

## AFRICA RISK CONSULTING

### Nigeria Monthly Briefing March 2021

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#### Nigeria Summary 25 March 2021

*The finance ministry announces a supplementary budget for March to cover the cost of Covid-19 vaccination as the first World Health Organisation COVAX facility shipment of 3.94 million doses of Covid-19 vaccines arrives in Nigeria. Cases of Covid-19 are in decline from a peak in January. Central Bank of Nigeria governor Godwin Emefiele denies that the government plans to adopt a new system and flexible exchange-rate policy for official transactions. United States (US)-based ratings agency Fitch Ratings notes high inflation fuelled by insecurity in its appraisal of Nigeria's long-term foreign-currency issuer default rating (IDR). The Office of the National Security Advisor (ONSA) refutes claims by national security advisor Babagana Monguno of misappropriation of \$1 billion from the government's excess crude account in 2018. An Italian court acquits Italy-based oil major ENI and Netherlands-based Royal Dutch Shell of corruption charges relating to the acquisition of oilfield OPL 245 in 2011.*

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#### Supplementary budget for Covid-19 vaccines...

Finance minister **Zainab Ahmed** announced on 25 February that a supplementary budget would be published in March to cover the purchasing cost of **Covid-19** vaccines.<sup>1</sup> The 2021 finance bill, passed in December, made no provision for purchase of Covid-19 vaccines, despite negotiations with the **World Health Organisation's (WHO) COVAX** facility, which began in August.<sup>2,3</sup> Former finance minister **Nguzi Okonjo-Iweala** cautioned before taking up her role as **World Trade Organisation** director-general on 1 March against "vaccine nationalism", which could slow global recovery from the pandemic:

*"No one is safe until everyone is safe. Vaccine nationalism at this time just will not pay because the variants are coming. If other countries are not immunized, it will just be a blow back [...] it's unconscionable that people will be dying elsewhere, waiting in a queue, when we have the technology."<sup>4</sup>*

Vice president **Yemi Osinbajo** echoed this sentiment in an address to **United Kingdom (UK)**-based international affairs think tank **Chatham House** on 23 March.<sup>5</sup>

Nigeria received its first shipment of 3.94 million **Oxford/AstraZeneca** Covid-19 vaccine doses from the COVAX facility on 2 March at the **Nnamdi Azikiwe International Airport** in **Abuja**.<sup>6</sup> The COVAX facility awarded Nigeria 13.6 million doses in the first-round allocation, published on 2 March, of the Oxford/AstraZeneca vaccine manufactured by the **India**-based **Serum Institute of India**.<sup>7</sup> Nigeria will also receive 42 million doses of Covid-19 vaccine through the **African Union (AU) African Vaccine Acquisition Task Team**.<sup>8</sup>

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<sup>1</sup> Reuters, 25 Feb 2021

<sup>2</sup> Reuters, 25 Feb 2021

<sup>3</sup> World Health Organisation, 24 Aug 2020

<sup>4</sup> Reuters, 15 Feb 2021

<sup>5</sup> Chatham House, 23 Mar 2021

<sup>6</sup> Al Jazeera, 2 Mar 2021

<sup>7</sup> COVAX, 2 Mar 2021

<sup>8</sup> Devex, 4 Mar 2021

Nigeria's Covid-19 vaccination programme began at the **National Hospital Abuja** on 12 March.<sup>9</sup> The programme prioritises one million healthcare workers and employees from key sectors including oil and gas in the first wave of vaccination across all 36 states.<sup>10</sup> The second phase seeks to vaccinate those over the age of 60 and people with underlying health conditions.<sup>11</sup> Phase three will extend to those aged 18-49 with underlying health conditions, and the final phase to the rest of the population.<sup>12</sup> The programme aims to vaccinate 40% of Nigeria's 200 million inhabitants by the end of 2021, and a further 30% in 2022.<sup>13</sup>

Cases of Covid-19 are in decline from a peak on 23 January. The decline is credited to the federal government's lockdown measures (see *ARC Briefing Nigeria January 2021*).

