

INTRODUCTION

In recent years, Nigeria has slipped in and out of recessions as a result of a plethora of factors, including the inconsistencies resulting from fluctuations in the price of crude oil and the Covid-19 pandemic.¹ This article focuses on the legal outlook of the country, while also considering pertinent issues affecting its economic outlook in 2022. While the focus of the article is on the 2022 financial year, it briefly considers the state of the Nigerian economy for the previous two years.

Vision 2020: How Far, So Far? Nigeria's Post-Pandemic Highlights

In 2020, Nigeria experienced its deepest recession since 1983,² as the Covid-19 pandemic characterised by multiple lockdowns and disruptions in the economic activities of the country saw its economy shrink by 1.8%.³ As a response to the economic crunch and to mitigate the impact of the Covid-19 pandemic,⁴ the government introduced policy reforms and enacted key pieces of legislation.⁵ In H1 2021, the country had to deal with the harsh effects of high inflation rates which averaged about 17.28% from January 2021 and climaxed at 18.17% in March 2021, significantly affecting food prices and living costs, especially in major cities. The rate of unemployment increased from 27.1% to 33%, while the budget deficit rose from ₦5,060,000,000,000.00 (five trillion, sixty billion naira) in 2020 to ₦5,062,000,000,000.00 (five trillion, sixty-two billion naira) in 2021.⁶ However, things began to take an upward turn in H2 2021. In November 2021, the nation's economy grew by 4.03% in Q3 2021 and inflation rate dropped significantly to 15.40%.⁷

¹ African Development Bank Group, 'Nigeria Economic Outlook'. <<https://www.afdb.org/en/countries-west-africa-nigeria/nigeria-economic-outlook>> assessed 3 February 2022

² The World Bank, 'Nigeria Economic Update: Resilience through Reforms' (2021) <<https://www.worldbank.org/en/country/nigeria/publication/nigeria-economic-update-resilience-through-reforms>> accessed 3 February 2022

³ n 1

⁴ n 2

⁵ This included the Covid-19 Regulations 2020, Finance Act 2020, and the long-awaited Companies and Allied Matters Act 2020 – aimed at facilitating the ease of doing business in Nigeria and increasing foreign investments.

⁶ Olawoyin O., 'Key events that shaped Nigerian economy in 2021' (*Premium Times*, 1 January 2022) <<https://www.premiumtimesng.com/news/headlines/503394-key-events-that-shaped-nigerian-economy-in-2021>> accessed 3 February 2022

⁷ Ibid

NIGERIA IN 2022 – LEGISLATION AND POLICY

Petroleum Industry Act (PIA) 2021

The PIA 2021 is a consolidated legislation governing all aspects of the oil and gas sector, aimed at boosting the Nigerian economy by attracting local and foreign investments with the use of transparent policies.⁸ It is envisaged that the PIA would ensure accountability, transparency, good governance as well as efficiency in the regulation of the various sectors of the Nigerian oil and gas sector. It is imperative Nigeria takes the appropriate steps to implement the provisions of the Act, as a failure to be proactive may adversely affect its oil and gas output, and thus revenue in 2022.

Removal of Petrol Subsidy

There has been a debate as to the value and usefulness of petrol subsidies in Nigeria, as although it provides consumers with affordable petrol prices, this comes at a huge cost to the government.⁹ For example, between January and October 2021 alone, the Nigerian National Petroleum Company Limited was stated to have spent about ₦1,003,000,000,000.00 (One trillion, three billion naira) on petrol subsidy.¹⁰ There is no doubt that the removal of subsidies in 2022 would provide funding for other key sectors of the economy such as health care and education. The government announced its intention to defer the removal of petrol subsidy and to extend the implementation of the PIA in this regard by 18 months from February 2022. This was done on the premise that the removal would adversely affect inflation, and also considering the expectation that an increased use of refineries in the country will lead to a reduction in the importation of petroleum products.¹¹

The commencement of operations by Dangote refinery in Q3 2022 could herald a new lease of life for the downstream sector of the economy. By eliminating the importation of petroleum products and increasing export, the refinery is expected to make Nigeria self-sufficient and a globally competitive market. The refinery is

⁸ Ikwueto I. and Akpan U., 'Nigeria: Review of the Petroleum Industry Bill (PIB) 2021' (*Mondaq*, August 2021) <<https://www.mondaq.com/nigeria/oil-gas-electricity/1105550/review-of-the-petroleum-industry-bill-pib-2021>> accessed 3 February 2022

⁹ Onyeiwu S., 'Fuel subsidies in Nigeria: they're bad for the economy, but the lifeblood of politicians' (*The Conversation*, 4 November 2021) <<https://theconversation.com/fuel-subsidies-in-nigeria-theyre-bad-for-the-economy-but-the-lifeblood-of-politicians-170966>> accessed 3 February 2022

¹⁰ Adekoya F., 'Doubts over FG's Capacity to Remove Fuel Subsidy as Election Nears' (*Guardian*, 31 December 2021) <<https://guardian.ng/business-services/doubts-over-fgs-capacity-to-remove-fuel-subsidy-as-election-nears/>> accessed 3 February 2022

¹¹ Ibid

estimated to protect forex revenue of around \$16,000,000.00 (sixteen billion US dollars) a year at current market prices, and a saving of \$10,000,000.00 (ten billion US dollars) a year through domestic supplies of petroleum products. It is also expected to create about 100,000 (one hundred thousand) indirect employments through retail outlets, and ease availability of petroleum products in the country.¹²

