

# **SWEAT YOUR ASSET DERIVATIVE LIMITED**

## **Nigeria Policy Advisory Note**

**Countdown to the Next Administration**

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## **Key Policy Outlook for the next 4 Years**

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## Preamble

“There are typically two profiles of people in life. The first are the **‘Proactives’**; people who knew that something was going to happen before they did. The **‘Proactives’** are always staying ahead of the curve, enjoying the advantage of advance warning and can always plan preemptively.

The second set of people are people who heard when something happened or who heard way after something had happened. They are the **‘Reactives’** always reacting to things in life never having the opportunity to preemptively plan before anything happened and always playing catch up”. The question is where do you belong or want to belong? **Dr. Olayiwola Oladapo**

**W**ithout trying to suggest in advance the outcomes of the ongoing post presidential election litigation process against the declaration of Ashiwaju Bola Ahmed Tinubu as the President-elect, by the Independent National Electoral Commission (INEC) it is clear that the process if it goes the full cycle through the Tribunal, Appeal Court and the Supreme Court stages would take a significant time to close out.

**A**s a matter of fact, Section 285(5) of the Constitution stipulates that every election petition shall be filed within 21 days after the date of the declaration of result of the election. Subsection (6) of Section 285 stipulates that, the tribunal is bound to deliver its judgment in writing within 180 days from the date of the filing of the petition, while by subsection (7) of same section, an appeal arising therefrom shall be concluded within 60 days of the delivery of the judgment of the tribunal or court of appeal. Mathematically it may take around 8 months to conclude a presidential election litigation process that went through the full cycle of the process from the Tribunal to the Appeal court and that finally ended in the Supreme Court. In reality and approximately it may take 10 months to account for time lag for filling of the cases etc. So, the process is never a sprint but a marathon!

**T**herefore, come May 29, 2023, it is expected that the new administration, the President-elect and the Vice President-elect will be sworn in even while the court cases are still on as they will not have been concluded. There is a need to conduct a predictive diagnosis of the policy trajectory of the incoming administration to enable a more nuanced understanding of how governance in the next 4 years will evolve. This hopefully will help organizations, institutions, stakeholders and individuals to better plan and optimally leverage on opportunities that may exist in the horizon whilst also identifying measures to mitigate potential risks and downsides from undesirable impacts of the projected policies.

This independently conducted policy advisory is based on the review of recent notable policy enactments of the outgoing administration of President Muhammadu Buhari with significant impact on social-economic outcomes for Nigeria and Nigerians. It also factored into consideration the different public proclamations of the incoming President-elect, Ashiwaju Bola Ahmed Tinubu including other policy positions connected with his lengthy political association with the governance of Lagos state since the advent of the new democratic process in his capacity as the political leader of the ruling party in the state since 1999.

Finally, this policy advisory has also amply referenced '**Renewed Hope 2023**', the 80-page presidential manifesto of the APC in the 2023 presidential elections in highlighting the prognosis for critical policies in the next administration. This advisory has identified some of the key strategic policies with far reaching political economic impact that we believe will shape the outlook and outcomes of governance after the next administration is sworn in on May 29, 2023.

**Happy reading and planning reflections.**

**Dr. Olayiwola Oladapo**

**Lead Partner**

**Sweat Your Asset Derivative Limited.**

## Key Policies That Will Shape Governance in The Next 4 Years?

### 1. Prognosis for Free Market Economic Policies

The outgoing administration of President Buhari in May 2023 launched a New National Development Plan tagged the **Nigeria Agenda 2050**. This long-term development strategy is a successor to the National Development Plan 2021-2025, which is a medium-term outlook plan.

The **Nigeria Agenda 2050** is an aspirational plan to achieve amongst other things a Per Capita GDP of \$33,328 per annum for Nigeria, to place the country among the top middle-income economies in the world by 2050. The new development plan aims at making Nigeria a prosperous economy by increasing real Gross Domestic Product growth by 7% and creating 165 million new jobs across the country.

This new development plan will most likely become the development framework for Nigeria in the next 2 decades. Government is a continuum and there are valid expectations that the incoming APC administration will work with the new development plan developed by the outgoing APC administration and not jettison it as was the experience with the management of the transition from one administration to another in the past. Whilst it cannot be ruled out that the new administration may identify opportunities to enhance and add value to the plan, it is still expected that the **Nigeria Agenda 2050** will become the baseline and reference document for the social-political and economic development of Nigeria in the foreseeable future. There are clear indications from the aspiration of the new development plan and the private sector antecedents of the President-elect that Nigeria will focus aggressively more on driving accelerated and systematic economic development outcomes.

### 2. Business and Economic Outlook for Nigeria in the Next 4 Years

There is an expectation that the incoming administration will be more business friendly with policy decisions and programmes skewed in the direction of radical economic development and heavy private sector involvement in the development of Nigeria. The early positive response of Nigerian bonds in the international market to the February 25 presidential election results were indicative of the enthusiasm, hope and belief in the global markets that Nigeria's economy will be headed for a better growth and development experience with an anticipated change in government. It is expected that the coming of an administration that is economy and business focused will be the end for many of the growth restrictive economic policies of previous administrations as the managers of Nigeria's economy tried in vain to manage Nigeria's economy and the depreciating value of the Naira.

What is clear is that many of the economic policies of the outgoing administration have failed to sufficiently grow Nigeria's economy and address the depreciating value of the Naira against major reference foreign currencies. In 2015 when the outgoing administration took over the reins of governance, the parallel market exchange rate (which in reality is the market where Nigerians buy) was about N250-\$1. In May 26 2023, the parallel market rate has gone to N762-\$1 which is more than 300% depreciation of the value of Naira over an 8-year period. The prognosis for drastic economic policy reforms is very strong with the incoming administration and we expect a shakeup of the economic management team to arrest the depreciating value of the Naira and to grow the economy in real terms.

