

Nigeria Decides 2019: What you need to know

By Ronak Gopaldas, February 2019



Presidential and National Assembly elections in Nigeria will be held on 16 February 2019 while the Governorship, State Assembly, and Federal Capital Territory Area Council Elections are scheduled for 2 March.

Jaded businesses and investors are approaching the 2019 election in Nigeria with a sense of trepidation due to a lack of clarity over what it means for the economy. The key questions revolve around who will win, what a change of leadership could mean, and whether the election will be the catalyst for economic growth or a continued period of under-performance.

The two candidates in question, incumbent President Muhammadu Buhari and former vice-president Atiku Abubaker, are both known entities, but their economic approaches differ markedly. Yet, despite these stark differences, the business community in Nigeria is curiously split on which candidate would be better for the economy. Although elections in Nigeria are always highly competitive and anxiety-inducing affairs, there are two salient differences this time around which should offset some of the usual fault lines.

For starters, both candidates are Northern Muslims - this takes some of the sting out of the ethno-religious tension (the unwritten agreement among Nigeria's elite that power should rotate between the primarily Muslim north and the Christian dominated south), which has historically been a key driver of conflict and violence. Secondly, the precedent set in 2015 with a peaceful handover of power from a ruling party to the opposition means that any loser in a free and fair election is now expected to concede defeat without a fuss. That said, the environment remains highly politicised.

The dominant economic theme in the run-up to the election is likely to be policy inertia, as state resources and personnel turn their attention more fully to advancing their election interests. As such, Nigeria's economic climate in the days remaining before the ballot is expected to be characterised by softer growth and lower investor appetite, as 'wait-and-see' remains the most prudent approach to Nigerian transactions.

1. Key issues

As was the case in 2015, three key issues will dominate the election discourse – the economy, security and corruption.

The economy

Investor perceptions of Nigeria have been strained by poor management of the naira and the Buhari administration's lack of progress on economic reform. Indeed, investors blame Buhari's unorthodox policies for making an already dire economic situation even worse. Clumsy regulatory policy and capital controls, as well as the directive to the central bank to refrain from weakening the currency, have all combined to sour the investment climate.

Under Buhari's tenure, youth unemployment has reached record highs and the economy has again slipped into recession. In short, it has not been a pretty picture. Opposition candidate Abubaker is viewed as being significantly more competent on the economy and has pledged to pursue a strong reform agenda. But will this be sufficient to exploit Buhari's "Achilles Heel" and turn voters towards Atiku?

Security

President Muhammadu Buhari has made some progress in containing the jihadist group Boko Haram in the northeast, but in other parts of the country he faces burgeoning security challenges. These include Niger Delta rebels attacking oil facilities, Biafran separatists confronting security forces, Muslim pastoralists fighting Christian farmers and Shia Muslim political agitation.

As the 2019 elections approach, the impact of these conflicts will again be a pivotal issue. Aside from the usual flashpoints of violence expected in certain areas around the poll, these ongoing conflicts may also affect general voter turnout and, consequently, the result.

Corruption

Buhari swept to power in large part due to his fervent anti-corruption stance, which continues to appeal to Nigeria's masses. And while his administration has made some strides in tackling graft in his first term, particularly through the single treasury account that he claims has reduced leakages in the country's finances, his government has been accused of embarking on a political witch-hunt of his rivals.

Yet, Buhari retains significant goodwill and public trust for these efforts, despite obvious limitations in other areas. This is in contrast to Atiku, who despite being economically more astute, is tainted by past skeletons and the widespread perception that he lacks integrity. This will prove a significant uphill battle for the opposition candidate to overcome.

And....the youth factor

An often-overlooked issue is the youth vote. With the youth segment (18-25) having the highest number of registered voters (42,938,458 voters or 51.1%), some feel that the more youthful candidates in the presidential race could alter the traditional two-party dynamic.

This raises questions around whether Nigeria's old guard of leaders are equipped with the skills and understanding to cater to the modern realities of their young, tech-savvy population. This divide between "the Facebook and the facelift generation" will be worth watching, and will play out either through heightened voter apathy or through a "youthquake" at the polls. This introduces an element of unpredictability into the race.

2. What do the candidates stand for?

Buhari – the imperfect status quo

Buhari won the 2015 election with a message of change, prioritising a security and anticorruption agenda. However, economic performance under his tenure has been a disappointment, to say the least. Although there was nothing that could be done about the oil-price rout that started in late 2014 and drastically impacted Nigeria's economic health, much of this malaise has been self-inflicted.

