

AFRICA RISK CONSULTING

Nigeria Monthly Briefing May 2022

Nigeria Summary 27 May 2022

Nigeria prepares for party primaries ahead presidential elections scheduled for February 2023. Political activity drives sudden demand for United States (US) dollars and pushes the parallel currency market to new lows of N'600 to the US dollar. The Central Bank of Nigeria (CBN) hikes the Monetary Policy Rate (MPR) by 1.5% to 13% in a bid to tackle rising inflation. The National Bureau of Statistics reports headline inflation of 16.8% in April. The United Kingdom (UK) Serious Fraud Office (SFO) charges Switzerland-headquartered mining conglomerate Glencore with seven counts of bribery relating to its oil operations in Cameroon, Equatorial Guinea, Côte d'Ivoire, Nigeria and South Sudan. The US Department of Justice (DoJ) issues a statement confirming that Glencore paid more than \$52m to intermediaries knowing that those funds would be used to bribe Nigerian officials. Finance minister Zainab Ahmed suspends federal government accountant general Ahmed Idris following his arrest by the Economic and Financial Crimes Commission (EFCC). Cayman Islands-based Lekoil Ltd drops off the UK-based London Stock Exchange's (LSE) Alternative Investment Market and opts to list on the Aquis Stock Exchange (AQSE) Growth Market pending audited accounts. New cases of Covid-19 remain low despite new variants driving case numbers higher in Southern Africa.

Party primaries cause a slump in currency value...

Nigeria's incumbent **All Progressives Congress (APC)** will hold its party primaries on 30-31 May, kicking off the campaign for the February 2023 presidential election. Higher demand for **United States (US)** dollars by aspiring politicians preparing for party primaries is reportedly boosting the parallel currency market as politicians seek to influence voters ahead of party primaries in late May and early June.¹ **Centre for Democracy and Development** director **Idayat Hassan** claimed the primaries are the major driver of dollar demand in Nigeria as "*parties put their houses in order*".² **Lagos**-based bureau de change (BDC) operator **Abubakar Mohammed** said on 17 May that the spike in demand for dollars had driven the Naira to 600 against the US dollar on the black market in the week beginning 16 May, the lowest exchange rate seen for the Naira, despite the official, **Central Bank of Nigeria (CBN)**-controlled exchange rate remaining at N'415.95 to \$1 on 17 May.³ Lagos-based BDC operator **Anwar Usman** said a shortage of foreign exchange had also contributed to the currency volatility.⁴

A decline in the parallel value of the Naira places increasing pressure on external reserves, which the CBN uses to intervene and regulate the official exchange rate. An increase in global fuel prices has placed further pressure on the government purse as President **Muhammadu Buhari's** (2015-present) administration struggles with fuel subsidy expenditure following a near 100% rise in international oil prices (see *ARC Briefing Nigeria Apr 2022*). Fortunately, Nigeria's economy is likely to reap the benefits of its politically motivated dollar demand, as expenditure and gross domestic product (GDP) growth almost always increase the year before an election, driven by consumption.⁵

The CBN may be forced to devalue the naira officially if it continues to weaken in the parallel market. Demand for US dollars is unlikely to abate ahead of the presidential elections and is likely to continue to drive the unofficial value of the Naira down. The central bank has already devalued the naira three

¹ [Bloomberg](#), 17 May 2022

² [Naira Metrics](#), 19 May 2022

³ [Bloomberg](#), 17 May 2022

⁴ [Naira Metrics](#), 19 May 2022

⁵ [The Cable](#), 12 Jan 2022

times since the onset of the **Covid-19** pandemic in March 2020 in a bid to close the gap between official and unofficial rates. Nigeria's international trade balance for 2021 dropped to a record low, registering a deficit of N'1.94 trillion (\$6.67 billion), placing further pressure on its external reserves.⁶

... as CBN hikes interest rate to 13%...