### **3. Outlook for New Monetary and Fiscal Policy Environment**

A raft of transformational changes to the fiscal and monetary policies of the outgoing administration should be anticipated with the new administration. It is highly probable that a lot of the economically unviable and unsupportive policies of the CBN in the outgoing administration will be revisited and reformed by the new administration. As the new administration plots its own economic strategic destiny, it is reasonably conceivable that there will be series of forensic review and audits of Nigeria's economic performance in the last administration as well as of the governing institutions with the mandates to manage Nigeria's economic and financial system's health and growth.

It will not be a surprise if the managers of the economy in the outgoing administration are called to accountability for their actions and how the economy was managed in the last 8 years. The prognosis is in favour of the massive overhaul of the Finance ministry, the Central Bank of Nigeria and the economic planning institutions to ensure they are fit for purpose, strategically structured and competently resourced to fulfil their constitutional mandates and the strategic objectives of driving sustainable economic development of Nigeria in the next 4 years and beyond.

From the Bretton Woods institutions perspective there are clear policy imperatives that Nigeria must take on board to move the economy forward. The IMF Executive Board recommendations to Nigeria in its Article IV consultation report released on February 8, 2023 proposed a policy roadmap to enable Nigeria decisively tighten its fiscal and monetary policies to secure macroeconomic stability, combined with structural reforms to improve governance, strengthen the agricultural sector, and boost inclusive, sustainable growth.

#### **Some of the key policy priorities recommendations include;**

- permanent removal of fuel subsidies by mid-2023 as planned
- stoppage of oil theft
- improved tax compliance through automation

- taxpayer segmentation
- customs modernization
- rationalization of tax incentives
- **adoption of excise and VAT rates similar to those prevailing in peer countries in West Africa**

The last recommendation from the IMF is an interesting one if the VAT rates of comparator Neighbouring West African States are contrasted with Nigeria as the VAT table below shows.

**Table 1: VAT Rates Across West Africa**

No	Countries	VAT rates (%)
1	Niger	19
2	Senegal	18
3	Cote Divoire	18
4	Chad	18
5	Guinea	18
6	Benin	18
7	Mali	18
8	Togo	18
9	Burkina Faso	18
10	Gambia	15
11	Guinea Bissau	15
12	Sierra Leone	15
13	Cape Verde	15
14	Liberia	10
15	Nigeria	7.5

From the table above, Nigeria has the lowest VAT rate not just in West Africa but in Africa! Many Nigerians are loud moaners quick to condemn the country high living costs but it's understandable why Nigeria is arguably the cheapest place to live in the West Africa sub-region due to our low VAT rate and it's no wonder that the IMF is proposing that Nigeria reviews upward its VAT rate to align with rates across other nations in the West African region. The average rate across 14 nations without Nigeria is 15.5%. **We foresee that Nigeria's binding commitments to AfCFTA will at some point influence the upward review of the subsisting VTA rate in Nigeria in the next couple of years and within the tenure of this new administration to 10-12.5%.**

The World Bank also added its voice to how they presumed Nigeria can move forward economically. In November/December 2022, the World Bank noted that Nigeria needed to raise its public spending by also improving its revenues to drive better economic development outcomes. The Bank believed that *'Government's net oil revenues could be 52% higher if it did not subsidize petrol — a product that is largely consumed by wealthier households as their*

data suggested that the poorest 40% of the population only consume 3%'. It further noted that "Nigeria has a choice to implement critical macroeconomic and structural reforms that can reduce crisis vulnerabilities and increase growth.

In their words 'Doing so will lift per-capita incomes, sustainably reduce poverty and deliver better life outcomes for many Nigerians. **Urgent business-unusual choices** are needed to avoid a scenario in which up to 80 million working-age Nigerians do not have a full-time job by 2030 and up to 23 million more Nigerians could be living in extreme poverty".

**The Bank made a tranche of policy recommendations to Nigeria which include the following;**

- restoring macroeconomic stability through measures to reduce the domestic and external imbalances. This will require a coordinated mix of exchange rate, trade, monetary, and fiscal policies, notably including adopting **a single, market-responsive exchange rate, eliminating the petrol subsidy, and increasing oil and non-oil revenues;**
- boosting private sector development and competitiveness by eliminating structural constraints that hinder productivity;
- expanding social protection to protect the poor and most vulnerable.

Beyond what the Bretton Woods institutions have proposed, the highlighted public comments of the President-elect below are also reliable predictive indicators of the direction of travel of the fiscal and monetary policies of the next administration;

*"I do not hold to the mainstream view that all forms of inflation are best tackled by interest rate hikes and shrinking the economy. Supply-induced inflation does not lend itself to this harsh medicine, just as one does not cure a headache by plucking out one's eye," Fiscal policy will be the main driver. Monetary policy is weaker and a less effective instrument. Bad monetary policy is, of course, destructive. But even good monetary policy cannot carry the load the fiscal arm can,"*

**Bola Ahmed Tinubu January 2023**

**It is to be expected that many of the concerns of the Bretton Woods institutions will influence key fiscal and monetary policy direction and programmes of the new administration. So, watch their policy recommendations space for Nigeria in the next 4 years as to likely policy response from the new administration!**

#### **4. Prognosis for AfCFTA, Trade and Export Growth**

We imagine that the African Continental Free Trade Area (AfCFTA) national strategic goal to generate \$12b between 2023 and 2027 will get more favorable political will, support

and execution traction in the coming administration. We also expect a strong policy disposition towards trade and specifically the promotion of non-oil exports in line with the stipulated requirements of the AfCFTA like we highlighted with VAT rates. The President-elect in the APC manifesto had promised that his administration will enact new laws and policies to explore and leverage the AfCFTA framework. But in truth, Nigeria really does not have a choice but to radically improve its intra-Africa trade performance profile as part of its strategy to significantly increase non-oil revenues.