For one, Buhari took 166 days to appoint a cabinet. The resultant uncertainty squandered much of the goodwill of the political dividend and forced many foreign portfolio investors to sit on the sidelines while they awaited major appointments and clarity on policy direction. The president's unilateral approach to the economic crisis didn't help matters either, and the country soon found itself in a recession.

Investor perceptions of Nigeria were further damaged by the central bank's management of the naira and the new administration's lack of progress on economic reforms. In addition, regulatory fines for foreign entities — as was recently highlighted with MTN — brought heightened attention to the overall risk of the operating environment in Nigeria. These own goals were regrettable, but wholly avoidable.

Despite efforts by the Buhari government to make it easier to do business, Nigeria has instead grown a reputation for being heavy-handed with regulation and for implementing ad hoc crackdowns on tax evasion and other structural problems. This has affected both foreign and local companies and had implications for perceptions of Nigeria as an investment destination.

Buhari's long absences from the country have also raised questions about his health and his fitness for office. Although initially a major concern due to the uncertainty it created, investors have subsequently gained comfort from the careful manner in which the absences were managed (to avoid a power vacuum), the vice-president's adept handling of the economy during these periods, and Nigeria's historical precedent of adhering to constitutional succession in such situations.

Taken together, the past few years provide a clear template of Buhari's economic philosophy and style of governance — defined by an ideological rather than pragmatic economic agenda — that has not deviated significantly from his presidential tenure in the late 1980s. The question now is whether a second term would be the same.

Atiku - promising heaven and earth

Atiku's intention to make the Nigerian economy the focal point of his campaign was clearly evident following his election as PDP flagbearer. In an emotive address, he rebuked Buhari's dismal economic record and outlined key policy reforms he would pursue if elected — namely enhancing regional autonomy, stimulating economic diversification, scrapping the system of multiple exchange rates and increasing spending on education.

"Atiku's nomination sets the stage for an election featuring two clearly distinct policy options," says analyst John Ashbourne of Capital Economics. "Mr. Abubakar has promised sweeping economic reforms, including a floating exchange rate and privatisation of the state oil company. He would also almost certainly appoint a new governor of the Central Bank of Nigeria, which could move the bank away from its current unconventional policy mix."

However, the clearest indicator of Nigeria's potential economic trajectory under Atiku's stewardship was outlined in the launch of his highly ambitious election policy document. As per his blueprint for the Nigerian economy, Atiku intends to increase Nigeria's GDP to US\$900 billion by 2025. Interestingly, he also pledged that his government would offer the lowest corporate income tax rate in Africa — a move intended to make Nigeria the most attractive country on the continent for foreign investment.

Whilst certainly striking all the right chords among the business community, Atiku's policies have been described as aspirational at best, and utopian by more realistic commentators. Less generous analysts have outright dismissed them as a work of fantasy. Indeed, there is a major disconnect between his stated aims and what is realistically possible.

Furthermore, in a country where the wheels of reform turn slowly, Atiku's proposed economic agenda will be constrained by his pledge to only serve a single term in office. Attempts to renege on his one-term offer are unlikely to be accepted within the PDP's executive structures and could lead to the same factionalism — and political floor crossing — that have hamstrung Buhari's APC in the Nigerian legislature in the lead-up to the polls.

Moreover, Buhari will likely articulate Atiku's laissez-faire economic framework as promoting the same unpredictable and opaque business environment for which Africa's most populous state has gained a reputation. It is an accusation Atiku will find difficult to shake off amid perceptions that his considerable personal wealth was largely amassed through questionable dealings with foreign companies operating in Nigeria's oil sector.

If Buhari's position can be described as one of economic nationalism, Atiku is clearly intent on offering its ideological antithesis. With ethnicity likely to be less of a differentiating factor than in the past (since both candidates are Northern Muslims), this election is essentially framed as a choice between a pro-business candidate and pro-poor contender.

This sets the stage for an intriguing contest between two Nigerian political heavyweights.

3. Understanding how the electoral maths works?

Looking ahead to what will shape the final result of the presidential poll, the electoral maths, turnout on the day and regional voting dynamics are critical to the fortunes of each candidate.

The system/electoral mathematics

As per Nigeria's electoral system, a successful campaign for the Nigerian presidency is contingent not only on the total number of votes, but also the degree of support across these geopolitical divisions.

To secure an outright victory in the first round of voting, the winning candidate is required to obtain more than 50% of the national vote and a minimum of 25% of the vote in at least 24 of Nigeria's 36 administrative states.

In the absence of such a development, a second-round run-off vote will be necessary between the two front-running candidates from the initial round of voting. In the second round, a simple majority is required to pronounce a winner.