Nigeria Covid-19 Data <sup>14</sup>			
Date	Total cases	Recovered	Deaths
23 Mar 2021	162,000	149,000	2,031

Nigeria Covid-19 Data <sup>15</sup>		
Date	New Cases	Deaths
1 Jan 2021	980	5 (7-day average 7)
1 Feb 2021	676	21 (7-day average 14)
1 Mar 2021	360	8 (7-day average 8)
23 Mar 2021	208	1 (7-day average 2)

The arrival of Covid-19 vaccines has sparked hope for economic recovery. Whether the administration will capitalise on this opportunity remains to be seen.

### Central Bank denies rumours of new foreign exchange policy...

Finance minister Zainab Ahmed informed reporters on 22 March that Nigeria would adopt a new system and flexible exchange-rate policy for official transactions, the **Nafex** rate.<sup>16</sup> Vice president Yemi Osinbajo confirmed the adoption of a unified flexible exchange rate for federal payments at a Chatham House meeting on 23 March.<sup>17</sup> However, **Central Bank of Nigeria (CBN)** governor **Godwin Emefiele** subsequently denied any plans to adopt a new foreign exchange management policy when he announced the outcome of the CBN's monetary policy committee (MPC) meeting on 23 March, contradicting both Ahmed and Osinbajo.

The disagreement between the federal government and the central bank is further affirmation of Ahmed's reputation as "*paymaster general*" for her perceived lack of power as finance minister. The slip-up is also an embarrassment for Osinbajo, who was speaking to an international audience on policy reform to enable economic recovery from the Covid-19 economic fallout.

<sup>9</sup> Reuters, 5 Mar 2021

<sup>10</sup> Reuters, 5 Mar 2021

<sup>11</sup> World Health Organisation, 19 Mar 2021

<sup>12</sup> World Health Organisation, 19 Mar 2021

<sup>13</sup> Reuters, 5 Mar 2021

<sup>14</sup> Johns Hopkins University, Accessed 24 Mar 2021

<sup>15</sup> Johns Hopkins University, Accessed 24 Mar 2021

<sup>16</sup> Bloomberg, 22 Mar 2021

<sup>17</sup> Chatham House, 23 Mar 2021

Failure to liberalise the exchange rate endangers relations with international lenders, including the **International Monetary Fund (IMF)**, which made exchange rate reform a sole condition of the \$3.4 billion loan granted to Nigeria in April 2020.<sup>18</sup> The IMF urged Nigerian authorities to alter their monetary policy in a report published on 8 February, claiming that the naira could be overvalued by as much as 18% (see *ARC Briefing Nigeria February 2021*).<sup>19</sup> The **World Bank** has strongly advocated for the introduction of a flexible exchange rate during negotiations for the \$1.5 billion loan that it granted on 15 December.<sup>20</sup>

The government has yet to enact a flexible exchange policy after securing the five-year **Country Partnership Framework (CPF)** from the World Bank.<sup>21</sup> The Nafex rate currently applies only to investors and exporters. A move to unify the rates would bring federal payments under the same foreign exchange rate, a unified flexible exchange rather than a pegged rate.

Nigeria has devalued the naira twice since March 2020. Foreign exchange reserves have fallen from \$35.4 billion in January to \$34.4 billion in March this year.<sup>22</sup> In the week beginning 15 March, the exchange rate at the **Investors and Exports Window (I&E Window)** closed at 410.00/US\$1, while street market exchange rates closed at N485.00/US\$1.<sup>23</sup>

The CBN in its MPC meeting on 22 and 23 March held the benchmark lending rate at 11.5%. Emefiele supported the decision on the basis that the rate would allow the central bank,

*“to deploy liquidity into employment generation and output-stimulating sectors of the economy [to] help consolidate the country’s recovery process.”<sup>24</sup>*

The MPC noted the continued upward trend of headline inflation (year-on-year) increasing to 17.33% at the end of February, a rise from 16.47% in January.<sup>25</sup> Food price inflation was identified as a contributing factor to the sustained climb of headline inflation, driven by poor security in food producing areas, with agricultural labourers subjected to banditry and attacks by **Fulani** herdsmen.<sup>26</sup> Other key drivers include a price rise in petrol and upward revision of electricity tariffs in June and January respectively, in combination with depreciation of the naira.<sup>27</sup>

