

## AFRICA RISK CONSULTING

### Nigeria Monthly Briefing January 2019

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#### Nigeria Summary 20 January 2019

*Official campaigning for the 16 February election has launched. The incumbent and All Progressives Congress (APC)'s President Muhammadu Buhari (2015-present) looks set to win. Atiku Abubakar of the Peoples Democratic Party (PDP) has an uphill battle against his own reputation for corruption. The hasty Code of Conduct Trial of Chief Justice of Nigeria (CJN) Walter Onnoghen will undermine Nigeria's reputation for clean and fair elections. Electioneering means the candidates overspend but the economy slows for the first quarter. Buhari's election budget is predicated on a \$60/b oil price but oil prices have slumped to \$55/b. Nevertheless, civil servants will get a pay rise. South Africa-based mobile telecommunications company MTN pays \$53m and resolves its legal dispute with the Central Bank of Nigeria.*

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#### Elections are in full swing ...

**Nigerians** go to the polls to elect a president on 16 February. With the power of incumbency, President **Muhammadu Buhari** (2015-present) is likely to overcome the response of jaded, indifferent voters to the frugal and lackluster campaigns of two septuagenarians to win a second term. Nigeria's constitution requires a candidate for the presidency to score an overall majority in the country and in two-thirds of the 36 states. Despite a plethora of candidates, this is a two-horse race between Buhari, the ruling **All Progressives Congress (APC)**'s candidate, and his main opponent, **Atiku Abubakar**, a former vice-president running on the former ruling **Peoples Democratic Party (PDP)** ticket.

What is new is that for the first time in Nigeria's post-military history, the campaign will go beyond personality and focus on issues – policy, money and jobs. Buhari's campaign is more socially oriented, embracing dirigisme and economic interventionism. Sources close to the presidency further claim that Buhari and his close ruling cabal's objective is to nationalise parts of the economy, notably in the north, in order to compete with the more commercially dynamic and successful south. Faced with this, Abubakar has strongly differentiated his campaign with a programme to re-liberalise the economy and to further the privatisation programme that his backer and former PDP president **Olusegun Obasanjo** (1999-2007) had embarked upon, and notably promising to privatise the notorious state-controlled oil company, **Nigeria National Petroleum Corporation (NNPC)**.

However, Abubakar has a greater mountain to climb. In a country where corruption is rife but not acceptable to the voting public, Abubakar has a well-earned reputation as a corrupt politician. A **United States Senate Permanent Subcommittee on Investigations** report detailed how Abubakar, while still vice-president of Nigeria between 2000 and 2008, used offshore companies to siphon millions of dollars to his fourth wife, **Jennifer Douglas**. Specifically, the report said Douglas, an **American** citizen, helped her husband bring over \$40m in suspect funds into the US through wire transfers sent by offshore corporations to US bank accounts. In 2004, the then President **George W Bush** (2001-2009) barred Abubakar

and other corrupt politically exposed persons from being issued visas to the US.<sup>1</sup> The allegations make it easy for Buhari to claim a vote for Abubakar is a vote for corruption.

*"I do not see Atiku [Abubakar] winning; the momentum that he gained when he emerged [as PDP's presidential candidate] is lost and he has not been able to regain it. The PDP are getting it wrong and not making it easy for themselves. Coming from the kind of discredited, corrupt background, they should do less talking and get people to fight their battles for them - they haven't quite adopted the right strategy."*<sup>2</sup>

Despite a slick media campaign, others say Abubakar will lose for a number of reasons:

*"No coherent message. No strong positive record in public service. Bad public perception, and the need for regional re-alignment for the 2023 election."*<sup>3</sup>

There is no doubt that Buhari is popular in several areas of the country, a sentiment that is ably expressed by a northern businessman and entrepreneur:

*"He has so much potential – I think one of the most important is that at least our money to an extent is safe. Buhari is not a saint but at least like people always say, if you have two banks – Buhari and Atiku banks, where would you save your money? Everybody would say Buhari bank. You cannot fix what has been rotten in three years – it's impossible. I think the devil you know... because at least now that we're seeing recovery and why are we not even appreciating Buhari in this country? I will sleep with my eyes closed with Buhari – anytime!"*

While Abubakar won Obasanjo's support to win the PDP nomination, Buhari is reported to have secured the support of **Aliko Dangote**, Africa's renowned billionaire whose legendary astuteness gives further weight to the likelihood of a Buhari win. Some PDP gubernatorial candidates are reportedly campaigning for Buhari rather than Abubakar in the parts of the North. This is an obvious indication that they don't feel Abubakar has what it takes to emerge and would rather latch onto Buhari's popularity in that part of the country. Governorship elections take place in March and ARC Briefing will be monitoring the process and outcomes closely.

