operation that is fast becoming a syndicate is the Nigeria Agricultural Quarantine Service (NAQS). Less known, especially in urban centres, NAQS has given legitimacy to an extortion racket which, according to estimates, has seen helpless farmers, traders and villagers in just one local government area contributing up to N668 million (\$1.85 million) in extortion within 100 days of the border closure.

The border closure, according to President Muhammadu Buhari, was meant to revive agriculture and protect local farmers from the influx of foreign agricultural goods that always entered the country at lower price points. This border closure was supposed to end poverty and misery for local farmers.

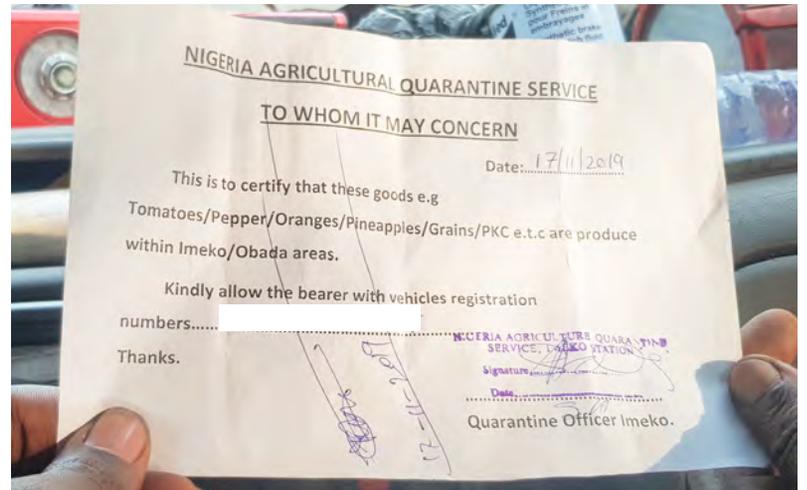
When Hameed Ali, comptroller-general of Nigeria Customs Service, asked Nigerians to "endure the pain" of border closure, it sounded like "gain" in the ears of farmers, but over the last three months, at least in some communities in Ogun State, there have been more pains than gains.

In villages and small towns within 20 kilometres of Nigeria's land borders, different law enforcement agencies have united to hunt a common prey - not rice smugglers, not those into illegal arms movement, but the millions of peasant farmers and traders who rely on agriculture for survival.

This reporter visited Imeko, Iwoye-Ketu, Ilara, and Idofa, all rural communities clustered around Imeko-Afon Local Government Area of Ogun State. It was discovered that security agencies have abandoned chasing smugglers and, instead, are focusing on the slow moving targets. As farmers ride out of their farms on their old, worn-out motorcycles struggling to maintain balance on roads that are more of holes than



Two of three "Quarantine Documents" used to coordinate extortions. When dropped at Olorunda, it becomes a voucher for some officers of the Customs Services to claim payment.



actual ground, they also have to keep an eye out for any of the several law enforcement agencies that have now turned them into meal tickets.

The extortion is brazen, so much that farmers and traders are mandated to pay for a "government-issued document" which serves as a pass for them to get on the road with their farm produce. It, however, does not guarantee them a safe trip. Cooperating with the dozens of checkpoints is what guarantees arriving at their destination, not only with their goods intact, but also without being beaten by officers attached to any of the many agencies. The men, especially the young ones, are routinely beaten, while the women, particularly the elderly, have water poured on them. This, to the women, is "being lucky".

There are over 2,000 border communities located in 105 local government areas in 21 states of the federation, according to the Border Communities Development Agency (BCDA). When the magnitude of extortion taking place in just few border communities in Ogun State is multiplied across the country, the result is a likely wide scale corruption and abuse of power of epic proportions.

"We have been reduced to chickens packed inside a wooden cage," said Victoria Ogunleye, the Iyaloja of Imeko, when this reporter visited the community. (Commonly used in South West Nigeria, Iyaloja is the title given to a female market leader.)

"Like pop-corn, they are just frying us as they please. The trouble is too much," Ogunleye said.

Her words, all translated from Yoruba language, are filled with so much emotion and anguish. Like other villagers, she sounds defeated,

but what sets her apart is her refusal to be broken.

These villagers have been told that tomato, pepper, yam, pineapple, lafun (a derivative of yam used for yam flour), along with dozens of other farm produce have been banned by the Federal Government from "entering Nigeria", enforced in these areas to mean moving from the rural settlements to the cities such as Abeokuta and Lagos. According to the fictitious "list of banned food crops", maize is said to be number 17, and like other crops, before these can be moved from the villages where storage facilities do not exist or even electricity to preserve them, the farmers have to pay through their nose along the battered, dusty roads leading to Abeokuta.

In one of these rural communities, the Federal University of Agriculture, Abeokuta (FUNAAB) has its Centre for Community-Based Farming Scheme. In another, Odua Investment Company Limited owns a 10-hectare land for commercial tomato cultivation - all within Nigerian territory. According to law enforcement agencies in the area, however, every farm produce here is "foreign" and must be treated as smuggled items.

For thousands of villagers in these isolated areas, there is no hope. Neither government nor their traditional rulers have come to their rescue, and they do not see any ray of sunshine coming to dispel the dark clouds of uncertainty they have endured for over 100 days. In Yoruba tradition, "Kings do not lie", but one of the traditional rulers visited in the course of this investigation looked this reporter in the eyes and said what would later turn out to be a false statement. He had, in fact, set up

the committee coordinating extortion under his domain on behalf of the quarantine service and other security agencies.

#### How it all began

When word first filtered out around September that the border closure had become an avenue for extorting farmers and traders of agricultural produce in some rural communities, it seemed implausible. Several attempts to speak with people in the areas affected proved abortive. As this reporter would later find out, mobile networks are not so reliable in many of the communities.

When Tosin Adeluyi, chairman of Imeko/Afon Local Government Area, was eventually contacted, his disposition was as though the cries of hundreds of thousands of residents under his administration were really nothing.

This reporter would later be told that Tosin Adeluyi is the son of the traditional ruler of Ilara, the community where the worst form of extortion takes place under the supervision of a notorious smuggler.

The first trip to the area began on an uneventful morning in November 2019. The journey to Abeokuta from Lagos was smooth, if one chose to ignore the deplorable road connecting both economically significant states from the Oshodi axis.

From the Ayetoro Park around Lafenwa in Abeokuta where the journey to Imeko was to begin, passengers trickled in to fill the Toyota Sienna car. Originally meant to convey six passengers, the car would eventually carry nine on a journey to a part of Nigeria conveniently disconnected from the realities of the country.

When the roads were good, this journey took 45 minutes, said a passenger who tried to strike a conversation. The passenger explained that with the bad roads, it would take one and a half hours on the average, but this particular trip took four hours and 15 minutes. The right rear tyre deflated twice, and on both occasions, the driver had to leave all passengers at the bush side, flag down a motorcycle and head to the closest settlement to have it fixed.

Arriving at Imeko late in the afternoon, this reporter decided to head for the palace of the traditional ruler in the area, Oba Benjamin Alabi Oyeditan-Olanite, the

Onimeko of Imeko.

After a brief bargain with a commercial motorcyclist, we made our way out of the motor park located right beside the major market serving the community. As we approached what appeared to be a purpose-built palace painted in green and white, the motorcyclist continued to accelerate, prompting this reporter to ask if there was another king in town. The motorcyclist explained that the king preferred to stay in his private residence.

This reporter arrived soon after and was ushered in to see the Onimeko after introductions were sought outside. As the king hardly spoke at first, one of the palace chiefs did the initial talking and motioned for the reporter to sit after performing the customary greetings by prostrating. This appeared to be a gaffe - sitting without the king's permission. For the next 10 minutes, this reporter received a crash course in traditional etiquette.

When his majesty finally got to the purpose of the visit, his submission was simple: Yes, there was extortion in the first two months following the border closure, but not anymore. He explained the situation had been brought under control and arrangements had been made to ensure security agencies no longer cooked up fictitious laws to extort the villagers. He spent more time instead lamenting on the abandonment his community, like other border communities, suffers.