The CBN **Monetary Policy Committee (MPC)** voted at its 23-24 May meeting to raise the monetary policy rate (MPR) by 150 basis points (1.5%) to 13% in order to control a rise in inflation and maintain economic growth.⁷ The hike marks the first rise in Nigeria's interest rate in almost six years, since July 2016, and took **United Kingdom (UK)**-based financial reporting agency **Bloomberg** analysts by surprise.⁸ The MPC members were split in their decision to raise the MPR rate, with six members voting to raise it by 150 basis points, four voting to raise it by 100 basis points and one to raise the rate by 50 basis points.⁹

The decision was taken against an economic backdrop of increasing inflation, a hawkish stance by the **US Federal Reserve** and **European Central Bank** and depreciation of the naira. CBN governor **Godwin Emefiele** acknowledged the importance of raising interest rates to tackle inflation,¹⁰ which continues to trend upwards and reached record highs in April. Food inflation reached 18.4% month-on-month while headline inflation reached 16.8%, according to the **National Bureau of Statistics (NBS)**.¹¹ Inflation has exceeded the central bank's target band for six years.¹² Emefiele blamed the consistent rise in headline inflation on rising energy prices and "*epileptic supply*" of **Premium Motor Spirit (PMS)** (see *ARC Briefing Nigeria Mar 2022*).¹³ Headline inflation has also been driven by rising food prices associated as persistent security challenges in major food-producing areas impede food production.¹⁴

Nigeria's benchmark stock index fell by 1.8% following the MPC announcement.¹⁵

UK Serious Fraud Office charges Glencore with seven counts of bribery

The **UK Serious Fraud Office (SFO)** has charged **London Stock Exchange (LSE)**-listed commodities giant **Glencore's** 100%-owned subsidiary, **Glencore Energy (UK) Ltd**, with seven counts of bribery related to its oil operations in **Cameroon, Equatorial Guinea, Cote d'Ivoire, Nigeria and South Sudan**.¹⁶ The **London-based Westminster Magistrate's Court** ruled on 24 May after Glencore indicated that it would plead guilty to all seven counts, which include seven counts of bribery under the **Bribery Act 2010**, of which five are substantive charges under section 1 and a further two under the corporate failure to prevent bribery offence (section 7).¹⁷

The SFO began **Operation Azoth**, an investigation into Glencore's "*profit driven bribery and corruption*" in June 2019, a year after the US began a similar investigation.^{18,19} The SFO alleges that Glencore's agents and employees paid bribes worth over \$25m for preferential access to oil, with the approval of company executives. Operation Azoth was conducted in cooperation with authorities in the US, **Netherlands** and **Switzerland**.²⁰

⁶ [Punch](#), 16 Mar 2022

⁷ [Central Bank of Nigeria](#), 24 May 2022

⁸ [Bloomberg](#), 24 May 2022

⁹ [Central Bank of Nigeria](#), 24 May 2022

¹⁰ [Bloomberg](#), 24 May 2022

¹¹ [National Bureau of Statistics](#), 14 May 2022

¹² [Bloomberg](#), 24 May 2022

¹³ [Central Bank of Nigeria](#), 24 May 2022

¹⁴ [Central Bank of Nigeria](#), 24 May 2022

¹⁵ [Bloomberg](#), 24 May 2022

¹⁶ [SFO](#), 24 May 2022

¹⁷ [SFO](#), 24 May 2022

¹⁸ [SFO](#), 24 May 2022

¹⁹ [The Guardian](#), 24 May 2022

²⁰ [SFO](#), 24 May 2022

Glencore agreed on 24 May to pay a \$1.1 billion settlement fine to the US, and a further \$40m to **Brazilian** prosecutors.²¹ The fine owed to UK authorities will be settled during Glencore's next appearance at London's **Southwark Crown Court** on 21 June.²²

The US **Department of Justice (DoJ)** issued a press statement upon issuance of the fine stating that in Nigeria alone Glencore paid more than \$52m to intermediaries, knowing that those funds would be used, in part, to bribe Nigerian officials. Glencore and its subsidiaries held contracts to purchase crude oil and refined petroleum products from the state-owned **Nigeria National Petroleum Corporation (NNPC)**. In total, Glencore paid \$79.6m to intermediary companies across **West Africa** between 2007 and 2018.^{23, 24} The DoJ has ordered an independent compliance monitor to be installed at Glencore for the next three years to verify internal controls.²⁵

Although Glencore has reportedly set aside \$1.5 billion to pay its bribery and corruption fines, US-based non-governmental organisation **Natural Resource Governance Institute** advisor **Alexandra Gillies** believes these fines will have little impact on the company's financial performance given the current buoyant nature of the commodities market.²⁶