As Buhari launched his election campaign on 4 January, he has little to show for his time in office. He has squandered an overwhelmingly popular mandate when he became the first president to defeat a sitting president, **Goodluck Jonathan** (2010-2015), in 2015, propelled on the back of a newly formed opposition APC with a clear policy agenda. The APC, then in opposition, had a full programme for Buhari's term, which he has failed to implement.

*"As in the US, Nigeria's four-year timeline takes one year to settle in, which leaves only 18 months to do anything before you are electioneering again. In his first term he took six months to appoint a cabinet. Then he spent 172 days out of the country receiving treatment for his illness."*<sup>4</sup>

Should Buhari win there is little likelihood that he will perform any better than he has done in his first term. It is highly unlikely that he will make any of the substantial economic reforms that are necessary to unleash Nigeria's economic potential. Essential reforms – liberalisation, public sector reforms, reforming the civil service, privatisation of the

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<sup>1</sup> PM News

<sup>2</sup> Source, former Buhari policy adviser

<sup>3</sup> ARC source, Nigeria

<sup>4</sup> Source, former Buhari policy adviser

refineries, breaking up of NNPC, forward selling crude, and re-floating the currency – are unlikely to take place.

For a former military officer, Buhari has notably failed to end the insurgency in the north despite having spent considerable sums on security. On 7 January, Buhari again promised to “*overcome the insurgency*” in the country’s north-east after pledging to “*raise the standard of the Nigerian armed forces and get resources to encourage them to do better*” in the fight against **Boko Haram**<sup>5</sup> Islamists, but without any details of how this is to be done. As campaigning begins, there are signs that the comparative peace that President Goodluck Jonathan brought to the violence in the oil producing states may be coming to an end: on 7 January militants blew up a **Conoil** petroleum marketing company facility in **Bayelsa State** – a **Niger Delta** militant group, known as the **Koluama Seven Brothers**, attacked a crude oil pipeline in the **Southern Ijaw Local Government Area**.<sup>6</sup>

With neither of the main candidates inspiring either business or voters, people are resigned to wait for the 2023 election:

*“Sometimes continuity is preferred even if it is not ideal – a sense of stability. And then in four years hopefully a younger candidate emerges. Let them put foundations someone can work with in four years. By that time some of the godfathers will have gone, perhaps biometrics will be implemented and we can have a fair election of someone who does not depend on the old system.”<sup>7</sup>*

Another Nigeria-based finance executive agrees:

*“Buhari is a hard sell... I think that people feel the results are predetermined. Another four years of Buhari will not end the country. It's not a doomsday scenario. Nigeria will survive. A new term for PDP might not also be beneficial. Voting Buhari gives an opportunity to end the era of a certain set of politicians. At least that will be a gain for the polity.”<sup>8</sup>*

Ironically observers rate the two candidates’ running mates more highly than they do the candidates. Both are seen as technocrats and have reputations for competence. Atiku’s running mate, **Peter Obi**, is former governor of the south-eastern **Anambra State** who is famed for having left office with a balanced budget. Similarly, Buhari’s well-respected deputy, **Yemi Osinbajo**, is a lawyer and formerly the attorney general of south-western **Lagos State**.

*“The elections this year are about the balance of power – the struggle for what the geo-political regions consider their rights. Therefore, by implication, the struggle in this year's elections is largely about the positioning for 2023 with a largely illiterate voting population, the likelihood for informed voting that is based on sound choice is slim.”<sup>9</sup>*

Elections in Nigeria are about the balancing the power of the regions. Both Buhari and Abubakar are ethnic Fulani from the north, and their choice of running mate is to reach voters in the south and south-east. Abubakar’s choice of Obi and his promise to serve only a single four-year term were designed to win support of the **Igbo**-speaking south-east. Similarly Osinbajo will bring with him the support of the **Yoruba**-speaking voters of the

<sup>5</sup> Reuters, 7 Jan 2019.

<sup>6</sup> Punch, 7 Jan 2019.