"We are treated like foreigners," he said, preferring instead to highlight the many developmental needs within his domain.

"Fair enough," I thought as I departed the palace, making sure to observe every required etiquette to avoid being held down with another crash course. "The king has to be concerned about development."

Back at the motor park, and almost dejected the trip had been futile, this reporter struck a conversation with one of the drivers at the park, who said, "Well, the king may not be aware those things are still happening, why not enter the market and ask?"

Even though it was not the market day and the stalls were empty, there were two people who could provide answers - the Iyaloja and Babaloja (the male version of Iyaloja).

The two market leaders were not in the market on ar-

rival, and perhaps as the first stroke of two lucky events, both of them soon arrived together in Babaloja's car.

After exchanging pleasantries and briefing them on the purpose of the visit, Abdulateef Olorin, the Babaloja of Imeko, who also introduces himself as a chief, was the first to speak. Like the king, he also said all was well, and that the extortions were a thing of the past. He went further to explain that as part of efforts to address the issue, a document was being provided by the Nigerian Agricultural Quarantine Service (NAQS), which farmers or traders moving agricultural goods would show at checkpoints. Made available to each person at the cost of N2,500 (in Imeko), this document was supposed to be a magic wand - wave it at security agents at any checkpoint and they would grant passage.

All the while the Babaloja spoke, Ogunleye, the Iyaloja, an elderly lady with a small stature, had her mouth pouting as though she was trying hard to restrain herself from hissing out loud.

"Things are far from ok," she suddenly interjected. "In fact, there is trouble."

She made to continue explaining what else could be wrong since both the king the Babaloja has said all was well, it appeared the Babaloja slightly pinched her to keep quiet, and she did, but just momentarily.

Phone numbers were exchanged soon after and as this reporter made to depart.

"We have a lot to talk about," said Ogunleye.

This was the second stroke of luck for the day. Iyaloja would, in the course of subsequent meetings and conversations, exhibit courage, matched only by one other person in the course of this investigation, a man whose identity is concealed to avoid retribution.

Returning to Lagos, there was only one lead - the mysterious document being issued by NAQS. The Iyaloja made good her promise when she called two days later expressing her frustrations, like those of other farmers and traders. They have quietly suffered extortion for over two months and have been unable to get help.

**Returning to experience the extortion firsthand**

As though a huge letter S were engraved on that side of

Continues on page 39



The van of smuggled tomatoes this reporter followed



**How security agencies hunt...**

Continued from page 38

the hill, two successive twists of dangerous turns welcome you to Imeko, a typical rural Nigerian settlement, with no commercial activity save for every five days when it is the market day.

Here, more than 90 per cent of the residents rely on agriculture for survival, and every five days, through the market with their farm produce to sell, and equally buy the things they need for personal and family use.

Returning to Imeko two weeks after the first visit, the first port of call this time was not the palace, but the market. It was a Sunday, and from the motor park, one could see onions laid on the floor by the roadside. The wooden tables that served as stalls were filled with goods, and meat sellers rolled up two knives against each other in their own corner of the market. This clearly was the market day, one that is observed every five days.

As this reporter approached the main entrance of the market, a motorcyclist pulled to a stop and two women ran towards him. Both leapt forward to drag the basket of pepper he had in front. Similar scenes would later be seen, with many motorcycles having the baskets behind them.

These motorcycle riders were farmers bringing their farm produce to the market, and those women were helping hands to the bigger traders who aggregated farm produce for onward shipment to the cities. Without the consistent movement of foodstuffs to Lagos and other cities by these women, food prices would surely go through the roof.

"Buhari has said no farm produce should leave all the villages close to the borders. We are not allowed to move our tomatoes, yam, and other



A farmer conveys his harvested tomatoes on a motorcycle

crops," said Timi (not real name), who later allowed this reporter to join him on a trip to Abeokuta with his tomato consignment.

"Go and park, or you turn back!" he said, mimicking officers at different checkpoints. "Is the government not aware we farm here, or aren't we supposed to eat?"

These villagers have since late August been deceived by security agencies using the border closure to extort them and exploiting their ignorance to make them feel like outlaws. As many do not know better, they resort to appeals.

"See these tomatoes. Do they look like something that came from the French territory?" a female trader asked pointing at her basket of tomatoes. French territory is a reference to neighbouring Benin Republic.

Even when the red pulpy fruit, or vegetables, may not necessarily look different whether grown on Nigerian soil or Benin Republic, the farmers and traders that met this reporter were desperate to convince whoever asks that these agricultural goods, which are becoming a source of nightmare to them, are indeed produced on Nigerian soil.

**Racing through checkpoints with smuggled tomatoes**

With the exception of rice and palm oil, literally everything else can easily enter Nigeria at the right price, this reporter discovered.

Posing as an NYSC member, this reporter reached an agreement with Timi, the driver earlier mentioned, to follow his Ford Transit vehicle to Lagos with 172 large crates of tomatoes valued at N1.72 million. I was sandwiched between the driver and his conductor to the right and left.

The entire back of the van was filled with baskets of tomatoes, with a smell that was anything but scintillating as the end product when it becomes soups. The journey, a little over three hours, was without

music. The 1990s model van had no functional radio, but the conversation with Timi and his conductor was more than enough entertainment, although more than half of all Timi had to say was curse after curse as we moved from one checkpoint to the next.

"They are unable to impose rice and are now focusing on tomatoes and pineapples," he said at one checkpoint, followed by yet another curse directed at the officers there.

After 36 checkpoints and N75,900 paid in bribes, including N25,000 for a "quarantine document," we arrived at the OGBC area of Abeokuta after three hours on the road for

what should have been a one-hour journey, minus the bus' suboptimal state, of course. Timi was paid N1,000 for every basket, a total of N172,000 to move the consignment. He estimated N120,000 as costs to be incurred, leaving him with N52,000.

This reporter witnessed 26 of these checkpoints between Imeko and Abeokuta, taking record of places and amounts paid.

We parted ways in Abeokuta as the driver had to wait till 11pm to continue on the Lagos leg of the journey. On arrival in Lagos, he estimated roughly N85,000 was spent in total on bribes, N9,100 higher than what was spent to reach Abeokuta. The Lagos leg was ironically less challenging.

With every checkpoint, security agencies nibbled away at this margin, and about half Timi's entire pay was used to bribe different security agencies. His crime? He was carrying tomato which they claim is "no longer allowed into Nigeria."

Timi may have been driving smuggled tomatoes that day, but no single security agency cared about that. After all, his quarantine document clearly stated the consignment was of Nigerian origin, and so he was subjected to the same treatment any Nigerian producer would get.

Customs officers and their co-travellers in the extortion racket have now grown even more confident. Odua Investment Company Limited owns a 10-hectare land in Imeko, which is meant for commercial tomato cultivation. The company until November enjoyed an immunity of sort from the extortion ordinary farmers have been subjected to.

However, when this reporter met Zachariah Fatokun, the farm manager, he explained that two weeks prior to the meeting, they were warned to start preparing to pay along the road or

leave their tomatoes on the farm. To fulfil all righteousness, he said the company got the notorious quarantine document, provided to the company directly for free and without intermediaries like other farmers and traders.

A week before the meeting with Fatokun, the security agencies made good their threat, delaying a van conveying the company's freshly harvested tomatoes and vowing to ensure the entire shipment goes bad unless payment was made. The driver spent several hours at every checkpoint as he made frantic calls to his superiors who insisted no payment would be made.

The company was to make another harvest the week of that meeting. Asked if they would eventually pay their way through, Fatokun was quick to interject, "We are preparing for whatever would happen because we are not going to pay."

This reporter would later find out that the tomato harvest never made it to Lagos, even though Fatokun said it was not out of fear of what would happen on the road.

**Government agencies react**

Vincent Isegbe, director general, NAQS, expressed shock when told of the role his agency was playing in this racket. He described what was happening as an abuse of office by whichever officers of his agency that may be involved.

Isegbe told this reporter in a phone interview that he would fly down to Lagos from Abuja today (Tuesday) to personally investigate the alleged involvement of quarantine officers in this extortion of local farmers and traders.