**United States (US)**-based ratings agency **Fitch Ratings Inc** on 19 March affirmed Nigeria’s long-term foreign-currency issuer default rating (IDR) as ‘B’ with a stable outlook.<sup>28</sup> Fitch noted that the rating was constrained by weak fiscal pressure, low governance, low development indicators, continued high dependence on hydrocarbons, weak growth and high inflation. Fitch forecasts that inflation will average 16% in 2021 and decline to 13.4% in 2022, driven by cost-push factors.<sup>29</sup> Fitch’s review notes the naira remains overvalued, despite gradual and moderate exchange-rate depreciation over the last year:

*“Persistent double-digit inflation under a tightly managed multiple-window exchange-rate regime could drive further misalignment of the currency relative to fundamentals.”<sup>30</sup>*

Disagreement between the executive and the central bank amplifies fears that President **Muhammadu Buhari** (2015-present) remains politically isolated, out of touch, and tightly controlled

<sup>18</sup> [IMF](#), 28 April 2020

<sup>19</sup> IMF Country Report No. 2021/033, 8 Feb 2021

<sup>20</sup> [World Bank](#), 15 Dec 2020

<sup>21</sup> [NairaMetrics](#), 15 Dec 2020

<sup>22</sup> [ProShare NG](#), 23 Mar 2021

<sup>23</sup> [ProShare NG](#), 23 Mar 2021

<sup>24</sup> [Reuters](#), 23 Mar 2021

<sup>25</sup> [ProShare NG](#), 23 Mar 2021

<sup>26</sup> [ProShare NG](#), 23 Mar 2021

<sup>27</sup> [ProShare NG](#), 23 Mar 2021

<sup>28</sup> [Fitch Ratings](#), 19 Mar 2021

<sup>29</sup> [Fitch Ratings](#), 19 Mar 2021

<sup>30</sup> [Fitch Ratings](#), 19 Mar 2021

by the cabal. The presidency continues in a state of paralysis as the cabal maintains its grip on the central bank, enabling it to control funds ahead of elections in 2023. Lack of transparency and policy alignment in government indicates further policy paralysis and protracted inefficacy of federal government. The failure of the Buhari administration to manage the threat of **Boko Haram** and allegations of ethnically motivated sympathy toward Fulani herders also contribute to rising food insecurity and inflation.<sup>31</sup>

### ... and corruption makes headlines again

Allegations that \$1 billion were removed from Nigeria's excess crude account in 2018 have further undermined confidence in Buhari's presidency. National security advisor **Babagana Monguno**, in an interview with the UK-based **British Broadcasting Company (BBC) Hausa** service on 12 March, alleged misappropriation and theft of \$1 billion in federal funds from the excess crude account in 2018.<sup>32</sup> The funds were intended to purchase additional weaponry and military supplied under the tenure of former service chiefs whom Buhari removed in January (see *ARC Briefing Nigeria January 2021*).<sup>33</sup> However, Monguno quickly retracted the statement through the **Office of the National Security Advisor (ONSA)**, claiming the BBC quoted him out of context.<sup>34</sup> In the interview with the BBC, Monguno clearly stated:

*"I'm not saying the former service chiefs diverted the money, but the money is missing. We don't know how, and nobody knows for now. I believe Mr President will investigate where the money went. I can assure you the President takes issues of this nature seriously. The fact is that preliminary investigation showed the funds are missing and the equipment is nowhere to be found. When the new service chiefs assumed office, they also said they didn't see anything on the ground."<sup>35</sup>*

Presidential spokesman **Garba Shehu** claimed on 14 March that Monguno's interview is misquoted and mistranslated:

*"I want to assure you that nothing of that money is missing. The reference to it in the interview of the BBC Hausa Service by the National Security Adviser has been misconstrued and mistranslated. NSA made two critical points – one is that we don't have enough weapons, which is a statement of fact; and two, procurements made have not been fully delivered. At no point did the NSA say that money has been misappropriated nor arms missing. They have not been delivered, that is correct; these are things you don't get off the shelves."<sup>36</sup>*

Management of these allegations is a Catch-22 for the presidency. Buhari won the 2015 presidential election on a campaign of anti-corruption. While the allegations are reputationally damaging, Shehu's denial does the administration few favours. Buhari ignited hope in January when he changed Nigeria's security chiefs (see *ARC Briefing Nigeria January 2021*), but the current disagreement signals poor prospects for meaningful reform.

Meanwhile, a **Milan (Italy)** court has acquitted Italy-based **ENI SpA** and **Netherlands-based Royal Dutch Shell plc (Dutch Shell)** in a case alleging corrupt practice in a \$1.3 billion acquisition of a Nigerian oilfield in 2011. ENI and Shell paid \$1.3 billion to the Nigerian government in 2011, of which \$1.1 billion was paid to Nigerian company **Malabu Oil and Gas**, controlled by former oil minister **Dan Etete**.<sup>37</sup>

<sup>31</sup> [Fitch Ratings](#), 19 Mar 2021

<sup>32</sup> [Punch Nigeria](#), 12 Mar 2021

<sup>33</sup> [The Nation](#), 13 Mar 2021

<sup>34</sup> [The Nation](#), 14 Mar 2021

<sup>35</sup> [The Nation](#), 14 Mar 2021

<sup>36</sup> [The Nation](#), 14 Mar 2021

<sup>37</sup> [Reuters](#), 17 Mar 2021

The acquittal, read by justice **Marco Tremolada**, on 17 March brought to a close a three-year trial that contained 74 hearings. The prosecution had called for fines totalling \$1.1 billion to be levied against ENI and Dutch Shell, and for current ENI chief executive **Claudio Descalzi** to be imprisoned.<sup>38</sup>

The Nigerian government has voiced its disappointment at the verdict and will consider appeal once the written judgement has been delivered. The Italian courts allow 90 days for submission of a written judgement.<sup>39</sup> Chatham House associate fellow **Matthew Page** noted:

*"This is a huge blow for natural resource governance and transparency in Nigeria [...] The **OPL 245** deal [is] a multi-layered tale of corruption and malfeasance and international complicity that's been going on for two decades."*<sup>40</sup>

A representative for the Nigerian government added:

*"The Federal Republic of Nigeria will continue to hold those responsible for the POL 245 fraud accountable, not only to ensure the people of Nigeria benefit from this valuable resource, but also to make clear its commitment to rooting out corruption in all of its forms."*<sup>41</sup>

Allegations of corruption surrounding the OPL 245 oilfield continue in arbitration cases in **Washington** (US), **London** (UK) and the Netherlands.<sup>42</sup>

## Planner

2023 **(Nigeria)** Presidential elections;

24-25 May **(Nigeria)** Monetary Policy Committee (MPC) meeting

## Chronology

23 Mar 2021 **Abuja (Nigeria)** *Reuters*. The Nigerian **Monetary Policy Committee (MPC)** holds the benchmark lending rate at 11.5%;

23 Mar 2021 **Abuja (Nigeria)** *Chatham House*. Vice president **Yemi Osinbajo** delivers a speech to an international audience at **United Kingdom**-based think tank **Chatham House** on economic recovery and policy change post-**Covid-19**;

18 Mar 2021 **Abuja (Nigeria)** *Disrupt Africa*. **Nigeria**-based digital banking start-up **Kuda** announces a \$25m Series A funding round to help it fund its aggressive growth plan;

17 Mar 2021 **Abuja (Nigeria)** *Business Day*. **Italian** court acquits oil majors **Eni**, **Royal Dutch Shell** and several of their current and former executives of corruption charges related to a 2011 deal to secure **Offshore Oil Prospecting Licence 245** in **Nigeria**;