We expect that the new administration will improve on the failures of the last administration to achieve their non-oil export promotion objectives. The current CBN governor in May had bemoaned the non-disbursement of N257 Billion Naira out of the N500 billion financing facility the Central Bank of Nigeria had put in place to support non-oil export focused businesses. He also lamented that 90% of the disbursed N243billion were to large companies which obviously was not the intent of the facility. It is expected that the non-oil export sector will receive considerable financial and programme support to drive the growth of Nigeria's non-oil export revenues and non-oil exporters should be excited about the great prospect for better institutional support in the next administration.

## **5. Prognosis for End of Official Rate Policy for the Naira**

It is certain that the incoming administration will seek for the abolishing of the policy of the CBN official rate for the Naira against the dollar and other foreign currencies to bring an end to the operations of the parallel market. The President-elect has categorically made statements on the plan to eliminate multiple foreign exchange (FX) rates and the official rate policy. The forex policy prognosis for the incoming administration favours the operation of free market fixed rate as its policy approach to the management of the value of the naira. The coming of Dangote refinery is also expected to reduce the pressure on the demand for FX for petroleum products importation in addition to also adding significant value to Nigeria's FX earnings through export of petroleum products. It is however not clear whether the new administration will implement policy recommendations from the Global institutional partners to further devalue the Naira. Elimination of the official and multiple exchange rates will bring a seismic and radical change to the FX market operations in Nigeria and It may be bad news for the days of boom in BDC operations and the shenanigan that allows people who have access to FX at official rate but who used back channels to get them sold at a premium at the parallel market. A better valued Naira will be bad news to FX speculators and many who could have hoarded and bought FX at current rates expecting the Naira to continue to devalue. The bottom line is that the next 4 years is expected to be one that will bring policies that facilitate

improvement in the Balance of Trade position of Nigeria and ultimately the strengthening of and appreciation in the value of the Naira.

## 6. Prognosis for Tax Management and Administration Reforms

The governance antecedents of the President-elect and the APC government in Lagos state lends heavy credence to the expectations that Nigeria may witness reforms in tax administration under the incoming administration. The Federal Inland Revenue Service (FIRS) as an institution burdened with tax generation, administration and management will likely experience more structural transformation to enable it drive more efficiently and effectively the tax revenue generation objectives of the incoming administration. ***The President-elect in the past had publicly advocated for the widening of the tax nets as opposed to the increase in tax rates*** as witnessed when the VAT rate was raised in 2019. The new administration will certainly explore the introduction of newer regimes of taxes like it promised in the **Renewed Hope 2023** manifesto (where a mention was made of luxury taxes) whilst widening the tax net to cover more people and categories. It must be noted that though the President-elect has publicly opposed the increase in existing tax rates, the possibility for upward review of existing tax regimes must not be ruled out as his government explores the different revenue generation opportunities that the Nigerian economy offers and to also align with externally imposed conditionalities as stipulated in the requirements of our international agreements and partnerships.

## 7. Outlook for National Security Architecture and Infrastructure

Without doubt insecurity has become one of the biggest challenges facing the Nigeria government since the administration of President Goodluck Jonathan. The security challenges in Nigeria seemed to have worsened in the last 8 years and drastic efforts are required at the national and subnational governance levels to tackle the ugly insecurity epidemic that has blighted the peace and prosperity of the Nigerian state and its people. For many security and policy analysts the unrelenting security challenges of Nigeria have been largely driven by covert political-economic factors that have compromised the ability of the Nigerian government and military to effectively end the spectra of crimes, insurgency, banditry and violence that have become the norm across the length and breadth of Nigeria. Insecurity unfortunately has become a big business for the people behind it in Nigeria whilst at the same time also serving as a potent tool for social-political destabilization across Nigeria.

It is therefore reasonable to assume that security will rank high in the priorities of the new administration and there are expectations that there will be a massive overhaul of the current Nigerian security architecture and strategy. From the military to the para-military services, there is an anticipation that the new administration will introduce far reaching

changes to Nigeria's security management system. From people to equipment and strategy, a radically different approach to dealing with Nigeria's insecurity challenges are expected from the incoming administration.

It will therefore not be surprising to see a huge turnover of current senior leadership of the security services and the emergence of a new, younger breed of dynamic and motivated officers to lead Nigeria's new security strategy. It is also expected that the new administration will deploy new technology and advanced security infrastructure to deal with the many problematic dimensions of the security challenges faced by Nigerians. This will obviously impact on security and defense funding in the next national budget planning window.

Already the presidential manifesto of the APC has listed the creation of the **Anti-Terrorism Battalion (ABATT)** and **Special Forces** as some of the innovative plans that will be explored to tackle the insecurity challenges of Nigeria. Of significant note is also the ***plan to transfer the security of VIPs, public offices, assets and installations to the Nigeria Security and Civil Defense Corps (NSCDC)*** to free up the Nigerian Police force to focus on its core mandate of preventing crime and maintaining law and order. Expect to see more involvement of the NSCDC in the security of lives and properties across Nigeria.

The Renewed Hope 2023 manifesto of the APC hinted at the ***revitalization of Ranger or Forest Guard forces to secure Nigeria's forest assets and prevent their use by criminal elements to perpetrate violent crimes.*** Apart from helping to address the security challenges of Nigeria, many of the highlighted and expected innovative policies and programmes aimed at improving the security of lives and properties in Nigeria will also lead to the creation of jobs opportunities for Nigerians in the security sector in the next 4 years.

It is expected that wide ranging policy decisions will be made to tackle the economic hemorrhage through crude oil theft that has become a cancer on Nigeria's economic fortunes. It will not come as a surprise if current measures and infrastructure put in place to address crude oil theft are radically overhauled. **Nigerian Extractive Industries Transparency initiative (NEITI) had revealed in April 2023 that Nigeria had lost N16.25 trillion in 12 years covering a period between 2009 and 2020 to crude oil theft.** Securing Nigeria's crude oil and bringing an end to its large-scale theft is certainly going to become a critical priority for the new administration.