Joseph Attah, spokesperson of the Nigeria Customs Service (NCS), did not answer calls to his known number as at the time of filing in this report, neither did he respond to text messages.



Nigeria Agricultural Quarantine Service (NAQS) office in Imeko

**UBA rightsizing set to boost productivity...**

Continued from page 1

per employee among the big banks, underscoring low productivity at the expense of its shareholders.

The pan-African lender, which currently boasts of workforce strength near 12,909, in 2018 generated a gross earning per head of N38.27m.

The earnings per head was significantly lower than the performance of its big peers and a FUGAZ (First Bank, UBA, GTB, Access and Zenith) average of N77.98m, according to data compiled by BusinessDay.

The bank also had a profit per employee of N6m which was lower than that generated by employees of its peers. FUGAZ average was N18.96m in the period.

However, its management is taking necessary measures that would benefit both the business and its workforce in entirety by crashing grade levels from 16 to 12 and promoting 3,292 employees across various cadres with up to 170 percent salary increment.

The bank also effected an upward review of salaries of 1,735 additional junior staff, employed over 2,800 operations staff and 1,336 additional non-operations staff.

Like is normal practice anywhere in the world, few employees that had underperformed after appraisal, some of who were close to retirement, were asked to resign. UBA said some of the affected staff would collect up to eight months' salary plus PenCom contributions.

"As a leading financial institution, we do not take issues relating to our staff lightly," said Kennedy Uzoka, UBA's group managing director/chief executive officer. "UBA recruits highly talented staff who perform at the best standards and deserve to be remunerated accordingly."

Uzoka said UBA is ever attentive to its employees as they turn the wheels which make the organisation successful for its customers and shareholders.

•Continues online at [www.businessday.ng](http://www.businessday.ng)

**Access, UBA, Seplat, Zenith, GTB, Dangote...**

Continued from page 2

recently disclosed plans to buy back 10 percent (1.17 billion) of its shares in issue from shareholders.

The aim of the share buyback which will be completed in 12 months is to improve the company's return on equity (RoE). The share repurchase programme serves as a means for firms to return cash to their shareholders. It also impacts positively the per share profitability of the firm, most notably the Earnings Per Share (EPS) due to the reduction in issued shares.

Vetiva Research analysts who asked investors to buy Seplat stocks, having set a target price of N1,188.65 against current price of N592.10, said they foresee further improvement in oil production in subsequent quarters as the firm continues its drive to revert oil output to pre-2019 levels.

"Specifically, management announced that the company had drilled and completed three oil wells so far in 2019, with two additional oil wells

expected to be drilled before year end and completed in early 2020," said Vetiva Research analysts.

"That said, we expect oil output to come in at 1.9 million barrels in fourth-quarter (Q4) 2019, translating to an oil revenue of \$114 million (+6 percent quarter-on-quarter (q/q), which subdues the effect of an anticipated weaker realised oil price of \$60 per barrel, in third-quarter (Q3) 2019 it was \$62 per barrel," the analysts said.

Julius Berger made the stock picks with a target price of N32.52 against N19.90 currently.

"Given the strength of the company's contract portfolio and the presence of the Presidential Infrastructure Development Fund (PIDF) which was created to ensure financing for construction projects, we forecast a strong year-on-year (y/y) topline growth in Q4," Vetiva analysts added.

Nigeria equity market had an excellent start to the new year as both market performance indices, the NSE-All Share Index (ASI) and market capitalisation, closed green in

all the four trading sessions.

Consequently, the ASI climbed 2.1 percent week-on-week (w/w) to settle at 26,968.79 points. As such, year-to-date (YtD) return printed on the green at +0.5 percent while market capitalisation advanced N266.6 billion to N13 trillion.

This was driven by early positioning by investors, mostly for regular dividend paying stocks, in anticipation of better fourth-quarter (Q4) 2019 earnings results as against the many unimpressive performances in third-quarter (Q3) 2019.

"In anticipation of the release of the full-year 2019 earnings result by many of market players in the coming weeks, we expect to see increased positioning by portfolio investors, supported by the declining yields on both fixed income instrument and fixed deposit account. As such, we expect the market to close positive next trading week," said Lagos-based GTI Research in its outlook for the week ending January 10, 2020.

Also in their outlook for 2020, research analysts at

United Capital plc said the continued auction of high yield OMO bills to Foreign Portfolio Investors (FPIs) may keep foreign interest in local equity market tepid "amid fears of a naira devaluation and confidence deficit in the economy".

"Again, FPIs are likely to continue their flight to safety by swapping/selling equities for low-risk OMO bills. Yet, our outlook for stocks in 2020 is anchored on developments in the domestic and global economy with monetary policy as the biggest factor to watch. From all indications, the only justification for an uptick in the equities market is the lower yield environment, supported by increased local currency liquidity," United Capital analysts said.

"However, this will not be enough to trigger a major rally in the absence of the demand from FPIs. Overall, our base case scenario, sees equities market return at +5.3 percent in 2020, driven by local demand for high-quality dividend-paying stocks and increased system liquidity," they said.

<b>NSE</b> Biggest Gainer: Dangcem N146 ▲ 2.74pc Biggest Loser: FO N18 ▼ -6.11pc 27,586.93		<b>Alpha Morgan Capital</b> Foreign Reserve - \$38.4bn Cross Rates GBP-\$:1.29 YUANY - 52.19 <b>Commodities</b> Cocoa US\$2,541.00    Gold \$1,568.34    Crude Oil \$ 68.31	<b>Bitcoin</b> ₦2,818,585.67 ▲ +4.51	<b>Everdon Bureau De Change</b> BUY    SELL \$-N 358.00    362.00 £-N 468.00    481.00 €-N 390.00    400.00	<b>FMDQ Close</b> FOREIGN EXCHANGE Market    Spot (\$/N) I&E FX Window 364.11 CBN Official Rate 307.00 Currency Futures (\$/N) NGUS MAR 25 2020 364.46	TREASURY BILLS 3M    6M    5Y    10Y    30Y 0.00    0.27    0.00    -0.21    -0.26	FGN BONDS NGUS JUN 24 2020 365.37 NGUS JAN 27 2021 367.48
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# BUSINESS DAY

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President Muhammadu Buhari (m); Mahmood Yakubu (3rd l), chairman, Independent National Electoral Commission (INEC); Abba Kyari (3rd r), chief of staff to the president; Mohammed Adamu (r), Inspector-General of Police, and others during a briefing by INEC chairman at the Presidential Villa in Abuja, yesterday.

**BD INVESTIGATIVE SERIES**

## How security agencies hunt, extort local farmers over border closure (2)

A highly organised racket involving security agencies has been exploiting rural farmers and traders in border communities since the closure of Nigeria's land borders in August 2019. In this second part of the investigative report, CALEB OJEWALE uncovers how the racket is structured and who gets what.

The quarantine document turned out to be a scam after all. It was nothing but a piece of paper that was to serve as payment voucher for three units - Customs officers at Olorunda; A10 (a feared patrol unit also with the Customs service), and some Nigeria Agricultural Quarantine Service (NAQS) personnel.

The document, seen by this reporter, reads: "This is to certify that these goods e.g Tomatoes/ Pepper/Pineapples/Grains/PKC etc are produce (sic) within Imeko/Obada areas. Kindly allow the bearer with vehicle registration numbers....."

The quarantine document,

Continues on page 34

# Power sector in a flux 5 months after new minister's appointment

- FG seen not implementing sector roadmap released last year
- Reverses suspension of Ogunbiyi as REA boss

ISAAC ANYAOGU

Five months into the appointment of the minister of power, Sale Mamman, the sector continues in a state of flux with only 3,623.8MW of

recorded generation on Tuesday, despite over N1.3 trillion intervention fund in the sector by the Federal Government.

This situation informed the public outrage over plans by the regulator, the Nigerian Electricity Regulatory Commission

(NERC), to raise electricity tariffs with labour leaders and other interest groups kicking against the plan.

NERC in a statement clarified that the tariff increase is not immediate and justified an increase on grounds that all the

variables that fed into electricity pricing, including foreign exchange rate, gas prices, inflation and generation capacity, have changed.