Given the excessive costs associated with participating in Nigerian elections – with a candidate's ability to purchase votes as important as their ethno-religious standing – presidential hopefuls place much emphasis and effort on achieving a definitive first round victory. This was accomplished by President Buhari in 2015 and by his predecessor, Goodluck Jonathan, in 2011.

Regional voting dynamics

The political competitiveness in the swing-vote south-west and north-central regions, which have the second- and third-highest number of registered voters, respectively, will be crucial to the electoral fortunes. Outside of unpredictable voter behaviour in these zones, another important consideration is whether voter turnout will match registration numbers. This is largely a factor of security – or the lack thereof. Below we examine some of the dynamics that will influence voting in the key geo-political zones:

North-central: The north-central zone marks the meeting point of Nigeria's predominantly-Muslim north and its Christian-dominant south. Here – in the states of Benue, Kogi, Kwara, Nasarawa, Niger, Plateau and the Federal Capital Territory of Abuja (FCT) – political allegiances are split along defined ethno-religious lines.

Outside of Niger state – where APC structures under the control of Governor Abubakar Sani Bello are anticipated to dominate – political competitiveness will be fierce and difficult to predict. The

cutthroat political competitiveness of the north-central states render them susceptible to electoral fraud and acts of political violence; such unrest may exacerbate communal violence fought over land and resource disputes.

North-west: Voter patterns are more predictable in the north-west, where the APC's Buhari-Osinbajo ticket is expected to secure landslide electoral wins in the populous state of Kano, in addition to Jigawa, Katsina, Kebbi and Zamfara. In these states, outright victories for the APC are anticipated, which may deprive the PDP of a 25% benchmark.

North-east: Nigeria's north-east has traditionally served as a crucial geopolitical zone, where ethno-religious identity has played a significant role in deciding the country's presidency. However, the impact of this region is less pronounced in 2019. As both major presidential candidates – Buhari and Abubakar – are Muslim northerners whose ethnic linkages are rooted in the Fulani group, the core identity of the candidates will not be the differentiating factor when north-easterners decide between the two.

The concern for the APC in Nigeria's north-eastern states is the threat posed by the Boko Haram insurgency. During the 2015 election, coordinated and multilateral counterterrorism initiatives launched against the group curtailed the threat it posed to campaign events and voting. However, the absence of such initiatives in the lead up to the forthcoming vote – combined with an increase in activity by the Islamist sect – could compromise electoral participation in the states of Borno and Yobe. Reduced voting numbers will inherently favour the PDP, given the APC's dominance in these Boko Haram-affected areas.

South-west: Given the political competitiveness of the region, it has the potential to serve as kingmaker in the presidential leg of the ballot.

Incorporating the states of Ekiti, Lagos, Ogun, Ondo, Osun and Oyo, this geopolitical division is one of the more populous in Nigeria. It is also the home of current vice president – and Buhari's APC running mate – Yemi Osinbajo, whose roots to the south-west will be used as a support-generating tool.

While the states of Lagos, Okun, Osun and Oyo appear to favour the Buhari-Osinbajo ticket, political loyalties in the wider region aren't that definitive. Indeed, the margins of victory for the APC in recent gubernatorial elections in Ekiti and Ondo were slim enough to suggest that the ruling party's presidential and vice-presidential nominees are not guaranteed the majority vote in these states.

Abubakar, and the wider PDP opposition will need a decisive showing in this region if he is to have any meaningful chance of winning the presidential ballot.

South-east: This region is a relatively straightforward pick. The geopolitical zone – which comprises the states of Abia, Anambra, Ebonyi, Enugu and Imo – is considered one of the two political bulwarks of the PDP party. Its inhabitants will vote overwhelmingly in favour of the Abubakar-Obi ticket come February.

South-south: Similar trends are likely to be observed in the south-south – the states of Akwa Ibom, Bayelsa, Cross River, Delta, Edo and Rivers – which is not only the hub of Nigeria's oil economy, but also the political and financial epicentre of the PDP's support.

Based on the above analysis, President Buhari is favourite to secure re-election in Nigeria's presidential poll. This is the case even though support for Buhari could be constrained by insecurity in his traditional strongholds of north-west, north-east and, to a lesser extent, north-central.

Notably, strongholds of Atiku Abubakar and the wider PDP movement do not face significant security challenges that could impede voter turnout in the election. A strong showing in the pivotal south-west region, along with significant turnout in the south-east and south-south would improve Abubakar's low-to-moderate likelihood of winning the presidential poll, although this remains an uphill task.