Economic and Financial Crimes Commission arrests accountant general

Finance minister **Zainab Ahmed** has suspended the federal government's accountant general, **Ahmed Idris**, following his arrest by the **Economic and Financial Crimes Commission (EFCC)** on 17 May for alleged money laundering and diversion of public funds.²⁷ EFCC officials intercepted Idris in **Kano** and subsequently escorted him to **Abuja**. Finance minister Ahmed confirmed that Idris' suspension was to allow proper and unhindered investigation into the allegations. Nigeria-based newspaper **The Premium Times** reports that Idris repeatedly failed to respond to multiple summons issued by the EFCC for interrogation.²⁸

Idris is accused of laundering N'80 billion (\$192.6m) through bogus contracts and companies linked to family members and associates. An official statement by the EFCC reports that funds were laundered through real estate investments in Kano and Abuja.²⁹ Nigeria-based newspaper **Nairametrics** reported further information from a source within the EFCC which suggested that Idris is connected to properties in London (UK), **Dubai (UAE)** and Lagos, and that the total sum of funds diverted by the accountant general may be much higher than the N'80 billion currently quoted.³⁰

Federal finance ministry permanent secretary **Aliyu Ahmed** announced the appointment of **Anamekwe Nwabuoku** as acting accountant general to the federation in a letter dated 20 May.³¹

Lekoil drops out of AIM

Cayman Islands-based **Lekoil Ltd** has dropped out of the LSE's sub-market, the **Alternative Investment Market (AIM)**, following its suspension in October 2021 due to a company delay in publishing its 2020 accounts.³² The company originally listed on the AIM in May 2013, raising £32m (\$49.9m).

Lekoil's interim executive chairman, **Anthony Hawkins**, announced on 16 May that the company had applied for admission of its shares on the UK-based **Aquis Stock Exchange (AQSE) Growth Market**

²¹ [DoJ](#), 24 May 2022

²² [SFO](#), 24 May 2022

²³ [The Cable](#), 26 May 2022

²⁴ [DoJ](#), 24 May 2022

²⁵ [FT](#), 24 May 2022

²⁶ [FT](#), 24 May 2022

²⁷ [Premium Times](#), 18 May 2022

²⁸ [Premium Times](#), 18 May 2022

²⁹ [EFCC](#), 16 May 2022

³⁰ [Naira Metrics](#), 20 May 2022

³¹ [ChannelsTV](#), 22 May 2022

³² [Vanguard](#), 3 Nov 2021

access segment as an alternative.³³ Trading on the AQSE is anticipated to begin by the end of June following the release of audited accounts to the market.³⁴

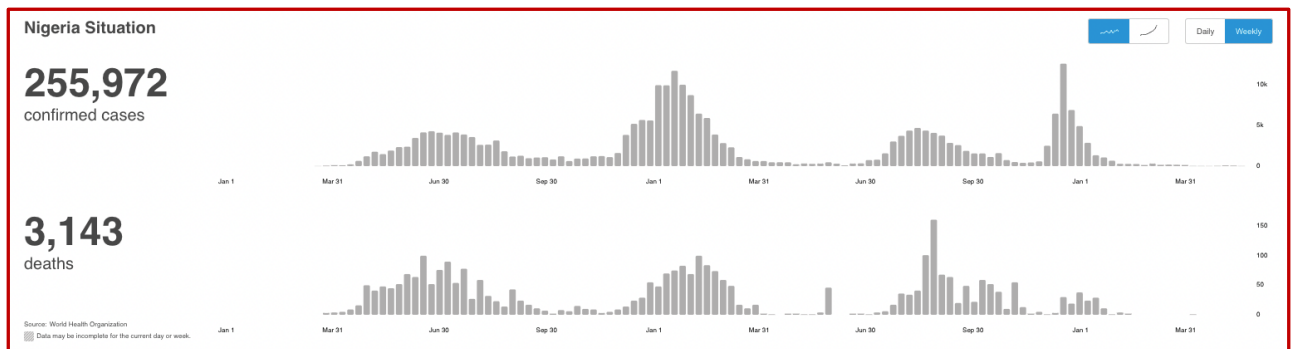
Hawkins confirmed that the board considers the company's primary objective to be the recovery of its investment through litigation against **Lekoil Nigeria** group and former chief executive **Olaekan** (a.k.a **Lekan**) **Akinyanmi**.³⁵ Lekoil and Lekoil Nigeria are embroiled in a dispute that Nigerian media have labelled a "*backdoor hostile takeover of a Nigerian business*". Lekoil Ltd, UK-based **Savannah Energy Investments Ltd** and Lekoil Nigeria remain locked in litigation proceedings.