"Raising tariff without solving the fundamental problems

Continues on page 35

**Inside**

Why Nigeria may not automatically benefit from rising oil prices P.2

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## NEWS

## How security agencies hunt...

Continued from page 1

which is now procured for N25,000, used to be "free" before the border closure. If drivers wanted their consignment examined, all they paid was N500 and the only other cost was N30 to make photocopies of the document. Now, no examination is done – simply pay N25,000 and the document is issued to you. Failure to pay means you would remain stuck in the village with the farm produce and watch it rot away.

**Breaking down the extortion racket**

Midway into the journey with Timi, who was taking 172 crates of tomatoes to Lagos, he revealed the tomatoes he was transporting were "smuggled". At this time, we had successfully passed more than 15 checkpoints without incident. All that mattered was paying up, and goods passed.

Along the road to Abeokuta, the document was only requested at five out of 26 checkpoints. And even after showing the document, the necessary payment still had to be made.

The document was finally retained at the Customs' checkpoint at Olorunda, where an officer in plainclothes asked, "Is this from Alhaji?"

"Yes," Timi replied.

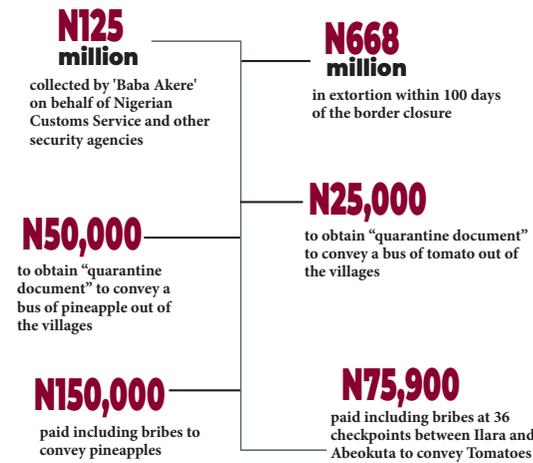
At this point, the document becomes a payment voucher, used to claim that unit's share of the N25,000 paid to a man called "Baba Akere", an elusive man who plays a pivotal role in this syndicate.

To give some context, up to 50 Ford Transit buses load every day from Ilara, Iwoye, Imeko/Afon axis with at least N1.25 million paid daily through the said Baba Akere. In just 100 days of the border closure, he had collected at least N125 million in extortion fees on behalf of the two Customs' units earlier mentioned, as well as the NAQS. In smaller communities where N2,500 is paid on small cars for the same quarantine document, the amount realised from extortion is substantially low, but still not less than N12.5 million since the border closure.

While tomatoes attract a N25,000 fee before they can be moved from many of the villages to a city like Abeokuta or Lagos, pineapples attract N50,000 payment upfront to obtain the quarantine document through Baba Akere

**EXTORTION OF LOCAL FARMERS**

Security Agencies 'criminalise' goods produced on Nigerian soil



Source: BusinessDay Investigation

Infographic: David Ibero

in Ilara.

Before he became middleman for the security agencies, sources revealed that Baba Akere was a well-known smuggler who brought every type of food item into Nigeria – from rice to turkey and palm oil. If it was edible, Baba Akere smuggled it in.

Now, he is unable to do that business like before and "has gone to double cross us," said Timi. "People like him still want to make money in any situation, even if they have to connive with security agencies to exploit their kinsmen."

Timi said they are made to get documentation from smugglers, which shouldn't be. "If you refuse to pay through them, they would call Customs and tell them to arrest us. They would not call Customs unit in our area, but that of another town far from us, describing our vehicle, how far we would have gone and where to wait for us," he said.

Furnished with such information, the concerned Customs unit would waylay such a driver, ask for all manner of documents and failure to produce any would lead to the vehicle being impounded.

This reporter later visited Ilara where the notorious Baba Akere resides. Ilara shares boundaries (not actual borders) with the Republic of Benin, and crossing from one country to the other is as easy as walking across an unmarked road. For residents

here, however, the difference is known only too well.

Posing as a fruits dealer from the Mile 12 market in Lagos, this reporter got Baba Akere's number and called him to lament about the increase in cost of moving pineapples to the city.

Under the pretext that I suspected his employees of cooking up non-existing fees, I asked to meet with Baba Akere to negotiate a special arrangement for my constant shipments. Baba Akere was, however, elusive. According to local informants, he is fetish and may have sensed that I was not the fruits merchant that I claimed to be.

In a recorded telephone conversation later, Baba Akere would admit that he indeed coordinates collection of N50,000 for every pineapple shipment on behalf of the Nigeria Customs Service and other agencies. He said the money is used to settle different law enforcement agencies who have insisted nothing would move out from the area since the border was closed.

"We are not supposed to say they are collecting money from us, but this is only being done because of the border closure," he told this reporter. "We are the ones that know how the money (collected from farmers and traders) is shared among the different agencies."

However, as Timi told this reporter, "If any vehicle loads

and does not see Baba Akere, he [the driver] cannot leave, and if he does he is joking with his vehicle."

**How bribes are paid along the road**

After paying Baba Akere N25,000 on behalf of the security agencies, Timi had to part with another N30,000 at barely a dozen checkpoints between Ilara and Imeko, a short distance of 15 minutes' drive.

From Imeko where this reporter joined the vehicle, N20,900 was paid on the three-hour journey to Abeokuta. Checkpoints are often manned by indigenes of communities in the area. Filled with disdain, other villagers and drivers would refer to them as "Aja Custom", "Aja Olopa", or "Aja Immigration", as the case may be. These translate to "Customs' Dog", "Police Dog", or "Immigration's Dog".

These "Aja", as locals refer to them, are the ones who collect money at every checkpoint, insisting on what amount to be paid, and initiating search where any motorist is "proving difficult". The payments start from N200 and gradually increase to N2,000. Timi was lucky on this trip as no checkpoint insisted on getting the usual N2,500 and above, a sign that things had improved from a month earlier.

The bus departed Imeko at 4.55pm and two minutes later, arrived at the first checkpoint in "Oyor Imeko", where NAQS collected N200 and Army collected N500 – after checking the quarantine document.

Three minutes later, the next checkpoint was still in Oyor Imeko, where Immigration collected N200, NAQS N500, and the police N500.

At 5.04pm, the bus got to Oke Elefun. Here, the driver was asked to park and his conductor was asked to alight. Mobile police officers sitting under a makeshift tent asked the conductor to bring the money. He returned shortly to say the policemen rejected the N1,000 he gave them and asked for N2,000 instead.

"Oga, please I beg you in the name of God," the driver said when he got down, pleading to the mobile policemen to accept the N1,000 but they refused. For what they termed "stubbornness", the policemen asked the driver to open up the tomato consignment for inspection. The vehicle had to be wedged with a stone to avoid us rolling back downhill.

After the purported inspection, the driver still paid the N2,000 and the journey

continued at 5.13pm.

At 5.18pm, we encountered another group of mobile police officers at "Baba Oloola". Here, the mobile police officers, like the previous group, also rejected the N1,000 offered and insisted on N2,000.

"Pay your money, pay your money! You know how much you are supposed to pay," yelled one of the officers.

Eight minutes later, at 5.26pm, the vehicle got to a Customs checkpoint at "Oloka", where N1,000 was paid after the quarantine document was checked. Here, the driver observed that the actual Customs officers were just arriving in a car and those manning the checkpoint were the "Aja Custom".

The "Aja" at the checkpoint was identified as a Benue indigene who originally came for farm work and later started working with Customs officers, albeit illegally.

At 5.41pm, we encountered a SARS patrol team from Lagos with number plate BDG 789 AH at Owode and paid N2,000. The SARS patrol unit from Lagos came all the way to unleash terror on the mostly naïve villagers, this reporter learnt. In over two dozen interviews conducted by this reporter, one law enforcement unit was consistently mentioned – SARS – even though there was only one unit of SARS sighted in the entire region.

Hours after leaving this checkpoint, the driver received a phone call from another driver. It turned out that the other driver had met the SARS team and did not want to pay the N2,000 demanded.