## **8. Prognosis for Radical Reforms of the Petroleum Sector.**

From the current government's decision not to budget for subsidy for the second half of year 2023, to the \$800m subsidy removal palliative loan the Federal Government is planning to take, it is inevitable that oil subsidy will be removed in 2023 or beyond. The subsidy regime

has become unsustainable and the hemorrhagic drain on Nigeria's economy has become unbearable. ***In the first half of 2022, petroleum subsidy claims surpassed oil and gas revenue from oil sales by N210 billion. In the same period the Nigerian National Petroleum Company (NNPC) Limited recorded N2.39 trillion as gross revenue from oil and gas sales receipts, while subsidy claims amounted to N2.6 trillion.***

### **The Hemorrhagic Plague of Oil Subsidies on Nigeria Economy**

According to Reuters, fuel subsidy payments by the NNPC in 2022 was \$10 billion. At N462 to a dollar at official rate, that is N4.62trillion spent on fuel subsidy in 2022 with unfortunately a significant percentage of the volumes smuggled out of Nigeria into neighbouring West African states. The 2022 subsidy payment is 21.2% of Nigeria's 2023 National budget of N21.83 trillion and 44% of 2023 revenue of N10.49 trillion. Whichever way the statistics are presented, the fuel subsidy payment is a destructive albatross on Nigeria's economy.

A more disheartening view of the impact of the oil subsidy economic plague on Nigeria comes from the revelation on how much was spent on oil subsidies over a 24-year period spanning 2005 - 2021. In a report by NEITI titled, ***The Cost of Fuel subsidy: A case for policy review***, it was revealed that ***Nigeria spent N13trillion Naira on oil subsidies between 2005 and 2021. That is about \$28 billion at the current Naira-Dollar official rate of N460-\$1.*** If you contrast this with the fact that ***it cost Dangote \$18.5billion to build the largest single train refinery in the world***, a project that started in 2016 and spanned 8 years, you will appreciate the damage that oil subsidies have done to Nigeria's economy and development. Nigeria squandered so much scarce economic resources subsidizing corruption and economic waste under the guise of oil subsidy.

The fuel subsidy regime was a well-intended policy to defray the cost of Premium Motor Spirit (PMS) at the pumps for the average Nigerian but it has become a cesspool of economic wastage for Nigeria as we have also subsidized the cost of energy across the West African sub region where the smuggled products from Nigeria represent a critical source of supply to these neighbouring nations. **It is no longer an if, but when the subsidies will be gone.**

With the coming of Dangote Refinery into full operations, this will jump start the downstream economy into a free market dispensation. The plans of the Nigerian government to secure an \$800m petroleum product subsidy removal palliatives support loan from the World Bank to support 50 million poor Nigerians is a further validation of the inevitability of the plans of the Nigerian government to end the petroleum subsidy regime.

Finally, it is important to also establish that the President-elect is a big champion of petroleum subsidy removal. At different public events, he advocated for the removal of petroleum subsidy and the re-purposing of the funds into development of other sectors of the economy. In a public event in January 2023, he had this to say about fuel subsidy;

*"I believe we must remove the PMS subsidy immediately. It has outlived its shelf life as a public good. We will neither subsidize neighbouring countries' fuel consumption nor allow a select few to reap windfall profits and hoard products. And the subsidy money will not be 'saved' because that means elimination from the economy. Instead, we will redirect the funds into public infrastructure, transportation, affordable housing, education and health, and strengthen the social safety net for the poorest of the poor. thus averting increased security challenges"*

### **Key Impact and Prognosis for Nigerians and Nigeria economy of Subsidy Removal**

**Prices of Premium Motor Spirit (PMS) will definitely rise to truly reflect the market dynamics rather than government's subsidized" artificial" cost at the pumps.**

Projections of PMS prices when fully deregulated suggest that prices can range from N360-N750 per litre. Nigerians must brace up for the inevitable execution of this policy. Key anticipated impacts of the subsidy removal on Nigerians include;

- end of queues at the petrol stations
- higher transportation, logistics and living costs
- higher inflation
- projected industrial labour unrest in response to the removal
- end of the sleaze and malfeasance associated with petroleum importation and subsidy payments
- ultimately reduction in smuggling of petroleum products across the border.
- massive savings on forex flight required before for PMS importation
- likely positive impact on the value of the Naira

How the PMS is sourced will go a long way in determining the price at the pumps. Factors that will contribute to the pricing will include whether they are imported before the local refineries become optimally operational, or whether they are sourced locally from our refineries when they become operational, of if they are sourced from Dangote refinery when it fully becomes operation H2 2023. With the presidential launch of the Dangote refinery on May 22, 2023. it is expected that the new refinery will shoulder the bulk of supply of PMS needed by Nigeria in the foreseeable future.

Regardless of how it is sourced locally, the prices will fully reflect the cost of the crude oil, unless a swap arrangement exists with the refineries for crude to be swapped for petroleum

products or the refineries (Dangote and local refineries in PH and Warri) buy in Naira. Refined petroleum products prices will also reflect the cost of local refining even for NNPC refineries as NNPC's new status as a limited liability company (with commercial and profit objectives) will impact on its operational profile. The practice of not paying for the crude by the local NNPC refineries in the past accounted for the relatively cheap cost of PMS from these NNPC refineries a fact unknown to the Nigerian public. That will no longer be the case as they are Limited liability companies now.

