

AFRICA RISK CONSULTING

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Nigeria Summary 20 January 2023

The Independent National Electoral Commission's (INEC) preparations ahead of the February elections remain under threat from the long-running Islamic insurgency in several parts of the country. INEC chairperson, Mahmood Yakubu, warns on 7 January that attacks on facilities may undermine the organisation's capacity to organise elections and negatively impact electoral processes. A poll by ANAP Foundation, conducted on 21 December, finds that Peter Obi is the leading candidate in the elections, but that his lead is not significant enough to guarantee his victory. A former senior government official tells Africa Risk Consulting Briefing (ARC Briefing) that Bola Ahmed Tinubu will be the likely winner. Central bank governor, Godwin Emefiele, is reportedly being investigated for several serious allegations against him, including acts of financing terrorism, fraudulent activities, and economic crimes of national security dimension. Finance minister Zainab Ahmed says on 19 January that Nigeria will not join an overhaul of the global taxation system, which the country believes is skewed toward the interests of rich countries and could hurt its tax revenues. Nigeria's inflation rate drops slightly for the first time in 11 months in December, from 21.5% in November to 21.3% in December, raising the possibility that the Central Bank of Nigeria (CBN) will slow the pace of interest rate hikes.

Nigeria set for presidential polls as insecurity looms...

Nigeria is set to hold its presidential election on 25 February and governorship and local polls on 11 March, however, electoral authorities' preparations are under threat from the long-running **Islamic** insurgency in the northeast of the country, bandit attacks in the northwest and growing separatist agitations in the south. The **Independent National Electoral Commission (INEC)** maintains it is committed to ensuring free, fair and credible elections, it is not sure whether the polls will be without issue.¹

INEC chairperson, **Mahmood Yakubu**, said at an event organised by **Chatham House in London (United Kingdom)** on 19 January that the **INEC** is satisfied with the preparations done so far for the elections.² However, a week earlier on 7 January, Yakubu warned that the elections are threatened by a spike in insecurity and that any attack on INEC's facilities may undermine its capacity to organise elections and negatively impact electoral processes.³

In particular, violent attacks against the country's electoral commission offices have raised serious concerns about the security of Nigeria's February elections, as was the case on 15 January when policemen repelled an attack by unknown gunmen on the office of INEC in the southeastern state of **Enugu**.⁴ US publication, **The Associated Press**, has reported that more than 50 of the INEC's offices have been destroyed by non-state actors since the last election in 2019.⁵ Yakubu also warned that elections could be postponed if the situation does not improve:

¹ The East African, 14 Jan 2023

² All Africa, 19 Jan 2023

³ The East African, 14 Jan 2023

⁴ Al Jazeera, 18 Jan 2023

⁵ Ahram Online, 9 Dec 2022

“If the insecurity is not monitored and dealt with decisively, it could ultimately culminate in the cancellation and or postponement of elections in sufficient constituencies to hinder declaration of elections results and precipitate constitutional crisis.”⁶

At least 18 candidates are competing to take over from President who will bow out on 20 May 29 after tumultuous eight years.⁷ The frontrunners for the presidency include:

- **Bola Ahmed Tinubu** of the ruling **All Progressives Congress (APC)**;
- **Atiku Abubakar**, the former governor of **Lagos** from the **People’s Democratic Party (PDP)**;
- **Peter Obi**, former vice-president and former governor of **Anambra** state from the **Labour Party**.⁸

A surge in support for Obi has left voters and analysts wondering about the potential for a major upset.⁹ Obi has energised the youth with his message of prudence and accountability that have been amplified by an army of social media users.¹⁰ Obi has also been the top choice in four opinion polls ahead of next month’s elections. A poll released by the non-profit **ANAP Foundation** on 21 December found that 23% of voters were willing to vote for Obi in the presidential election while 13% proposed to vote for Tinubu and 10% for Abubakar. **Rabiu Kwankwaso** of the **New Nigeria Peoples Party (NNPP)**’s was a distant fourth with only 2% of voters proposing to vote for him.¹¹ While Obi may have the momentum at the moment and is making the Nigerian establishment nervous, it would be a mistake to rule out other frontrunners, particularly Tinubu who has heavy financial and political elite backing. The president of the ANAP Foundation, **Atedo Peterside** said on 21 December:

“Mr Peter Obi’s 10%-point lead at this stage is significant, but not sufficient to separate him from a leading pack of candidates scoring 13%, 10% and 2%. Undecided voters and those who prefer not to reveal their preferred candidate add up to a whopping 29% and 23%, respectively.”¹²

A former Nigerian senior official with 30 years experience in government and who held high-ranking positions in the Buhari and **Olusegun Obasanjo** (1999-2007) presidencies told **Africa Risk Consulting Briefing (ARC Briefing)** that Tinubu is most likely to be elected president because all the power of incumbency is behind him with Buhari also recently campaigning on his behalf, he has control of the ACP, has major influence over the supreme court and the state security apparatus, has control over the election process and has access to major funds of at least \$200m which is the estimated cost of securing every election post.¹³ Tinubu has also a great reputation for delivery in Lagos state when he was governor. Despite being at odds with the central government under former president Obasanjo and being cut off from state funds, Tinubu established a proper tax collection for the first time in Lagos with great success and he used that money to get things done, make further profits and later proper Buhari to the presidency.¹⁴

⁶ The East African, 14 Jan 2023

⁷ The East African, 14 Jan 2023

⁸ Mail and Guardian, 8 Oct 2022

⁹ BBC, 11 Oct 2022

¹⁰ BBC, 11 Oct 2022

¹¹ Premium Times Nigeria, 22 Dec 2022

¹² Premium Times Nigeria, 22 Dec 2022

¹³ ARC Source, former senior government official

¹⁴ ARC Source, former senior government official

Tinubu has also learned from previous campaigns, notably, that of former president **Goodluck Johnathan's** (2010-2015) where Tinubu issued huge sums of money to key people to carry out political, social media campaigns, and local electioneering but the recipients stole the money.¹⁵ Therefore, Tinubu is expected to have better control of the election process this time around. Obi remains a potential kingmaker given his business backers, and is expected to sure the youth vote but, he does not have as much money as Tinubu, and the Labour Party has no formal state-based infrastructure.¹⁶ Regarding Atiku, the PDP is divided, and he still faced the same problem of a lack of popularity as seen in the last electoral cycle.¹⁷ The polls heavily favour Obi now, but the realities on the ground point to a Tinubu electoral victory in February.

Central bank governor reportedly under investigation...

The **State Security Service (SSS)** is reportedly investigating several serious allegations against embattled central bank governor **Godwin Emefiele**, including acts of financing terrorism, fraudulent activities and economic crimes of national security dimension.¹⁸ Several local media outlets have reported that Emefiele has been out of Nigeria for several weeks amid concerns that he would soon be arrested by operatives of SSS, but Emefiele resumed his duties at the CBN office on 16 January after taking leave in early January under the controversial circumstances.¹⁹ Reports circulated later that day that SSS operatives came in with several vehicles and armed personnel and invaded the CBN's headquarters and took over the office of the embattled CBN governor.²⁰ The operatives also reportedly barred staff from gaining access to Emefiele's offices.

A statement signed by SSS spokesperson **Peter Afunnaya** on 16 January said the reports are "*fake and misleading*", however, local media reported that the SSS filed an application marked FHC/ABJ/CS/2255/2022 at the federal high court in **Abuja** on 7 January to arrest Emefiele but that the court rejected their request.²¹ Emefiele was the sole defendant in the suit which was filed 'ex parte', meaning he was not notified of the suit. Another court in Abuja reportedly also granted an order sought by a civic group to bar the SSS from arresting the CBN governor.

The CBN also released a statement on 16 January stating that Emefiele had resumed his duties after his annual leave which was approved by President **Muhammadu Buhari** (2015-present).²² The statement also said that Emefiele is expected to perform his duty as head of the MPC which is scheduled to hold its first meeting of the year on 23 January.²³ The governor also met with Buhari on 19 January in Abuja, where he reportedly updated the president on the activities of the bank.²⁴

However, reports are still circulating that Emefiele plans to leave Nigeria very soon, fearing that the secret police will eventually apprehend him amidst the continuous power play at the highest levels of the Nigerian government.²⁵ Meanwhile, Emefiele's recent absence from the country and allegations surrounding him have been a source of major concern for stakeholders in the banking sector ahead of the MPC's first meeting.