"2,000 niko fun won kiwon ma lu e ooo," he said in Yoruba to the caller. This translates as, "Give them N2,000 so that they won't beat you."

There were other pockets of payments to local government agents, N200 at Owode and N500 at Obada instead of N200, also increased because of the border closure. There was another N500 for Oke Ogun LCDA.

A particular N500 ticket at Obada, collected at 5.56pm, was, according to the driver, the only useful document on this journey as it would also be useful for him at Berger before getting into Lagos.

At 6.23pm, we arrived at an Army checkpoint at "Olodo" where, as usual, the driver offered N1,000 to the "Aja Army", while the soldiers relaxed under a tree. The "Army Dog" insisted on N1,500 which had to be paid before the vehicle could leave.

At 6.32pm, we stopped at another checkpoint, still in Olodo, where they again rejected N1,000, insisting on N2,000. At that checkpoint, a truck containing what appeared to be bags of flour was being offloaded to punish the driver and his conductor for "proving stubborn". To leave the checkpoint with his goods, the driver would still have to pay.

At 6.55pm, we came to a mobile police checkpoint at Olorunda, where N2,000 was paid before the vehicle could continue its journey. There also, a Customs unit identified by the driver as "A12"

collected N500 as well as the quarantine paper, asking if it was from "Alhaji", a reference to Baba Akere.

The next checkpoint was close to Target Filling Station after Olorunda, where another Customs team collected N500.

At 7.07pm, yet another Customs team in Akinyegun collected N500.

At 7.08pm, another Customs team in Akinyegun rejected N500, insisting on N1,000.

"Oga, what happened sir? Please I beg you," the driver kept repeating, but the "Aja Custom" manning the checkpoint refused, asking him to go park in front. A man the driver identified as "OC Patrol" sat under a tree receiving fresh air, his shirt off.

At 7.23pm, we arrived at Orile Aje, a bus-stop where notorious armed robbers used to hold sway. A local vigilante group had successfully chased the robbers away, according to the driver, and now has a checkpoint there, but the group does not ask for money.

"These ones deserve money even if they ask," said Timi, the driver.

At 7.34pm, just before the Kunfayakun mosque, and Denro Baptist Church right after it, a Customs unit mounted yet another roadblock and collected N500.

At 7.38pm, we arrived at an Army checkpoint before the Alamala Barracks where the driver offered N500 and it was rejected.

"No be tomatoes he carry? If he can't pay N1,000, he should go and park there!" yelled one of the soldiers sitting under a tree as the "Aja Army" negotiated with the driver. At this checkpoint, the soldiers previously collected N200 before the border closure, this reporter was told.

At 7.55pm, we got to a place called "Rounder", which appeared to be a way of referring to roundabouts. Here, he gave N500 to a mobile police unit and was given N400 change, meaning he paid only N100. The driver declared this was the last extortion point.

However, a few unexpected bonus payments were ahead. Three of them collected N100 each, and two collected N200 each. There was a SARS unit at Mile Two, and there was an Army unit which was the last to be paid at 8.12pm.

**Things weren't always this bad**

Before the border closure, Customs did not usually extort motorists or those moving agricultural goods.

"Some sort of power descended on them following the border closure," said Timi. "Before, we would simply drive by with our farm produce."

Even immediately following the border closure, BusinessDay investigations showed it was not so bad at the beginning. An arrangement was reached for every farmer and trader conveying farm produce to pay N5,000 to the Customs' unit known as A10,

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Vehicles conveying tomatoes waiting for the sun to go down. The later they move, the lower the extortion



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**How security agencies hunt...**

Continued from page 34

N500 to the Customs unit at Ol-orunda and N2,000 to another Customs unit at Idofa, making a total of N7,500. Some locals, however, switched the game having seen an opportunity to cash in on the misfortune of their kinsmen.

"The road to Lagos is not so difficult. Here to Abeokuta is the main problem. They are the real Boko Haram," Timi said.

Before August, drivers conveying farm produce to Lagos carried big baskets of tomatoes at N450 each "because things were easier," he said.

As extortion increased at the checkpoints, the cost to farmers and traders also increased, and it now costs N1,000 to carry each basket.

For small baskets, N160 was charged per basket in July 2019; those small baskets are now carried for N350 each. Then, drivers took goods to Lagos and got paid N60,000 for the full load of their vehicle, and they still had "excess after spending all required extortions on the road (hardly exceeding N9,000)," Timi said. That was when Nigeria was good.

"There was no A10 Customs or anything. They didn't bother us initially, then suddenly we were hearing tomato is also on the prohibition list, maize, etc," he said.

The border was supposedly closed to goods coming from outside Nigeria, but BusinessDay investigations in these border communities of Ogun State have revealed a systemic oppression of farmers and traders in those areas, who are made to pay thousands of naira before they can move their goods to markets in the cities.

A trader at the Imeko market told this reporter that before the border closure, a trip to Abeokuta using a small car cost N2,500; now it costs N10,000 plus N5,000 for fuel



Stuck with her tomatoes, a female trader looking dejected

and N1,500 for loading.

"What is left for the farmer of trader?" the trader asked.

Traditional rulers are either complicit or maintain a distance, the "big men" too

On a sunny market day in Ilara, hundreds of tomato baskets cook slowly under the sweltering sun as desperate farmers count their losses with every passing hour. It is worse for those who have fruits, especially pineapples. Heaps of these go bad in the middle of the market as no trader wants the misfortune of being caught with what is now becoming the equivalent of "illegal weapons".

At the market, the story was told of woman whose pineapples were seized on the road and she literally ran mad at the scene, out of shock at the loss that had befallen her. All efforts to find her or her relatives proved futile, and it remained an unproven casualty story.

Every four days, famers and traders keep a date at the market, where diverse farm produce are sold. From tomatoes to pepper, oranges, yams, maize, pineapple and other fruits, the market showcases balanced diet in its raw form. However, when farm-

ers should be coming to the market with joy, they come instead with apprehension and uncertainty.

If Sidi (not her real name) failed to sell all her tomatoes today, it would be the second consecutive market day, and those from the previous week would surely not make it to the next market day. Preservation is not her problem. Instead, those who would usually buy from her are no longer eager to make purchases.

Asked how much a small

basket of tomato costs, the women said N500, even though for a serious buyer, the cost could come down to as low as N200. In the past, the same basket would sell for N1,000. However, since the border closure, many farmers are stuck with their farm produce, and even when buyers come, they offer ridiculously low prices so as to compensate for the hazards on the road.

"Write that the king also expresses his displeasure over the plight of his subjects," said



This basket of tomato sold for over N1000 before border closure, but farmers and local traders are now forced to sell as low as N200

Sunday Ogunrinde, a local chief who was asked to speak on behalf of Oba Samuel Alabi Adeluyi, the Oloola of Ilara. "I can't teach you how to do your job, so make up the words."

Oba Adeluyi on whose behalf Ogunrinde was supposed to speak was indisposed, as physically verified by this reporter. Coincidentally, his son, Tosin Adeluyi, is also the chairman of the LGA, though seemingly uninterested in the extortions his people are being subjected to.

At Iwoye-Ketu, market leaders gave this reporter a designation of their own choosing - a representative of the Federal Government who has come from Abuja to hear their plight. This was the only way the farmers and traders at this market would agree to speak with this reporter.

On a visit to the palace of Oba Joel Ademola Alaye, the Ooye of Iwoye, the traditional ruler, like others who spoke with BusinessDay, said extortions were no longer a source of concern like in the past.

Now armed with the information that a certain quarantine document had become a requirement before agricultural goods could be moved from those villages to the cities, this reporter asked if that was also a requirement in Iwoye.

"No, there is nothing like that here," Oba Alaye said.

According to him, the quarantine document is not being imposed on farmers within his domain as is done in the neighbouring communities.

At 7.19 the following morning, when this reporter was preparing to embark on the day's rounds, a call came in from a strange landline. The caller would later introduce himself as one of those present at the palace meeting the day before.

"I cannot say what the king said is a lie, but it is also not quite like that," said the caller, whose identity is also being concealed.