16 Mar 2021 **Abuja (Nigeria)** *Reuters*. The **Nigerian Communications Commission** and **Central Bank** agree to a flat fee of \$0.0183 (6.98 naira) per financial transaction conducted by mobile to replace a billing system formerly determined by telecommunications firms and lenders;

16 Mar 2021 **Abuja (Nigeria)** *Reuters*. The **National Bureau of Statistics (NBS)** announces a 21.79% year-on-year increase in food prices in February 2021;

16 Mar 2021 **Abuja (Nigeria)** *Punch*. **National Bureau of Statistics** records a 33.3% rise in unemployment in Q4 of 2020, up from 27.1% in Q2 2020;

14 Mar 2021 **Maiduguri (Nigeria)** *Reuters*. The **Islamic State West Africa Province (ISWAP)**

<sup>38</sup> [Reuters](#), 18 Mar 2021

<sup>39</sup> [Reuters](#), 18 Mar 2021

<sup>40</sup> [Reuters](#), 18 Mar 2021

<sup>41</sup> [Energy Voice](#), 17 Mar 2021

<sup>42</sup> [The Africa Report](#), 22 Mar 2021

claims an attack on 12 March between **Monguno** and **Kukawa** that reportedly killed 33 soldiers and captured one. Attacks reportedly increased from 10 March resulting in the deaths of soldiers from the **Nigerian Armed Forces** and the **Civilian Joint Task Force (CJTF)**;

12 Mar 2021 **Abuja (Nigeria)** *Premium Times* National Security Advisor (NSA) **Babagana Monguno** reveals that state funds intended for arms acquisition are missing and unaccounted for following the replacement of the service chiefs by President **Muhammadu Buhari** in January;

12 Mar 2021 **Kaduna (Nigeria)** *Reuters*. **Kaduna State** security commissioner **Samuel Aruwan** confirms that unidentified gunmen abducted 30 students from the **Federal College of Forestry Mechanization** (Kaduna city) on 11 March;

12 Mar 2021 **Lagos (Nigeria)** *Reuters*. The **Petroleum Products Pricing Agency (PPPRA)** posts and later removes an online notice listing the guide price for wholesale gasoline as 206.43 naira per litre, causing a run on fuel stations;

11 Mar 2021 **Abuja (Nigeria)** *Global Construction Review*. Government begins construction of three rail and port projects worth \$3.2 billion after a syndicate of **Chinese** financiers agreed to put up \$2.7 billion for them, 85% of the funding required;

10 Mar 2021 **Lagos (Nigeria)** *Reuters*. The **Nigerian Stock Exchange (NSE)** announces regulatory approval for a public listing of its shares in a process of demutualisation;

10 Mar 2021 **Lagos (Nigeria)** *Reuters*. Petroleum regulator **Department of Petroleum Resources (DPR)** provisionally awards tenders to develop 57 marginal oilfields, requesting payment within 45 days to secure the awards;

9 Mar 2021 **Abuja (Nigeria)** *Reuters*. The **United Kingdom (UK)** agrees to send \$5.84m to Nigeria that it recovered from **James Ibori**, former **Delta State** governor, who was imprisoned in the UK in 2012 for money laundering offences;

3 Mar 2021 **Abuja (Nigeria)** *The Africa Report*. **Nigeria**-based solar company **AllBase Energy** says it plans to deploy its solar power distribution system to **Angola** in Q3 2021 as part of its **African** expansion plan;

2 Mar 2021 **Abuja (Nigeria)** *Al Jazeera*. Nigeria receives the first shipment of 3.94 million doses of the **Oxford/AstraZeneca Covid-19** vaccine from the **World Health Organisation (WHO) COVAX** facility;

25 Feb 2021 **Abuja (Nigeria)** *Punch*. Finance minister **Zainab Ahmed** says **Nigeria** will draw up a supplementary budget in March to cover the cost of **Covid-19** vaccines, for which no provision was made in the 2021 finance bill adopted in December;

21 Feb 2021 **Abuja (Nigeria)** *NairaMetrics*. Health minister **Osagie Ehanire** announces the expected arrival of the first batch of **Covid-19** vaccines from five different manufacturing countries by the end of the month;

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