<sup>7</sup> Source, CEO of market entry company, Lagos

<sup>8</sup> Source, development finance executive, Nigeria

<sup>9</sup> ThisDay, 6 Jan 2019

south-west and north-central region. Osinbajo has hinted he might run for the presidency when Buhari's anticipated second term ends.

### ... but the trial of Nigeria's chief justice and Supreme Court head stirs a hornet's nest

Over the past two presidential elections, Nigeria has won a reputation for its ability to run largely clean and fair elections in the most populous country on the continent. However, the hasty **Code of Conduct Trial of Chief Justice of Nigeria (CJN) Walter Onnoghen** has raised doubts and generated criticism from several quarters, coming as it does so close to elections. As campaigns were launched, so was Onnoghen's trial for under-declaring his assets before assuming office.<sup>10</sup> The move is controversial in that the **Supreme Court** has the final say in any electoral dispute.

The trial has sparked a round of conspiracy theories. Some business commentators accuse Buhari of being *"so desperate to win as to do anything"*. The trial has also led to claims that the presidency orchestrated the trial as a back-up plan in case the power of incumbency fails.

*"The election result will be contested. So who the Chief Justice of Nigeria is, and how influenceable [he is], matters."*<sup>11</sup>

Nigeria's rumour mill places transport minister **Rotimi Amaechi**, a former governor of oil-rich **Rivers State**, behind the legal petition against the CJN as part of a personal vendetta.

*"It's all part of the grand plan to emasculate the system completely, to leave no stone unturned for a return – no chance either at the polls or at the judiciary or with the media; to put everything under a firm grip. The cabal (surrounding the president) is vicious and they will implement to the letter – I think that is what is going on. I don't think it is necessarily because of their fear that Atiku [Abubakar] may win, but it's just what they've always thought about to do."*<sup>12</sup>

There are fears that the trial coming within a month of presidential polls will stoke tensions and provoke violence. The Atiku Abubakar camp protested on 14 January. With the general election only 35 days away and the statutory role that the CJN and Supreme Court play after elections, Abubakar's camp complained that, while the allegations against the CJN are serious, a *"trial at frenetic speed will impact the Nigerian judiciary negatively"*:

*"The portrayal here, inevitably, will be that it is so corrupt that its head is put on trial."*<sup>13</sup>

Local newspaper commentators expect the trial to be destabilising, as ethnic, regional, religious and political interpretations spark legal fireworks.<sup>14</sup> Local lawyers and human rights activists agree that to prosecute the CJN one month before elections is unwise.

*"Any attempt to force Justice Walter Onnoghen to vacate his office, four weeks to an election for which the unpopular Buhari administration has shown every intention to manipulate, is a move pregnant with negative meaning."*<sup>15</sup>

<sup>10</sup> Premium Times, 14 Jan 2019

<sup>11</sup> ARC source, Lagos

<sup>12</sup> ARC source, Lagos

<sup>13</sup> Source, Lagos-based lawyer and human rights activist

<sup>14</sup> ThisDay, 13 Jan 2019

<sup>15</sup> Source, Simon Kolawole, popular newspaper columnist/author

### Economic outlook is poor as election kicks off and oil price slumps ...

Traditionally, Nigeria's elections are times when the incumbents spread the largesse of office and overspend while at the same time economic activity slows for the first quarter and few invest in the capital markets. With elections in sight, foreign portfolio managers have embarked on a massive sell-off of shares, seeing the **Nigerian Stock Exchange (NSE)**'s All Share Index sliding since the beginning of the year.<sup>16</sup> Uncertainty will continue until the end of the election period in March. Between the second and third quarters, any government that comes in forms a new cabinet and, hopefully, launches the new term's economic programme.

Much depends on how the results unfold. Should the result be contested, it will create a level of political uncertainty, which will see a reversal of economic recovery and stability. Should elections be successful and all the political parties and contestants accept the result, this should give Nigeria a stable economic environment, and quicker recovery.<sup>17</sup> Whatever the result, Nigeria is facing the economic overhang of Buhari's first term in office.