¹⁵ ARC Source, former senior government official

¹⁶ ARC Source, former senior government official

¹⁷ ARC Source, former senior government official

¹⁸ Premium Times Nigeria, 16 Jan 2023; Punch, 12 Jan 2023

¹⁹ Premium Times Nigeria, 16 Jan 2023

²⁰ Premium Times Nigeria, 16 Jan 2023; Punch, 12 Jan 2023

²¹ Punch, 12 Jan 2023

²² Central Bank of Nigeria, 16 Jan 2023

²³ Central Bank of Nigeria, 16 Jan 2023

²⁴ Premium Times Nigeria, 19 Jan 2023

²⁵ Premium Times Nigeria, 19 Jan 2023

The SSS has also not succeeded in convincing local media that they have not been pursuing Emeziele and, with the evidence available, it is not possible to conclude whether he is innocent or guilty. However, even if innocent, the possible arrest and allegations are damaging to the reputation and confidence of the CBN the longer the allegations drag on without a conclusion. On the other hand, if Emeziele flees or is arrested, it will be unprecedented, even for African politics where central bank governors are usually some of the most reputable authorities in government.

Senior officials such as Buhari should know by now whether the charges are solid. If Emeziele is innocent, Buhari needs to say so publicly and settle markets, but, if Emeziele has a case to answer for, he cannot do so as governor and should be removed. However, given the uncertainty and tense political situation leading up to the elections, it is likely that if Emeziele would only be removed after the election.

Nigeria snubs global tax deal...

Finance minister **Zainab Ahmed**, speaking at the **World Economic Forum (WEF)** on 19 January, has said that Nigeria will not join an overhaul of the global taxation system which the country says is skewed toward the interests of rich countries and could hurt its tax revenues.²⁶ Ahmed emphasised in her speech that negotiations were not conducted on an equal footing and favoured wealthy countries which are creating rules that are too complex for Nigeria to implement effectively. Zainab noted:

*“If we sign up to this, it means we’re excluded from getting taxes from medium-sized companies that we now actually, by our laws, have an opportunity to collect taxes from”.*²⁷

Nigeria’s refusal casts a shadow over the **France-based Organisation for Economic Co-operation and Development (OECD)** led initiative that aims to set a minimum corporate tax rate at 15% and share out rights to tax the world’s biggest companies more fairly.²⁸ Studies released on 18 January by the OECD revealed that governments around the world could earn about \$250 billion a year by enacting the two-part tax deal.²⁹ Speaking on the same panel as Zainab, OECD secretary-general **Mathias Cormann** said that although the deal has its flaws, it is “substantially better than what we currently have” and that Nigeria could earn substantially more revenue if it joins the deal, which has already been signed by around 135 countries.

Nigeria may slow the pace of rate hikes as inflation eases...

Nigeria’s inflation rate softened for the first time in eleven months in December, raising the possibility that the **Central Bank of Nigeria (CBN)** will slow the pace of interest rate hikes ahead of next month’s presidential elections.³⁰ **National Bureau of Statistics (NBS)** published data on 16 January showing that the annual inflation rate declined marginally from 21.5% in November to 21.3% in December.³¹ The slowdown in inflation was primarily due to a deceleration in food-price growth from 24.1% in November to 23.7% in December.³² Core inflation, which is a reflection of underlying price pressures, increased from 18.2% to 18.5%

The slowdown in inflation may propel the central bank’s Monetary Policy Committee (MPC) to raise interest rates by a smaller margin at their end-of-January meeting, the last one before the

²⁶ Moneyweb, 20 Jan 2023

²⁷ Moneyweb, 20 Jan 2023

²⁸ Bloomberg, 19 Jan 2023

²⁹ Moneyweb, 20 Jan 2023

³⁰ Bloomberg, 16 Jan 2023

³¹ National Bureau of Statistics, 16 Jan 2023

³² National Bureau of Statistics, 16 Jan 2023

elections.³³ The MPC hiked interest rates by 100 basis points in November, from 15.5% to 16.5%, to close the gap between inflation and the policy rate which is currently at 480 basis points (*ARC Briefing Nigeria Nov 2022*).³⁴ **United States (US)** strategic market intelligence firm **FrontierView**, said on 16 January that it expects the “*CBN to hike rates by 50 basis points to 17%*” to drive inflation downwards and further reduce negative real interest rates which defer savings.³⁵ The firm forecasts that the CBN is probably near the top of its tightening cycle and the policy rate will likely peak between 17% and 18%. Monetary authorities are concerned about being seen as being too hawkish and undermining economic activity in 2023, which may also prompt them to slow the pace of interest rate hikes.