Finally, the prices will also reflect outbound logistics costs from the refineries to the depots. The savings expected with local refining will come from FX that may have been incurred on product importation and associated inbound logistics. **What is certain is that prices of PMS products will go up once the subsidy regime ends and Nigerians must brace up and make plans on how to deal with higher PMS prices.**

For the oil and gas sector, more reforms are expected in the management of NNPC as a limited liability company. We anticipate that the national gas policy and strategy will gain more execution traction as the next administration will make significant investments into executing the national gas strategy. The APC manifesto specifically promised the full deregulation of the midstream gas prices within 6 months and increase in gas production by 20% in addition to completing critical gas infrastructure projects by 2027. Some specific projects mentioned will include pipeline infrastructure e.g Obiafu-Obrikom-Oben pipeline (OB3), Trans Nigeria Gas Pipeline, Escravos Lagos Pipeline system 9ELPS) II, Ajaokuta-Kaduna-Kano (AKK) pipeline and the seven key gas development projects.

## **9. Prognosis for Favourable Forex Repatriation Policy Regime for Investors**

We anticipate that a better business and economic focus of the new administration will lead to a more favorable forex repatriation policy regime for investors as the new administration woo current and new foreign investments. Trapped forex earnings of Airlines in Nigeria as at 15th of March 2023 was \$744million as the outgoing Central Bank management and leadership withheld the repatriation of the lawful income of the foreign airlines operating in Nigeria leading to the decision of some Airlines to stop operations in Nigeria. The new administration may have to turn to the external reserves to service the obligation to repatriate these trapped funds to the airlines in the short term. We foresee the return of the Emirates Airline and many other foreign investors (who pulled out their investments in Nigeria due to their inability to repatriate their earnings and investments) in H2 2023. **The availability of aviation fuel from Dangote Refineries and the establishment of an unfettered forex repatriation regime for foreign investors should positively impact on the cost of**

**international travels from Nigeria and specifically the prices of air travel tickets should go down.**

## **10. Prognosis for Economically Viable Public Institutions**

From the Refineries to the Airports/Seaports and to other economically viable agencies of the Nigerian government, the next administration will prioritize making revenue generating assets and institutions of government more economically efficient and profitable. Whilst the President-elect did not actively campaign on the privatization of government economic enterprises, the business case for a private sector led approach to running government business enterprises will be an attractive strategic option for the next administration.

The successful privatization of the Nigerian National Petroleum Company (NNPC) by the outgoing administration (against all the failed attempts to address the legal and constitutional hurdles to 'unbundle' the corporation and make it more economically efficient and profitable in the past) is a sign post for the fate of other government run agencies with significant economic and revenue generating potential. The need to also improve the revenue profile of the Nigerian government will also strengthen the case for privatization or business restructuring of economically viable government enterprises.

We foresee massive Public-Private Partnership (PPPs) projects as the new government explore opportunities to improve the revenue and profitability profile of government run institutions with revenue generating potentials whilst also reducing the recurrent and capital expenditure burden of funding these institutions.

## **11. Prognosis for Infrastructural Development Across Nigeria**

Nigeria's infrastructural development deficit has been put at between \$80b-\$100b yearly. Going by how Mr. Tinubu and successive governments in Lagos state prioritized infrastructural development, similar policy trajectory should be expected in the next 4 years and we should anticipate that the incoming administration will use the instrument of debt and private sector partnerships to drive the infrastructural development of Nigeria. It will be with attendant impact on Nigeria's already burgeoning external debt put at N46trillion at the end of March 2023. We can also expect a national budget that is capital expenditure skewed from the next budget planning window.

There is an anticipation that there will be sectoral prioritization in infrastructural development strategy of the new administration. Nigeria's transport and logistics sector requires massive investment in infrastructure to drive efficient transportation and logistics. It is to be expected that rail transportation system will receive increase investment in the next administration to build on the modest gains achieved by the outgoing administration. The

launch of the Lagos Blue Rail line and the plan to roll out the operations of 12,000 electric buses in Lagos may be indicative of the likely policy direction of the next administration in terms of infrastructural investment in the logistics sector.

The APC President-elect's manifesto had promised the prioritized completion of ongoing Railway projects across Nigeria to open up Nigeria for better transportation and logistics linkage and connectivity. These include;

- Lagos-Kano
- Benin-Abakaliki
- Port Harcourt-Maiduguri
- Lagos-Calabar
- Kano-Maradi

## 12. Outlook for Transformation of the Federal Public Service

The Public Service is the engine and driver of national development. The antecedents of the President-elect and successive governments in Lagos state in the transformation and reforms of public service in the state serves as a reliable predictive barometer to second guess the likely policy trajectory of the next administration in the development and management of the Nigerian Public Service. It is expected that the **Federal Civil Service Strategy and Implementation Plan: 2021-2025** popularly referred to as **FCSSIP25** will serve as the takeoff roadmap for the strategic management of the Public Service in the short-medium term. We anticipate that all the six pillars of the plan will get priority attention of the new administration and the **existing FCSSIP25 objectives Key and Performance Indicators** (that may also be enhanced by the new administration) will form the major chunk of the Performance scorecards/contracts of the Head of Civil Service of the Federation and all other accounting officers of Government MDAs.

The President-elect has made public proclamations as to the need to improve the minimum wage of the Nigerian worker to a living wage status and the following areas are also going to be key policy priority areas that will get the attention of the incoming administration as it tries to reposition and reform the Nigerian Public Service to drive the national strategic development goals;

- improving and managing public service productivity, performance and results
- improving the minimum wage and working conditions in the public service
- digitalization of public service operations and institutionalization of E- government practices
- promotion of merit and competency in the public service
- reskilling of the public service to drive national growth and development

- optimization and professionalization of public service Human Resource
- determination of the appropriate manpower resourcing level for the Nigerian public service

The APC Presidential manifesto promised that the new administration will ***“weed out ghost workers, ghost projects and expenditures”*** from the public service. This statement may be a strong pointer to public service reforms that will be aimed at the review of;

- existing/required manpower status of the public service
- planned/ongoing projects and capital expenditure profiles of MDAs
- recurrent expenditure profiles of MDAs.