The caller later narrated how Oba Alaye supposedly went to the quarantine service to "snatch" the documents, put-

ting them under the control of the Community Development Association which he had appointed. In essence, the Oba who looked this reporter in the eye and said the fraudulent quarantine document does not exist in his community was the one overseeing its administration, according to sources.

Some people would rather not talk about the extortions, and even when they did, only few wanted to be seen in public with this reporter.

"There are spies everywhere," one villager said, speaking in Yoruba. Security agencies, particularly Customs, have locals who spy on their fellow villagers. Initially, it could have been in order to provide information on those conveying banned goods. Now the reason is to target dissidents and those who fail to cooperate with the extortions.

A market woman who had volunteered information to this reporter would not let him accompany her vehicle in order to have a firsthand experience of how the extortions take place.

"It is not safe for me to be seen with you," she said.

As one departs Imeko, a new tomato plantation is being set up on the right hand side of the road. With time, the new investors would find out they have sunk millions of naira into an area which, even though it is Nigerian soil, has been marked by law enforcement agencies as foreign land, one from which they are entitled to illegal taxes and extortions before anything can move out.

While the government claims it shut the borders to protect farmers, the opposite is what is playing out in some border communities and those in their immediate vicinity.

"We have no one to fight for us, we are suffering and have no choice but to endure it," Timi said. "From Rounder to Ilara, there is no single company. We have to eat, so what do we do other than farming and trading in farm produce? Or aren't we part of Nigeria?"

**Power sector in a flux 5 months after new...**

Continued from page 1

including generation and transmission will still not solve the problem," said Desmond Ogba, energy lawyer and partner at Templars Law firm.

Ogba said a holistic approach is required to fix the issues in the sector ranging from transmission, generation and the electricity market where liquidity will still be a problem even after these tariffs are raised because, as NERC admitted, it will still not be cost-reflective.

Nigeria's national grid collapsed about a dozen times last year in the clearest demonstration of the magnitude of technical problems in the sector. Meanwhile, even as generation capacity is over 12,000MW, Nigeria's power plants on average generate only about 4,000MW.

The Ministry of Power in June last year issued policy

directives and timelines to fix critical issues in the sector involving generation, transmission and distribution.

It directed NERC to abide by the requirements for periodic major and minor reviews and processing of valid claims for deficits in tariff as provided for in the rules.

The Federal Government-owned Transmission Company of Nigeria (TCN) was directed to progress implementation of grid expansion plans, enforce full payment of the Market Operator's invoice in accordance with market rules, and support transmission requirements of bilateral contracts with other investors to allow for more commercial use of transmission assets.

To better handle technical issues in electricity transmission, the FG directed that TCN should "spin off an independent system operator after satisfying the conditions

precedents outlined in the ruling documents and effective separation of its operations, assets and liabilities from those of the Transmission Services Provider licensee."

The independent operator will manage administrative functions while technical people grapple with the finer details of transmission.

The Bureau for Public Enterprises (BPE) was directed to appoint representatives on the board of DisCos, perfect shareholder loan and options for loan recovery for the Federal Government's investment in DisCos. BPE was also directed to effectively monitor operators' obligations under their Performance Agreements.

The Nigerian Bulk Electricity Trading Company (NBET) was equally directed to design, and present for policy direction and NERC regulatory action, measures to refinance the accumulated debts DisCos owe it and the debt NBET owes generation

companies (GenCos) and the Federal Government.

NBET was further directed to work with NERC to establish a deadline to transit vesting contracts of DisCos to bilateral contracts with defined quantities and delivery points with specific GenCos and enforce DisCos' contract securities based on agreed thresholds of reducing technical and collection losses and tariff deficits.

But not much has been achieved on these fronts, and analysts call for more positive focus on achieving all of these directives going forward.

"Reviewing tariff is an important step and the minister should build on this," said Chuks Nwani, a Lagos-based energy lawyer.

However, the minister's firing and hiring policies have so far dominated news reports and the recent moves by NERC to raise tariffs have had media focus at the expense of critical reforms waiting to happen.

President Muhammadu Buhari on Tuesday reversed the suspension of Damilola Ogunbiyi, former managing director of the Rural Electrification Agency, who was suspended three weeks ago by the minister of power.

Ogunbiyi had already tendered her resignation since October before she was suspended in December which was within the three months' notice period she gave to the ministry. This suspension was widely condemned by industry stakeholders.

Ogunbiyi's resignation followed her appointment as special representative of the Secretary-General for Sustainable Energy for All.

United Nations Secretary-General António Guterres on October 29 announced Ogunbiyi's appointment as his Special Representative for Sustainable Energy for All and Co-Chair of United Nations Energy. The Secretary-General also welcomed the an-

nouncement by the Administrative Board of Sustainable Energy for All (SEforALL) that Ogunbiyi has been appointed CEO of SEforALL.

In 2018, DisCos reported accumulated losses of N713.63 billion since the 2013 privatisation exercise while payables to both NBET and the Central Bank of Nigeria (CBN) would now be approximately over N2 trillion.

"There needs to be more synergy between the various government power agencies, Discos, Gencos, NERC, TCN and the presidency," said an expert in the sector.

In July last year, the Federal Government reached an agreement with Siemens to ramp Nigeria's power generation, transmission and distribution capacity, but while this is being coordinated in the presidency, industry stakeholders fear other government agencies and even operators are not being carried along.

## NEWS

Halima Aliko Dangote (2nd l), executive director, Aliko Dangote Foundation, presenting the grant to one of the beneficiaries; Aliko Dangote (2nd r), chairman/founder, Aliko Dangote Foundation; Aminu Bello Masari (r), Katsina State governor, at the flag-off ceremony of N10 billion Dangote Micro Grant Scheme for 34,000 women in Katsina, while others look on.



## Customs, police, army using fake document to extort farmers – Federal agency implies

... Following BusinessDay investigation, NAQS probe says “criminal elements” behind border extortions  
... Customs pledges investigation of extortion by officers, asks NAQS to prosecute those behind alleged forgery

CALEB OJEWALE

Some officers of the Nigeria Customs Service (NCS), Nigeria Police, and the Nigerian Army have been at the centre of extortion suffered by some local farmers to an estimated N1.33 billion, facilitated through what has now been established to be a fake document by the agency whose identity has been used to scam helpless farmers for up to five months.

“The supposed receipt used as a cover for the extortion has nothing to do with NAQS,” read a statement sent to BusinessDay by Chigozie Nwodo, head, media, communication and strategies unit, Nigeria Agricultural Quarantine Service.

This was part of findings in a probe said to have been launched by the agency, fol-

lowing a two-part investigation published by BusinessDay this month, on the extortion of local farmers after the border closure in August 2019.

Vincent Isegbe, director-general of NAQS “flew into Lagos on the next available flight,” according to the statement, “for an on-the-spot assessment of the situation at Imeko, Iwoye-Ketu, Ilara, Idofa and other rural communities in Imeko-Afon Local Government Area of Ogun State where the predators are said to (sic) based.”

According to NAQS, an unscheduled visit in the course of its investigations indicated “some criminal elements were at work”. It also said its team found no evidence on the ground on the alleged involvement of any NAQS officer in the extortion.

“Rather, the delegation discovered that a loose group

of miscreants had created a means to make farmers run the gauntlet and pay illegal tolls,” states NAQS.

The findings of this probe by the agency, however, threw up more questions than answers. This reporter had sighted the NAQS document used to extort farmers, and the said document was requested before vehicles conveying agricultural produce could pass through checkpoints manned by Customs, Police, Army, Immigration, and even NAQS officers.

While NAQS says in its statement that “a loose group of miscreants had created a means to make farmers run the gauntlet and pay illegal tolls,” this reporter saw Customs officers, Police officers, Soldiers, Immigration officers, and NAQS personnel, at the checkpoints, and not ‘random miscreants.’

For those conveying tomatoes with a bus, N25,000 was paid to get this ordinary looking document, while N50,000 was paid to convey pineapples. In one community called Ilara, the collection on behalf of security agencies was coordinated by a man called ‘Baba Akere,’ who sources say was a notorious smuggler. In another, the investigation identified the traditional ruler as coordinating the extortion.