Planner

23 Jan 2023 **(Nigeria) Central Bank of Nigeria** Monetary Policy Committee announces interest rate decision;

2023 **(Nigeria)** Investment decision on the **Nigeria-Morocco** oil pipeline;

25 Feb 2023 **(Nigeria)** Presidential elections;

Chronology

19 Jan 2023 **Abuja (Nigeria) Premium Times Nigeria. Nigerian Economic Summit Group (NESG)** projects that the country’s unemployment rate will hit 37% in 2023;

18 Jan 2023 **Abuja (Nigeria) Bloomberg.** For the first time on record, cash in circulation in Nigeria drops ahead of elections following the **Central Bank of Nigeria’s (CBE)** decision to redesign high-value naira notes;

17 Jan 2023 **Abuja (Nigeria) Retail Banker International.** Nigeria’s biggest lender by assets, **Access Bank Plc**, is considering acquisitions as it looks to expand operations to from 16 countries to 26 over the next five years;

17 Jan 2023 **Abuja (Nigeria) Daily Maverick.** President **Muhammadu Buhari** is pushing policymakers to let him add an unpaid \$50 billion overdraft from the **Central Bank of Nigeria (CBE)** to the country’s public debt pile despite concerns about the legality of the borrowing;

13 Jan 2023 **Abuja (Nigeria) Bloomberg.** **Central Bank of Nigeria (CBE)** reportedly sells dollars to importers at 8% lower than its official rate for the currency;

12 Jan 2023 **Abuja (Nigeria) Independent National Electoral Commission.** Data from **the Independent National Electoral Commission (INEC)** indicates that 71 million young Nigerians have registered to vote in next month’s election, including 7.2 million new voters;

5 Jan 2023 **Abuja (Nigeria) The Cable.** Nigeria will ban cash withdrawals from government accounts from 1 March to tackle illicit activity and push toward a cashless economy;

4 Jan 2023 **Abuja (Nigeria) The Cable.** Finance minister **Zainab Ahmed** says that Nigeria spent 80% of its revenue to pay debts in the first 11 months of last year, showcasing the challenge faces to improve its finances in 2023;

³³ Bloomberg, 16 Jan 2023

³⁴ Bloomberg, 16 Jan 2023

³⁵ Bloomberg, 16 Jan 2023

3 Jan 2023 **Abuja (Nigeria)** *Bloomberg*. **Organization of the Petroleum Exporting Countries (OPEC)**'s crude output edges higher in December as Nigeria partially reverses a long-term slump by cracking down on oil theft. Nigerian production rose to an 8-month high of 1.35 million barrels per day;

3 Jan 2023 **Abuja (Nigeria)** *Bloomberg*. President **Muhammadu Buhari** says Nigeria will pay an extra \$4 billion to service its debt if the senate blocks a plan to restructure government loans from the **Central Bank of Nigeria**;

1 Jan 2023 **Abuja (Nigeria)** *Punch*. **Peter Obi**, presidential candidate of the **Labour Party**, calls on all Nigerians to unite their efforts to build a new country;

27 Dec 2022 **Abuja (Nigeria)** *Business Nigeria*. **United States**-based **Starlink** is expected to launch officially in Nigeria before end January;

22 Dec 2022 **Abuja (Nigeria)** *Bloomberg*. Nigeria is seeking lawmakers' approval to take on an additional loan from the central bank that would increase the government's obligation to 23.7 trillion naira (\$52 billion), putting further pressure on public finances;

21 Dec 2022 **Abuja (Nigeria)** *Premium Times Nigeria*. President **Muhammadu Buhari** has asked lawmakers to approve a supplementary budget of 819.5 billion naira (\$1.8 billion) for 2022 to address food security, following devastating floods across the country.

About Africa Risk Consulting:

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