### **Increased Role of Result Based Monitoring and Evaluation (M&E) Expected**

All of these will involve service-wide Monitoring and Evaluation(M&E) of the Federal Public service staff population, projects and budget performance status. We anticipate that a lot of M&E professionals within and outside of the Public Service will be critical to the achievement of the objectives of the new administration to ***“weed out ghost workers, ghost projects and expenditures”***. The Bureau For Public Service Reforms is expected to play in crucial role in whatever transformation agenda the new administration has for the Public Service and it is likely to be restructured, reskilled and optimally resourced to drive required public service transformation objectives of the new administration. We foresee the involvement of development partners and institutions in this regard. What is clear is that it is not going to be **‘business as usual’** and it is expected that there will be considerable change in the leadership and management of public service organizations, MDAs and institutions.

### **Possibility of Fixed Tenure in Office for Senior Civil/Public Servants**

There is little indication as to whether the new administration will adopt or reject the contentious policy of fixed tenured appointments for the senior leadership positions in the Civil Service including appointments into senior directorate and Permanent Secretary cadres of the Civil Service. Mr. Stephen Oronsaye the Head of Civil Service of the Federation in 2009 had proposed a maximum tenure of 8 years for Directors and Permanent Secretaries. The policy understandably was not well received. The implementation was suspended during the tenure of Mrs Winifred Oyo-Ita the Head of Civil Service of the Federation in 2016. But the policy has made it back into the Public Service Rules (PSR) in 2021 under Rule 020909 that provides the following: ***“A director or its equivalent, by whatever nomenclature it is described in MDAs, shall compulsorily retire upon serving eight years on the post; and a permanent secretary shall hold office for a term of four years, renewable for a further term of four years, subject to satisfactory performance and no more.”*** Despite the inclusion in the

revised PSR there seem to be an executive reluctance at the highest levels of administrative leadership of the Public Service to fully implement its provision. However, the Public Service faces its own challenge of having a glut of directorate cadre officers and senior administrative leaders but with limited senior leadership positions or vacancies to absorb them. It will be interesting to see whether the new administration will embrace the fixed term appointments policy for senior public servants. **What is however clear is that the administrative leadership of the Public Service will experience its fair share of change and transformation in the new administration.**

### **Case For Improved Board Governance for Government Agencies and Organization**

One of the glaring governance weakness of the outgoing administration in the management of its agencies and institutions was the slow executive decision to appoint and inaugurate boards for many agencies/institutions of Government for long period of time. It is expected that this governance loophole that allowed agencies of Nigerian government to operate without subsisting governance boards will be redressed in the new administration to improve governance accountability in these public service organizations. Appointments into governing boards of government agencies and organizations are typically political in nature and successive administrations do employ those appointments to politically gratify their key stakeholders. As most of the current governance board members of government agencies are appointees of the outgoing administration, it may not come as a surprise if there is a public service wide governance board shake-up and turnover after May 29, whilst it will be interesting to see how the new administration deals with the governance boards newly inaugurated by President Buhari in 2023 and also many of the appointments made by the President in the final days of his tenure. The President-elect has promised to hit the ground running and there are strong indications that the new cabinet will be announced within days after the inauguration. We also expect announcements on other strategic appointments into different public service positions in the first 30 days.

### **13. Prognosis for Management of Public Expenditure**

It is inevitable that the new administration will be keen to find a sustainable governance and management strategy to address the growing burden of Nigeria's recurrent expenditure which traditionally has always dwarfed the budgeted capital expenditure. The 2023's budgeted recurrent expenditure is **N8.27 trillion and 60.33%** of this budget (N4.99trn) is dedicated to personnel cost. The public proclamations of the President-elect to pay Nigerian workers a living wage ostensibly points to the likelihood of the review of the minimum wage by the new administration against the next budget appropriation window. This will have an attendant

impact on the 2024 recurrent budget. All of these point to a very strong business case for the review of the burden of the cost of governance and the funding of the Nigerian public service.

The need to reduce public expenditure costs can only strengthen the call to revisit and review the Oronsaye's 2012 Seven-Member Presidential Committee's report on the Restructuring and Rationalisation of the Federal Government's Agencies, Parastatals and Commissions. The committee had made a bouquet of recommendations to address amongst other things the duplication of roles and responsibilities of Government MDAs, the inefficiency and redundancies in public service institutions with the ultimate objective of reducing the cost of governance.

Specifically, the committee recommended through its 800-page report on April 16, 2012, the scrapping and merger of 102 government agencies and parastatals, whilst also recommending that many of them become self-funding. The government has constituted two other committees to review these recommendations and to also cover newly established MDAs after the report was published. The consideration of the political economic impacts of implementation of the recommendations may have accounted for the sluggish political will to fully execute the recommendations of the report and other committee reports commissioned by the Nigeria government to further review the initial Oronsaye's report. But conversations around the report will be resurrected sooner than later as the new administration grapples with the humongous cost of managing Nigeria's Public Service and the seemingly proliferation of government organizations and agencies with overlapping functions, redundant responsibilities and similar mandates.

#### **14. Prognosis for Management of Nigeria's External Debt Burden**

The **external debt burden of Nigeria as at December 31, 2022 as revealed in March 31, 2023 was N46.3 trillion**. It is expected that this figure may still rise as the new administration embarks on massive economic and infrastructural development agenda leveraging development debt instrument. It is conceivable that new debts will be incurred to drive capital projects and infrastructural developments as Nigeria's current or expected revenues will certainly be grossly inadequate to drive growth and development. Since it may be impossible to avoid debt instrument even if the new administration significantly improves Nigeria's revenue profile, it is very certain that there is a need to restructure and recalibrate the debt management strategy for Nigeria.