After the document is sighted at checkpoints by security agencies, bribes of up to N2,000 were still requested, details of which were published in the BusinessDay investigation.

The ordinary-looking document was a pass of sort, printed as though it originated from NAQS and was part of a

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## Border closure bites hard as exporters can't get vessels to ECOWAS

...as manufacturers halt exports to West Africa

ODINAKA ANUDU

Nigerian farmers may be smiling to the bank due to the closure of Nigeria-Benin Republic border, but exporters to West Africa cannot find vessels to move their products to the regional market, BusinessDay has learnt.

Since the closure of the land border in August 2019, Nigerian exporters have resorted to export by sea, but vessels carrying products bound for West Africa first of all move to and berth in Europe before returning to West Africa. This is because none of the vessels berth in West Africa at the moment owing to the poor level of trade in the region.

They, therefore, move to Europe where they can fully load their containers before returning to unload in West Africa. This is a significant cost to exporters who are struggling to compete with China, the European Union and other parts of the world

in the global market.

“I do not think there is any vessel that stops in West Africa at the moment,” Ede Dafinone, chairman, Manufacturers Association of Nigeria Export Group (MANEG), told BusinessDay.

“It is a challenge to West Africa because of lack of vessels to move the goods. We hope the Sealink Project will start soon,” he said.

Due to poor sea linkages in West Africa, the Nigerian Export-Import Bank, Transimex SA Cameroun, Sealink Promotional Company Limited (SPCL) and other partners started the Sealink Project many years ago, but it is yet to commence fully. It is a public-private partnership (PPP) arrangement established for the purpose of promoting the development of a regional sealink company that would be private sector driven.

Nexim Bank is targeting \$1.2 billion export through the project. Abubakar Bello,

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## Banks' deposit with CBN to rise by 22% on new CRR implementation

... Interest rate to adjust to front-end of the curve – analysts

HOPE MOSES-ASHIKE, ONYINYE NWACHUKWU, Abuja, & BUNMI BAILEY

It is likely going to be a tough year for the banking sector, following the new Cash Reserve Ratio (CRR) announced by the Central Bank of Nigeria (CBN) on Friday, which will lead to lenders' deposit with the regulator rising to about 22 percent.

With eyes on rising inflation and surging liquidity, the CBN on Friday moved against wide projections by analysts and raised the CRR by 500 basis points to 27.5 percent from 22.5 percent since 2016.

According to the CBN monthly economic report in November 2019, total deposit at the CBN stood at N14.35 trillion, of which deposits by commercial banks amounted to N5.15 trillion (35.9% of total deposit).

At previous CRR of 22.5 percent, a N5.15 trillion in deposit at the CBN mean total customer deposit in banks stood at N22.89 trillion as at November 2019. With the new increase in CRR to 27.5 percent, given a total deposit in banks at N22.89 trillion, banks would be required to deposit with the CBN N6.29 trillion representing a 22 percent increase in deposit to the CBN.

Johnson Chukwu, managing director/CEO, Cowry Asset Management Limited, said this simply means that the banks are now suffering from multiple regulatory headwinds. One is that the

CBN on one hand wants them to lend 65 percent of their deposits and also keep 27.5 percent of their deposits to CBN and 30 percent liquidity, but the CRR does not count as liquid assets. So it is almost impossible for the banks to comply with all these regulatory requirements and still make profits.

The amount in cash reserve is completely sterilised, and does not attract interest to the banks, so the banks are going to have 27.5 percent of their deposits with the CBN at no interest, no benefit and they can only lend 65 percent of their money and expected to keep liquidity ratio of 30 percent.

“So, if you sum all these, it is clearly above the 100 percent of the deposit. So in effect, the CBN is expecting banks to lend from their shareholders' fund,” Chukwu posited.

Godwin Emefiele, governor of the CBN, who announced the increase in the CRR after the first Monetary Policy Committee (MPC) meeting for the year, said Committee was confident that increasing the CRR at this time is fortuitous as it will help address monetary-induced inflation whilst retaining the benefits from the Bank's LDR policy, which has been successful in significantly increasing credit to the private sector as well as pushing market interest rates downwards.

Continues online at [www.businessday.ng](http://www.businessday.ng)

## Here's how you benefit if Nigeria replicates telecoms success story on subsidy regime

MICHAEL ANI

Nigeria may have forgotten so soon the huge success story recorded in the telecommunications industry following the deregulation of the sector. Little wonder it holds on to an age-long subsidy regime that continues to stress the finances of the government.

Prior to 2001 when Nigeria's telecoms sector was deregulated, the country had about 700,000 lines, which could not meet the growing demand for telecoms services by Nigerians.

Access to information technology was also limited as a result of failed operations by the Nigerian Telecommunications Limited (NITEL).

The liberalisation of the sector, which happened under

former Nigerian president and military head of states, Olusegun Obasanjo, ushered in the first Global System for Mobile Communication (GSM) operator and the award of the first Digital Mobile Licence (DML) in 2001.

Since then, the sector has witnessed an unprecedented surge in investments (with over \$70bn by end of 2017 in investments from 2001 till date) and growth, according to Nigerian Communications Commission (NCC).

The entry of new operators has also deepened the competition in the sector with the teeming subscriber base being better for it. Initiatives like number portability have also enriched consumer experience by limiting hassles to accessing better services on a preferred network.

But it appears that the gains recorded from the privatisation of the telecoms sector have been erased completely as Africa's largest economy has failed to replicate such successes across key sectors of the economy.

On the other side of the coin are the oil and the power sector eating deep into the nation's lean finances, as the government continues to cap the prices of petrol and electricity over fears of losing popular support from the masses.

A lack of reforms in both the country's oil and power sectors has culminated into deterring private investments and drying up liquidity in both sectors.

“The case of the telecoms sector is a clear indication that the government has no business in doing business

if efficiency and productivity are what a country strive for,” one renowned economist and investment banker told BusinessDay.

The mind-set in the heart of many Nigerians is that allowing for subsidy is the sole privilege they can get from a government whom they feel has failed in providing basic amenities that will give a face-lift to the economy.

But keeping a subsidy regime must come with several alternatives that must be foregone. The resultant effect of this is an unemployment rate at a record high of 23.1 percent as at 2018, and some 90 million Nigerians, which data tracked by World Poverty Clock, show are living below the poverty trap.

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## NEWS



L-R: Victor Ndukauba, deputy managing director, Afrinvest West Africa Limited; Ike Chioke, group MD, Afrinvest West Africa Limited; Ayodeji Ebo, MD, Afrinvest Securities Limited, and Ola Belgore, MD, Afrinvest Asset Management Limited, at the launch of the Afrinvest Nigerian Economy and financial markets 2020 outlook themed 'Nigeria in the new decade: Nothing Ventured, Nothing Gained' in Lagos. Pic by Pius Okeosisi

## Nigerian workers are biggest losers in FG...

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in the hands of the government in form of bonds and treasury bills.

"There were meetings held to speak to the PFAs of some private bonds that we will be sold at between 6-9 percent that they would have to buy," a source familiar with the matter told BusinessDay.

"The worry with such an action is that pensioners are at risk of giving up their savings to a government that isn't an efficient spender and prioritizes recurrent expenditure over capital expenditure," the source said.

"It's only in a lawless society that such will happen," the source added.

The government hasn't exactly earned the reputation of being judicious with public resources and that has drawn the worry of some sources who say the government's action could inflict some reputational damage in the eyes of investors.

"The Pension Act is one of the pivotal reforms of the Obasanjo era, it's a shame that this government wants to ruin it this way, given that past schemes run by the govern-

ment never worked but this one has," another source who did not want to be named, to speak freely said.

"No one understands how this will work but the implication this has for the economy and investor confidence is damaging," the source said.

Nasir el-Rufai, the governor of Kaduna state said that the decision to tap into the pension funds was reached by a NEC committee headed by him.

El-Rufai said that the committees' decision is consistent with the Pension Reform Act 2004, which empowers the government to borrow 20 percent of the fund to address national issues.