Lekoil Ltd announced on 28 February its entry into an agreement to sell a \$110m loan owed by Nigeria-based Lekoil subsidiary **Mayfair Assets & Trust Ltd** to Savannah Energy. The **Federal High Court of Nigeria** granted Lekoil Nigeria and third parties, including **Lekoil Oil & Gas Investments Limited**, **Mayfair Assets**, **Lekoil 276 Limited** and **Lekoil Exploration & Production Nigeria Limited**, an injunction on 6 April preventing Savannah and Lekoil from transferring any interests in Lekoil Nigeria that would alter ownership, equity or share capital. In April, Lekoil Ltd rejected a counteroffer by Lekoil Nigeria to purchase the Mayfair Assets loan. Lekoil Nigeria had originally approached Lekoil Ltd with an offer of \$1.5m, representing 50% more than an offer the board had accepted to sell the Mayfair loan to Savannah Energy Investments.

Lekoil Nigeria believes that the sale of the Mayfair loan for \$110m would prevent the loss of the **Oil Prospecting Licence (OPL) 310** and have a neutral effect on the value of shareholders stocks. The OPL 310 licence is due to expire in August as a result of inactivity. Lekoil Ltd alleges that Lekoil Nigeria has failed to fund or demonstrate the ability to fund an appraisal or development of OPL 310. Lekoil Ltd responded to Lekoil Nigeria's offer on 1 April stating that its offer on the Mayfair loan cannot be accepted without breaching legally binding obligations to Savannah. Hawkins added that Lekoil Nigeria had not demonstrated the capability to fund the offer.

Covid-19 update

New cases of **Covid-19** remain low in Nigeria, despite the detection of a new variant in **Southern Africa** which has driven case numbers higher in **South Africa** where cases increased by 32% in the week of 8 May.³⁶ Nigeria experienced its fourth wave of infections in December, widely blamed on the **Omicron** variant which was first detected in Nigeria on 1 December.³⁷ As of 27 May, Nigerian health authorities had recorded 255,972 confirmed cases of Covid-19 in Nigeria's population of 206.1 million, with 250,024 recoveries and 3,143 deaths Covid-related deaths.³⁸



1 - World Health Organisation data, 27 May 2022

³³ [LSE](#), 16 May 2022

³⁴ [LSE](#), 16 May 2022

³⁵ [LSE](#), 16 May 2022

³⁶ [Bloomberg](#), 12 May 2022

³⁷ [Premium Times](#), 7 Dec 2021

³⁸ [WHO](#), 27 May 2022, [NCDC](#), 27 May 2022

The **Presidential Steering Committee (PSC) on Covid-19** issued a statement on 2 April, easing Covid-19 restrictions:

- Nationwide curfew from 0000hrs to 0400hrs is lifted;
- There are no formal restrictions on movement within the country;
- The use of facemasks indoors remains mandatory but discretionary when outdoors.³⁹

The **Nigeria National Centre for Disease Control (NCDC)** published new travel guidance on 2 April for travellers arriving in or departing from Nigeria. All unvaccinated or partially vaccinated passengers arriving in Nigeria are required to comply with **Port Health** screening and present electronic or hardcopy evidence of a pre-boarding PCR test, self-isolate for seven days and submit to a post-arrival Covid-19 test on day 2 and day 7.⁴⁰ Fully vaccinated arrivals must present a travel certificate/QR code and evidence of vaccination. The PSC on Covid-19 will revise the travel requirements at the end of April.⁴¹

As of 27 May, Nigerian health authorities had administered 43.9 million doses of Covid-19 vaccine, with 16.8 million (6.46%) fully vaccinated and 27.4 million individuals (13.29% of the population) having received only a first dose of the vaccine.⁴²

³⁹ [NCDC, 2 Apr 2022](#)

⁴⁰ [NCDC, 2 Apr 2022](#)