The World Bank had revealed that the worsening state of Nigeria's debt stock public debt stock had pushed the debt to over 38 per cent of GDP and worsened the debt service to revenue ratio from 83.2% in 2021 to 96.3% in 2022. **The implication of that in Naira and kobo is that for every 100 kobo that Nigeria made, it paid 96 kobo to service its debts.**

The IMF in May 2022 had warned that Nigeria may spend may almost 100 percent of its revenue on debt servicing by 2026.

It is also interesting to note that the President-elect is favourably disposed to deficit budgeting and the use of debt instrument to drive national growth and development. These were his words from a public commentary he gave on deficit budgets and debts;

“The most powerful and wealthiest governments run deficits, as do the poorest nations. A budget deficit is not necessarily bad. Look at the Japanese example with high government borrowing and low inflation. The real issue is whether deficit spending is productive or not unproductive. Deficit spending is a compound negative, especially if backed by excessive borrowing of foreign currency. This is not classroom economics but it is the lesson of the real economic history of nations,” **Bola Ahmed Tinubu January, 2023**

The message is very clear from the statement above. The new administration will not run away from using debts to grow the economy and develop Nigeria. But we expect a better environment for fiscal and monetary accountability.

## **15. Prognosis for Promotion of Competence in Governance**

We expect that the New Administration will deliberately promote competence and the use of professional/technocrats in governance in the next 4 years. The public comments of the President-elect below are vividly clear about his intention to attract the best Nigerian heads and hands regardless of their ethnic, religious or sectoral backgrounds.

*“As your incoming president, I accept the task before me. There has been talk of a government of national unity. My aim is higher than that. **I seek a government of national competence.** In selecting my government, I shall not be weighed down by considerations extraneous to ability and performance. The day for political gamesmanship is long gone. I shall assemble competent men and women and young people from across Nigeria to build a safer, more prosperous and just Nigeria. There shall be young people. Women shall be prominent. Whether your faith leads you to pray in a church or mosque will not determine your place in government. Character and competence will. To secure our nation and to make it prosperous must be our top priorities. We cannot sacrifice these goals to political expediencies. The whims of politics must take a backseat to the imperatives of governance. We have bridges and roads to build not just for commerce and travel but to connect people of different faiths, parties and different outlooks in harmonious dialogue and common purpose. We have families to feed not just to eliminate hunger but to*

*nurture enlightenment, civic responsibility and compassion.* **Nigeria's President-Elect Bola Ahmed Tinubu, March 2023.**

The political leadership antecedents of the President-elect in the last 2 decades strongly validates his pronouncement above and it is expected that professionals and competent Nigerians from within and outside of the shores of Nigeria will be involved in the new administration. Lagos state since 1999, presents a credible signpost of what to expect as a successful model of the infusion of seasoned public service technocrats and private sector talents in the business of governance and statecraft.

## **16. Prognosis for Electricity and Alternative Energy Production**

The landmark constitutional amendment bill to allow sub national governments to license, generate, transmit, and distribute electricity signed into law by the President in March 2023 is a game changer for the transformation of the energy sector in Nigeria and a great leverage point for the new administration's quest to drive off-grid electricity generation and the use of alternative, green and clean energy sources to address the humongous deficit in the electricity need and supply dynamics of Nigeria.

Bill No. 33, Devolution of Powers (National Grid System), now allows states in Nigeria and the FCT to independently manage their electricity generation and transmission and own power grids even in places where the Federal government covers. Lagos state already plans to deliver 1,000MW of solar energy by 2030. In the same vein President Buhari also signed Bill Nos. 31 and 32 allowing states to run and manage their prisons and railway system moving these services from the exclusive legislative list to the concurrent list. The new administration through its manifesto has also promised to end the estimated billing practices in the electricity sector, amongst many other reforms it has promised. It is therefore expected that there will be a deluge of sub national government and PPP power projects across Nigeria in the next 4 years and this will hopefully drive massive economic development of these states and Nigeria at large. These is expected to lead to rapid large-scale creation of infrastructural project management job opportunities across Nigeria for Project management professionals.

## **17. Prognosis for Youth Empowerment and Development**

**Youth unemployment in Nigeria is a big deal. Nigerian Economic Summit Group (NESG)** projected that the country's unemployment rate will hit 37% in 2023. In fact, KPMG projected a higher rise to 40.6% in 2023. If population estimates are considered, Nigeria has a population of about 217million people and the youth population constitutes about 70% of Nigeria population, which will mean that about 151million youths constitute the youth bulge in Nigeria.

The Nigerian government has estimated that about 53.4% of Nigerian youths are currently unemployed. **In other words, 81million Nigerian youths are unemployed and that statistic is a recipe for disaster if there are no drastic strategic measures to address the challenge of youth unemployment in Nigeria.** The end-SARS protests in Nigeria offered the Nigerian government a sample of the potential danger in allowing the large unemployed population of Nigerian youths to swell further. The electoral impact of Nigerian youths on the outcomes of the last general elections will also serve as an added incentive to create the political will for the new administration to define workable public-private sector policy and programmes that will lift a considerable population of Nigerian youths out of unemployment.

It is expected that private sector organizations and institutions like Tony Elumelu Foundation and other development sector partners who have structured process and proven track record in youth economic empowerment and entrepreneurship development are going to play significant roles in providing systematic and accountable support creating sustainable and gainful employment opportunities for the youths in the next administration.

## **18. Prognosis for Use of Technology to Drive Development**

The new administration will have a strong focus on the use of technology and innovation to drive development. Expect massive resource and policy investments in AI and other emerging block chain technologies. It will also help the new administration to significantly address the growing youth unemployment. Also expect a better strategic leverage of Elon Musk's Starlink satellite internet service for driving development and governance in Nigeria. Nigeria in the next 4 years will witness more activities in the tech space and it can only hold great prognosis for Fintechs and other technology driven enterprises in Nigeria.

The approval of the Blockchain policy by President Buhari in May 2023. has provided a strong policy platform for the new administration to leverage on in driving Nigeria's digital technology revolution. The manifesto of the President-elect had also promised to achieve the National Broad band plan of delivering Broad band services to 90% of Nigerians by 2025. We foresee many international partnerships and foreign equity investments in the Nigerian tech space in the next 4 years.