Over the years, Nigeria's widening infrastructure deficit has been a recurring discourse as it is widely believed that the low stock of infrastructure investments is one of the biggest challenges to the ease of doing business.

From poor port infrastructure, dilapidated transport networks, epileptic power supply, huge housing deficit, Nigeria's infrastructure gap cannot be overemphasized.

"The reason why pension

funds don't play bigger roles in infrastructure development in Nigeria is because the Federal government is not investing borrowed funds, taken from the PFAs, wisely. After all the government holds 70 percent of the Pension funds," a source familiar with the matter said.

"Saying you want to take private money and do whatever you want just shows how hostile the government is to private capital and that is the last thing it needs at this time," the source added.

"Nigeria's Pension Fund industry has been through turbulent times to be where it is today and this could scuttle the progress made," another source said.

Prior to the enactment of the Pension Reform Act 2004, pension schemes in Nigeria had been bedeviled by many problems.

The Public Service operated an unfunded Defined Benefits Scheme and the payment of retirement benefits were budgeted annually.

The annual budgetary allocation for pension was often one of the most vulnerable items in budget implementation in the light of resource constraints.

In many cases, even where

budgetary provisions were made, inadequate and untimely release of funds resulted in delays and accumulation of arrears of payment of pension rights. It was obvious therefore that the Defined Benefits Scheme could not be sustained.

In the private sector on the other hand, many employees were not covered by the pension schemes put in place by their employers and many of these schemes were not funded.

Besides, where the schemes were funded, the management of the pension funds was full of malpractices between the fund managers and the Trustees of the pension funds.

This scenario necessitated a re-think of pension administration in Nigeria by the administration of President Olusegun Obasanjo. Accordingly, the administration initiated a pension reform in order to address and eliminate the problems associated with pension schemes in the country. The outcome of the reform was the enactment into law of the Pension Reform Act 2004, which has today led to an unprecedented rise in Pension Assets to N9.4 trillion from a negative position before the reforms.

NAQS uncovered in its investigation, which the agency wants the police to go after.

Not only did NAQS say the document is a fake, but further claims there can be no original for it to produce, saying, "Its mandate covers only agro-commodities coming in or going out of Nigeria." Not only is it a fake, but never should have been required for conveying goods produced within Nigeria by Nigerian farmers and on Nigerian soil.

In the end, as contained in the investigation earlier published, from Imeko, this reporter followed a van of allegedly smuggled tomatoes to Abeokuta, which successfully found its way to the Mile 12 Market in Lagos, after passing dozens of

checkpoints. N75,900 was spent between Ilara and Abeokuta on bribes, including the now fake quarantine document, yet, genuine local farmers continue to struggle with extortion. Made in Nigeria or produced in Benin Republic (and brought in illegally), the investigation found that getting goods to major cities was a function of how much a person was willing to pay.

"The Command as a responsive and responsible formation will not sweep such weighty allegations under the carpet," said Maiwada in response to findings of extortion by Customs officers during the investigation. "We will look into your report through proper investigative mechanisms," he said.

## Regulatory headwinds cast a pall on banks...

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tal Limited.

"The hike in CRR to 27.50 percent from 22.50 percent means more deposit will go from lenders to the CBN and return zero which means their interest income, which is a major component of earnings, will reduce," Olusi said.

The dividend pay-out ratio is the ratio of the total amount of dividends paid out to shareholders relative to the net income of the company. It is the percentage of earnings paid to shareholders in dividends.

Guaranty Trust (GTBank) Bank, the largest lender by market value in Africa's largest economy, has paid a total of N423.15 billion to its owners in eight years, according to data gathered by BusinessDay.

From 2012 to 2018, Zenith Bank has paid N490.95 billion to shareholders, and it has a dividend yield of 12.76 percent; this means an investor gets N120,760 in dividend income for every N1 million invested in the stock.

In the last eight years, Access Bank, the largest lender by total assets, has paid N163.15 billion to its owners, while it has a dividend yield of 4.8 percent.

Banks were able to consistently and generously reward their shareholders because they were taking advantage of the monetary environment to underpin earnings.

For instance, between 2016, the devaluation of the currency was a boon for them as foreign currency revaluation gains added strength to profit.

Also, a high yield environment gave lenders the leeway to park their money in short term government securities, but a precipitous drop in yields at the start of 2018 resulted in slow growth in interest income from short term government securities.

The fear among experts is that banks could cut dividend pay-out because a slew of stringent rules by the apex bank have heightened regulatory risks.

The central bank had mandated Deposit Money Banks (DMBs) to maintain minimum Loans to Deposit (LDR) ratio of 65 percent, but analysts say forcing banks to lend to risky sectors will result in rising Non Performing Loans (NPLs).

"These are regulatory headwinds they have to contend with. They also have to deal with the recent slashing of bank charges," said Johnson Chukwu, managing director and CEO of Cowry Asset Management.

"It will affect dividend declaration. No bank will start paying dividend from reserves as they will want to settle from current profit. There is cap on such payment by the regulator," Chukwu said.

The Monetary Policy Committee (MPC) of the CBN, at the end of the 2-day policy meeting on Friday, voted to Retain Monetary Policy Rate (MPR) at 13.5 percent; maintain the asymmetric corridor around the MPR at +200/-500bps; increase Cash Reserves Ratio (CRR) by 500bps, from 22.5 percent to 27.5 percent; and retain liquidity ratio at 30.0 percent.

Analysts at United Capital Ltd say additional 5 percent CRR is equivalent to N1.2 trillion quarantined by the CBN and that Open Buy Backs (OBB) and overnight (O/N) rates are likely to spike in the short term.

"It is negative for banks' profitability and revenue as rates on fixed deposit will likely increase," said analysts at United Capital Ltd.

The cumulative interest income of the largest Nigerian banks increased by 8.0 percent to N2.06 trillion as at September 2019, the lowest in five years, according to data gathered by BusinessDay.

Following CBN's announcement barring non-banking corporates as well as individuals from accessing the OMO market, increased liquidity in the secondary debt market as well as auctions has since sent yields crashing.

There has been a sharp decline in Nigerian Treasury Bills rate at the primary market auction over a three-month period from 12.94 percent before the announcement was made to 5.1 percent at the last auction.

"We believe key institutional investors with trillions of debt assets maturing in 2020 will be searching for alternative investment opportunities given negative real returns on debt and money market instruments. Thus, we expect some of these funds to filter into the equities market," said analysts at CSL Stock Brokers Limited.

## Border closure bites hard as exporters can't...

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managing director of NEXIM Bank, said in November 2019 that 26 cargo ships had been committed by partners for the commencement of the West and Central Africa sealink project.

"We are frustrated and can't wait to have that," Okhai Ehimigbai, export manager at Aarti Steel, which exports steel products and zinc ash, said.

Okhai said his company had stopped export to the Economic Community of West African countries (ECOWAS) due to the closure of the border.

Export to Ghana by sea takes one month now as against two weeks or less through the land borders, he said.

He further disclosed that his firm had been searching for six containers to move goods by sea to Europe since November 2019, but could only find five.

"We can't export because we can't get all the containers on time," he said, saying, "At the moment, many shipping companies have a lot of empty containers due to the situation at the Nigerian ports."

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## Customs, police, army using fake document...

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bigger racket that had seen traders and villagers in just one local government area of Ogun State contributing up to N668 million (\$1.85m) in extortion within 100 days of the border closure. In 200 days, the figure could have doubled to N1.3 billion (\$3.7m).

To the exploited villagers, this was a "government-issued document," and was now only a thorn in their flesh because of the border closure.

"If there is any forgery of a document, then the agency involved should come out and do its work, and bring a document that is genu-

ine," said Abdullahi Maiwada, public relations officer, Nigeria Customs Service, Ogun I Command, when told about NAQS' response to BusinessDay's investigation.

According to Maiwada, having discovered a document has been forged in its name, and is being used to extort farmers, NAQS should in fact, be at the forefront of bringing those culpable to justice.

However, in the statement sent to BusinessDay, NAQS said it was calling "on the Nigerian Police to hunt down the hoodlums perpetrating this crime and bring them to book." This begs the question, what are the identities of those