⁴¹ [NCDC, 2 Apr 2022](#)

⁴² [World Health Organisation](#), accessed 27 May 2022

Planner

26 Jul 2022 **(Nigeria) Central Bank of Nigeria** Monetary Policy Committee meeting announces results;

22 Nov 2022 **(Nigeria) Central Bank of Nigeria** Monetary Policy Committee meeting announces results;

2023 **(Nigeria)** Presidential elections;

Chronology

24 May 2022 **Abuja (Nigeria) Bloomberg. Central Bank of Nigeria** unexpectedly raises benchmark interest rate for the first time in almost six years, by 150 basis points to 13%, to curb accelerating inflation and boost portfolio inflows;

19 May 2022 **Abuja (Nigeria) Quartz Africa. Central Bank of Nigeria** proposes guidelines that would usher in an 'open banking' era, a key step in creating a standard for how companies exchange digital financial data belonging to consumers;

18 May 2022 **Abuja (Nigeria) Africanews.** Government asks **Facebook** and other social media platforms to block the pro-**Biafra** separatist group **Indigenous Peoples of Biafra (IPOB)** on their platforms;

16 May 2022 **Abuja (Nigeria) The Guardian. Economic and Financial Crimes Commission** arrests accountant-general **Ahmed Idris** alleging he committed NGN 80 billion (\$3 billion) fraud through "bogus consultancies and other illegal activities using proxies, family members and close associates";

15 May 2022 **Abuja (Nigeria) Reuters.** Market regulator publishes a set of regulations for digital assets, signalling that **Africa's** most populous country is trying to find a middle ground between an outright ban on crypto assets and their unregulated use;

11 May 2022 **Abuja (Nigeria) Punch.** Information minister **Lai Mohammed** says President **Muhammadu Buhari** directed all members of his cabinet who hold political ambitions to resign their current appointments;

3 May 2022 **London (United Kingdom) Financial Times.** A new ranking released by **United Kingdom**-based **Financial Times** finds the two fastest-growing companies in **Africa** are in **Kenya** and five of the top ten are in **Nigeria**;

3 May 2022 **Abuja (Nigeria) iol.** **South Africa**-based telecom giant **MTN** raises **Nigeria** profits despite quarterly loss of 1.3 million subscribers due to regulatory directives to disconnect subscribers not registered with national identity numbers;

26 Apr 2022 **Abuja (Nigeria) Pulse. Nigerian National Drug Law Enforcement Agency** arrests alleged billionaire drug baron **Afam Mallinson Emmanuel Ukatu** while on board an aircraft at **Lagos'** main airport;

26 Apr 2022 **Abuja (Nigeria) Punch. Aliko Dangote, Africa's** richest person, says he plans to construct an oil refinery in southern **Nigeria**;

25 Apr 2022 **Abuja (Nigeria) Business Insider Africa. MTN Nigeria** issues \$306.3m commercial paper in **Nigeria** as part of a strategy to increase its financing options and raise capital;

24 Apr 2022 **Imo State (Nigeria) Punch.** An explosion at an illegal oil refinery between the southern Nigerian oil states of **Rivers** and **Imo** kills at least 110 people;

22 Apr 2022 **Imo State (Nigeria) Reuters. Nigerian** billionaire **Aliko Dangote** says his 650,000 barrels-per-day oil refinery in **Lagos** is expected to be commissioned next year, before President **Muhammadu Buhari's** presidential term comes to an end;

About Africa Risk Consulting:

Africa Risk Consulting (ARC) is a pan-African consulting company that provides timely, relevant information and advice that enables its clients to take informed investment decisions and to safeguard their reputations.

ARC's core consulting services include integrity due diligence and corporate investigations, political advisory and country assessments, opportunity monitoring and reputation risk management. Most relevant to private equity firms is ARC's integrity due diligence and corporate investigations capability. Specifically, ARC offers pre-deal integrity checks to highlight red flags before negotiations start; full detailed multi-jurisdictional reputation due diligence; and supplier and senior hire vetting and repeat due diligence for compliance programmes. ARC is unique in that it offers a 10-day delivery for a routine integrity due diligence. ARC also offers a suite of corporate investigations services from immediate investigation, evidence gathering, e-discovery, forensic accounting and whistleblower support on one end to crisis media management and regular monitoring on the other.

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