Buhari presented his election budget, the **2019 Appropriation Bill**, on 19 December (see *ARC Briefing Nigeria December 2018*), which is clearly designed to support his election campaign.<sup>18</sup> The budget faced problems from the outset. It contains substantial increases for civil servants and was predicated on a \$60 per barrel oil price.<sup>19</sup> The Economic Recovery Growth Plan (ERGP) had proposed \$50 per barrel for the 2019 budget but this was ignored as the oil price hovered around \$80 during the budget preparation. Since it was drafted, international oil prices and Nigeria's oil production have fallen. Oil is now at \$55 per barrel. Oil minister **Emmanuel Kachikwu** has said Nigeria is producing 1.78 million barrels of crude per day and expecting output from **Egina** oilfield to reach 150,000 bpd by the end of the month, which could boost total production. On the budgetary upside is the performance of the **Federal Inland Revenue Service (FIRS)**, which has given itself a target to generate 8 trillion naira (N) (\$21.9 billion) in 2019. FIRS chairman **Tunde Fowler** said FIRS set the new target after it collected a record N5.32 trillion in 2018.<sup>20</sup>

### ... and central bank settles with MTN

News of higher revenue targets comes on the back of a **Central Bank of Nigeria (CBN)** agreement to end its dispute with **South Africa**-based multinational mobile telecommunications company **MTN** over allegations that the company illegally repatriated \$8.1 billion. The CBN said on 24 December that an agreement was reached to resolve the matter.<sup>21</sup> Earlier, MTN said the matter was resolved after it agreed to make a N19.2 billion (\$53m) payment.<sup>22</sup> The CBN did not refer to a figure but said the sides decided the agreement would "*lead to amicable disposal of the pending legal suit between the parties and final resolution of the matter*".<sup>23</sup>

The resolution may bring to an end a campaign by Buhari's northern cabal to bring telecoms wealth to the north. Some sources claim the cabal targeted MTN in order to force the South Africa company out of the country and create a competing company. Reportedly, the

<sup>16</sup> The Point, 7-13 Jan 2019

<sup>17</sup> The Point, 7-13 Jan 2019

<sup>18</sup> Punch Nigeria, 20 Dec 2018

<sup>19</sup> Bloomberg Quint, 19 Dec 2018.

<sup>20</sup> Vanguard, 8 Jan 2019.

<sup>21</sup> Punch, 25 Dec 2018.

<sup>22</sup> Punch, 25 Dec 2018.

<sup>23</sup> Punch, 25 Dec 2018.

presidential cabal sought to end up with one controllable mobile company with northern interest in charge.

### Planner

16 Feb 2019 **(Nigeria) Vanguard**. Voting in presidential and **National Assembly** elections;

2 Mar 2019 **(Nigeria) Vanguard**. Voting in governorships and state assembly elections;

### Chronology

17 Jan 2019 **Abuja (FCT) The Nation: House of Representatives** agrees to pass the 2019 budget expeditiously; house speaker **Yakubu Dogara** expects a second reading to start immediately;

16 Jan 2019 **Lagos (Nigeria) Reuters**. Presidential candidate **Atiku Abubakar** states that he will privatise the state-controlled **Nigerian National Petroleum Corporation** if elected;

17 Jan 2019 **Abuja (Nigeria) The Nation**. The **Federal Government** promises to pay its subsidy arrears of \$644.2m to oil marketers;

16 Jan 2019 **Abuja (Nigeria) Vanguard National Bureau of Statistics (NBS)** reports that consumer price for petrol has dropped 15% y/y to N145.80 (\$0.40);

16 Jan 2019 **Abuja (Nigeria) Thisday** Trade minister **Okechukwu Enelamah** expects a committee to report its findings to President **Muhammadu Buhari** for him to decide on **Africa Continental Free Trade Area (AfCFTA)** at month's end;

15 Jan 2019 **Abuja (Nigeria) Reuters** Chief Justice **Walter Onnoghen's Code of Conduct Tribunal (CCT)** hearing over allegations he breached asset declaration rules is postponed to 22 January;

15 Jan 2019 **Rann (Nigeria) Times Live**. **Boko Haram** fighters attack a military base in northeast Nigeria;

15 Jan 2019 **Abuja (Nigeria) Punch Association of Power Generation Companies (APGC)** head **Joy Ogaji** reports that electricity generation companies will be forced to shut down if liquidity problems caused by distribution companies and gas constraints are not addressed;

14 Jan 2019 **Abuja (Nigeria) Punch Federal Government** calls on President Buhari to find additional revenue sources to pay the minimum wage and salary increases introduced on 10 January;