4. Who do investors want to win?

Businesses in Nigeria are mostly just interested in getting the election over with, so they can assess the potential fallout and measure the risk going forward. However, the expectation of a close election is making people nervous. Although most have already taken precautions, they just want a smooth transition, whether to Buhari or from him to whoever wins, according to local commentators. A postponement or an inconclusive result is something that investors want to avoid at all costs due to the uncertainty and policy inertia it would bring.

Against this backdrop, the choice for investors is as follows: stick with the suboptimal status quo, or hang their hats on the hope of change, albeit with a recycled candidate?

Although some have been enthused by the rhetoric and market-friendly nature of Atiku's proposals, it's not clear how much of this lofty rhetoric will translate into reality. As a result, a number of businesses are reluctant to risk a leadership change given the inevitable disruption that will likely occur. With the post-election inertia that characterised Buhari's ascent in 2015 still fresh in their minds, they have instead computed that the more pragmatic approach is to stick with the status quo, despite its obvious limitations.

Although Buhari's unorthodox and haphazard economic approach has been uninspiring, erratic and sometimes damaging, there is a prevailing view that the second term cannot and will not be as bad as the first. Rather cynically, this is seen as the safety-first and "more certain" option — especially for investors who would rather minimise their downside than take a chance and be disappointed again.

The big elephant in the room, of course, is the price of oil. Should prices again flirt with 2014 lows, the country will find itself in deep trouble, regardless of who is in power.

5. Wildcards

Recent elections in Kenya and the DRC have taught investors to expect the unexpected — the African electoral landscape is evolving quickly, and outcomes can range from annulment of results to election re-runs, to internet shutdowns, and even electoral manipulation by incumbents in favour of opposition candidates. Amid this rapidly changing context, surprises are fast become the norm, rather than the exception. The African election playbook is changing.

It is therefore worth paying attention to wildcards. These include:

The President's health — it is still unclear how healthy President Buhari is. There are several scenarios here. Should Buhari be permanently incapacitated or die before the February elections, it is most likely that the presidential leg of the general ballot will be postponed, allowing political parties to conduct primary elections to select leadership and time for subsequent campaigning, and potentially to dedicate appropriate time for national mourning. Should Buhari be re-elected — as is currently the most likely scenario — but die before inauguration, a re-run of the election will not be necessary as executive powers will be transferred to the vice president as per the constitution. Finally, should Buhari die during his second term, Osibanjo will see out the term as president and will be eligible to stand for one more electoral term pending a successful contestation

of a future election. In any event, the established system of succession should make for a relatively stable transition.

Postponement of the ballot – this scenario will pose questions around the credibility of the electoral commission and will almost certainly create an environment of heightened anxiety and distrust. Allegations of vote-rigging and electoral manipulation will inevitably follow, with opposition threats to boycott the vote possible. Depending on the reasons for the postponement, political momentum will likely shift. It will inevitably invite greater scrutiny around the freeness and fairness of the vote and result in a messy and protracted affair. Violent clashes will likely ensue amid an environment of elevated tension.

Major violence/terror attack – apart from the obvious impact on human life, such a scenario would affect voter turnout in key areas and alter the political calculus. It will be exploited for political purposes by politicians, who will cite such an event as a failure of the political leadership to keep its citizens safe.

Inconclusive result – should the election require a rerun, or Buhari win by an unconvincing margin, the opposition will cast aspersions on the validity of the result and question Buhari's legitimacy. The period of limbo until a second vote would see investors remain on the sidelines until there is clarity on the final outcome.

Social media – internet shutdowns have become common during election periods in Africa. There are fears that this may happen in Nigeria, with critics arguing that the Buhari regime has displayed enough autocratic tendencies for this to be a legitimate concern. In the event of this, some protest action is likely, although this will only be sustained and significant if the blackout persists over an extended period of time. Furthermore, how social media opinions and activity translates to turnout on voting day in a country of 200 million people - where opinion polls are sketchy at best - may yet contain a huge element of surprise.

6. Final Thoughts

Nigerians will on 16 February choose between two septuagenarians to lead Africa's largest democracy: President Muhammadu Buhari and former vice president Atiku Abubakar. The pair has run for president nine times between them.

Buhari remains favourite to secure re-election despite facing a formidable challenge by Abubakar. The likelihood of Buhari's re-election is premised on the power of his incumbency, in addition to the personal ethnic and political linkages enjoyed by the incumbent (particularly in Nigeria's more populous northern states).

For his part, Abubakar is anticipated to shape his election campaign around Buhari's alleged economic mismanagement, specifically regarding his employment of policy mechanisms which are perceived as anti-business. While such a stance could resonate with Nigeria's business community, it may have less of an impact on the electorate, who are expected to be more receptive to Buhari's economic nationalist stance and his uncompromising anti-corruption stance.

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