## **19. Prognosis for Higher Educational Management**

The perennial and endemic challenge of managing the burden of education in Nigeria especially the multifaceted challenges of tertiary higher education will be a major policy priority of the new government. The industrial relations challenge of managing the University Labour

union (ASUU) and putting an end to age long industrial strike in universities must be one that will give the next administration sleepless nights now and later as they try to change the narrative of the Nigerian education sector. We must also not forget to add the ever-unending fractious relationship between the government and the medical professional labour unions. These specific sectors we foresee will be top Industrial Relations and Labour management policy priority for the new administration.

Pre-election pronouncements from the President-elect had hinted about plans to explore giving student loans, an idea that has been variously debated and described as a daunting task with little prognosis for success but nevertheless suggests that the incoming administration is already thinking and considering new innovative approaches to funding higher education in Nigeria without increasing the financial burden on the national treasury. Expect more innovative reforms around educational funding that may also include exploring options in increasing and better utilization of corporate educational tax regimes.

## 20. Prognosis for an Engendered Governance and Cabinet

There is a valid hope that the new administration will also prioritize the promotion of social and political inclusion of women in governance and development. The new administration has promised in its manifesto to pursue legislation that will lead to **increase of women participation in all governmental positions to 35%**. Expect more gender friendly socio-economic policies and programmes in the next 4 years of the new administration. These will be through political appointments and also private sector gender focused economic development initiatives. It should be a very promising next 4 years for organizations committed to promoting gender equality and inclusion in Nigeria. Expect a lot of international development support in this regard.

## 21. Prognosis for the Review of Nigeria's Federalism

The current principles and practices of our federalism is expected to be under review and focus in the next administration. The manifesto of the President-elect did promise reforms in different areas that include crime prevention, certain forms of taxes, stamp duties etc. The President-elect has also thrown his weight around the establishment of state police by advocating for a constitutional review to drive its implementation. You can expect a raft of policies and legislations that will change the narratives on different expressions of the principles and practice of our federalism as it affects distribution of national resources and the relationship between the national and sub-national governments.

## **22. Prognosis for Electoral System Reforms**

In the light of the different challenges that bedeviled the 2023 general elections, there exist an opportunity to address many of the challenges through the constitutional review of existing electoral laws and practices to improve Nigeria's electoral process and outcomes. Many of these challenges were identified by the different election observers and by the Independent National Electoral Commission (INEC).

It is to be expected that a lot of efforts at the executive and legislative levels of governance will be aimed at reforming the current electoral process before the next general election window. INEC as the institution burdened with the management of the electoral process will likely experience most of the attention and it is expected that it will go through extensive reforms to strengthen its capacity to perform its constitutional mandate more effectively.

## **23. Prognosis For Foreign Affairs Policy Regime**

We foresee a very actively productive Foreign Affairs policy regime for the new administration. The pronouncements from the major international community towards the emergence of a President-elect after the February 25 elections have been encouraging and suggestive of the readiness of international community of states to work with Nigeria and the new administration. After the initial congratulatory messages from the United State Department, the Secretary of State Antony J. Blinken spoke on the morning of May 16 with Nigerian President-elect Bola Ahmed Tinubu to emphasize the continued commitment of the United States to further strengthening the U.S.-Nigeria relationship with the incoming administration. The Secretary noted that the U.S.-Nigeria partnership is built on shared interests and strong people-to-people ties and that those links should continue to strengthen under President-elect Tinubu's tenure.

The pronouncements of the United Kingdom Government another big ally of Nigeria have also been encouraging and indicative of the readiness of the UK government to work with Nigeria and the new administration. In a letter to the President-elect in April the UK Prime Minister Rishi Sunak said he "looks forward to working" with Tinubu and hopes to welcome Tinubu to London in April 2024 for the second Africa Investment Summit that will be a "key moment" to strengthen UK-Nigerian business partnerships "in order to create jobs and growth, increase bilateral trade and investment, and support the aim of boosting Nigeria's export competitiveness". In his words 'I also hope to continue our work in addressing the security challenges facing Nigeria and the wider region. Such challenges are not limited by borders; it is vital that we share expertise and tools to combat them. The National Security Adviser looks forward to further dialogue with your National Security Adviser later this year'. On May 24, the

United States Government announced the composition of its strong delegation to the presidential inauguration of Nigeria's next president. We have also seen Tony Blair (ex-prime minister of UK and chair of the Tony Blair Institute) take the initiative in visiting the incoming President just a week to his inauguration to discuss how his international development group will partner with the incoming administration and that is largely indicative of the goodwill from the international development community that will be available to the new administration.

By and large, the next 4 years for foreign relations looks very promising for Nigeria and we expect that Nigeria's international partners will rally round Nigeria to drive the social economic objectives of the next administration. **Expect a gale of international development projects and partnerships in Nigeria in the next 4 years that we may not have witnessed in the past as international development partners jostle for the opportunity to work with Nigeria. It promises to be a boom season for international development professionals and consultants.**

## Conclusion

There are many pointers to a more favorable policy environment for the growth and development of the Nigeria economy in the next administration. The prognosis for a better and more friendly business environment under the next administration is also very high. Whilst it is clear that a lot of the reforms already initiated by the outgoing administration of President Buhari and to which the new administration is committed to also implementing (like removal of oil subsidy) will certainly initially have disruptive impacts on the lives of Nigerians, it is expected that the long-term impacts of the economic development reforms will help improve the economic lot of Nigerians in the long term. It is expected that Nigeria will be a country open for global business in the next 4 years more than it was in the last 8 years.

**We wish the new administration, Nigeria and Nigerians all the best in the next 4 years.**

**Remember what you see in Nigeria is what you will get!**

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