14 Jan 2019 **Port Harcourt (Nigeria) Punch Nigeria National Petroleum Development Company (NPDC)** to seek external financing of \$3.15 billion to develop 416 million barrels of oil reserves from Oil Mining Lease 13 to increase production by 94,000 barrels of oil per day;

10 Jan 2019 **Abuja (Nigeria) Punch Federal Government** has placed an order to import 30 coaches, 300 wagons for the **Lagos-Ibadan** railway when the project is completed;

10 Jan 2019 **Abuja (Nigeria)** *Reuters* Oil minister **Emmanuel Kachikwu** reports that the country is producing 1.78 million barrels of crude per day;

10 Jan 2019 **Abuja (Nigeria)** *Punch* **Nigerian Natural Resource Charter (NNRC)** reports that foreign direct investment in the oil sector fell by \$17.12m in three months, plunging from \$24.85m in Q2 to \$7.73m in Q3 2018;

9 Jan 2019 **Abuja (Nigeria)** **Kano State** governor **Abdullahi Ganduje** announces that unnamed foreign investors are to invest \$1.7 billion in the **Qua Iboe** power project;

8 Jan 2019 **Abuja (Nigeria)** *Punch* **Federal Inland Revenue Service (FIRS)** chair **Tunde Fowler** says FIRS has given itself a target to generate N8 trillion (\$21.9bn) in 2019 after collecting a record N5.32 trillion in 2018;

8 Jan 2019 **Abuja (Nigeria)** (*Punch*) **Nigerian Export-Import Bank (NEXIM)** earmarks N36 billion for states' non-oil products development;

8 Jan 2019 **Abuja (Nigeria)** (*Thisday*) The **Agence Française de développement (AFD)** (French development agency approves \$245m for the **Transmission Company of Nigeria (TCN)** to expand its transmission grid;

8 Jan 2019 **Abuja (Nigeria)** *Thisday* **Teleology Holdings** pulls out of **9mobile Nigeria**, two months after receiving approval to take over its operations as the preferred bidder;

7 Jan 2019 **Abuja (Nigeria)** (*Bloomberg*) President **Muhammadu Buhari** promises to overcome the insurgency in the northeast and raise the standard of the Nigerian armed forces;

7 Jan 2019 **Abuja (Nigeria)** *Reuters* President **Muhammadu Buhari** acknowledges that an electoral commissioner is an extended family member by marriage, but denies the main opposition party's claims that she is a blood relative;

7 Jan 2019 **Bayelsa (Nigeria)** *Punch* A **Niger Delta** militant group, known as the **Koluama Seven Brothers**, has blown up a **Conoil** crude oil pipeline at **Koluama** community in the **Southern Ijaw Local Government Area**;

3 Jan 2019 **Abuja (Nigeria)** *Punch* **NBS** reports that **India** was Nigeria's biggest trading partner in the third quarter of 2018, importing N719.2 billion (\$2.0 billion) of crude and N37.7 billion of natural gas exports from the country as well as cashew nuts worth N4.7 billion;

3 Jan 2019 **Abuja (Nigeria)** *Punch* Federal government budgets N160 billion (\$438.8m) for a civil servants' salary increase;

3 Jan 2019 **Abuja (Nigeria)** *Thisday* Nigeria's external reserves hit \$43.2 billion, up by 11% from \$38.91 billion on 2 Jan 2018 to \$43.20 billion on 28 Dec 2018, an increase of \$4.3 billion;

4 Jan 2019 **Uyo (Akwa Ibom State)** *Reuters* The ruling **All Progressives Congress (APC)** launches President **Muhammadu Buhari's** re-election campaign in the southern city of **Uyo**, hours after naming a campaign team which includes Africa's reportedly richest man, **Aliko Dangote**;

24 Dec 2018 **Abuja (Nigeria)** *Reuters* **Central Bank of Nigeria** says it has ended the **South Africa**-based **MTN** legal case and resolved the dispute over allegations that MTN illegally repatriated \$8.1 billion; MTN said the matter was resolved and it agreed to

make a \$53m payment;

21 Dec 2018 **Abuja (Nigeria)** *Thisday* Finance minister **Zainab Ahmed** releases N1.1 trillion for the state's 2018 capital budgets to fund capital projects across the country;

19 Dec 2019 **Abuja (Nigeria)** *The Guardian* President **Muhammadu Buhari** opens Abuja's new airport terminal at **Nnamdi Azikwe International Airport**, amidst \$69.3m debt overhang due to the **China Exim Bank**;