Finance Act 2021

The Finance Act amends various tax and fiscal laws with the aim of promoting economic growth, attracting foreign investment and increasing government revenue. The Finance Act seeks to remove multiple taxation and encourage economic growth. The Act is designed to enhance the implementation of the 2022 budget. The key reforms in the Act are aimed at domestic revenue mobilisation, financial sector reforms, international taxation and tax equity, as well as public administration in line with global best practices. The Act introduces certain tax initiatives, which are estimated to target GDP growth, foreign direct investment and equities market, and generate about ₦60,000,000,000.00 (sixty billion naira) fiscal revenue.¹³ Some notable provisions in the Act include:

- i. Imposition of capital gains tax on gains accruing from the disposal of shares;
- ii. Imposition of excise duty at ₦10 per litre on all non-alcoholic, carbonated and sweetened drinks;
- iii. Taxation of the turnover of foreign companies engaged in e-commerce businesses;
- iv. Exclusion of companies engaged in petroleum operations from the exemption on profits in respect of goods exported from Nigeria;
- v. Expansion of the borrowing power of the government to enable government to borrow for “critical reforms of significant national impact” in addition to capital expenditure and human development.

¹² ‘Dangote Refinery Project to Boost Activities in Downstream, says Lagos Chamber of Commerce and Industry’ <<https://www.dangote.com/dangote-refinery-project-to-boost-activities-in-downstream-says-lagos-chamber-of-commerce-and-industry-lcci/>> accessed 3 February 2022

¹³ Ukpe W., ‘Economic Outlook: Finance Act: Companies need to be proactive about tax compliance’ (*Nairametrics*, 29 January 2022) <<https://nairametrics.com/2022/01/29/economic-outlook-finance-act-companies-need-to-be-proactive-about-tax-compliance-olufemi-babem/>> accessed 3 February 2022

Central Bank of Nigeria (CBN) Policies and Guidelines

Economic growth in 2022 will largely hinge on the CBN's foreign exchange policy and the availability of foreign exchange to businesses. The CBN in its unwavering efforts to make foreign exchange easily accessible to Nigerians recently launched an application form designed for individuals to apply for foreign exchange at the CBN or interbank rate to make payments for eligible services online.¹⁴ In addition to the ease and accessibility the innovation was intended to introduce, there are indications that recent exchange rate stability and reduced pressure on the parallel market channel may be attributable to the CBN's 'Form A'. However, more policies need to be put in place to provide businesses with easier access to foreign exchange, particularly those involved in importation, to cushion the effect of the draught of foreign exchange occasioned by the CBN's ban on operations of Bureau De Change operators in 2021.

The African Continental Free Trade Agreement (AfCFTA)

The much-heralded AfCFTA has thus far not had the impact that was expected, as over a year since its commencement, there have been several challenges that have hampered its progress. This includes the ratification of some aspects of the agreement and documentation, a lack of infrastructure to implement the agreement, and a currency mismatch.¹⁵ It is clear that the success of this agreement will hinge on cooperation between countries. The Nigerian government has indicated that it intends to make efforts at boosting intra-Africa trade, which will inadvertently boost trade in Nigeria.¹⁶ As specifically relates to Nigeria, going into 2022, the government has plans to make Nigerian exporters more competitive in the African Continental Free Trade Area.¹⁷

On a positive note, there has been a breakthrough with regards to the currency mismatch in the form of the Pan-African Payments and Settlement System (PAPSS), which will allow transactions to be made with the local currencies of both parties.¹⁸ If

¹⁴ The said form is referred to as 'Form A'.

¹⁵ Faminu G. and Ibrahim A., 'AfCFTA Constraints Beyond Documentation – Experts' (*Businessday*, 1 February 2022) <<https://businessday.ng/news/article/afcfta-constraints-beyond-documentation-experts/>> accessed 3 February 2022

¹⁶ Adekoya F., 'AfCFTA Success Dependent on Govt Investment, OPS Participation' (*The Guardian*, 26 January 2022) <<https://guardian.ng/business-services/industry/afcfta-success-dependent-on-govt-investment-ops-participation/>> accessed 3 February 2022

¹⁷ Ukpe W., 'AfCFTA: FG To Accelerate Competitiveness of Nigerian Exportable Brands in African Market' (*Nairametrics*, 29 January 2022) <<https://nairametrics.com/2022/01/29/afcfta-fg-to-accelerate-competitiveness-of-nigerian-exportable-brands-in-african-market/>> accessed 3 February 2022

¹⁸ Ukpe W., 'AfCFTA: How Feasible is Nigeria's Plan to Become Africa's Manufacturing Hub?' (*Nairametrics*, 18 January 2022) <<https://nairametrics.com/2022/01/18/afcfta-what-to-expect-from-nigeria-this-year/>> accessed 3 February 2022

efforts are made to ensure the challenges are addressed in 2022, the AfCFTA could open the Nigerian trade and manufacturing sectors in a way that benefits both the country and the continent at large. However, the government also needs to take steps that address trade and manufacturing issues such as congestion of ports, unreliable power supply, and poor infrastructure.

Electoral Amendment Bill

In 2022, it is expected that the legislature will prioritise key legislations that could define the socio-economic climate of the nation. Amongst these legislations are the Electoral Act Amendment Bill, which seeks to introduce important reforms in the electoral system such as electronic transmission of votes, enhance the powers of the Independent National Electoral Commission (INEC), and ensure transparency in elections. At the time of writing, the Bill has been amended by the National Assembly to provide for direct, indirect and consensus modes for the conduct of primaries.¹⁹ It is hoped that the President will subsequently give his assent, as the Bill would undeniably enhance the quality of elections in Nigeria upon implementation.

Nigeria StartUp Bill

It appears that going into 2022, the government is making an attempt at prioritising Nigeria's digital economy, by tapping into the potential of an increasingly growing technology ecosystem. This represents a change in the approach of the government, considering at times it seemed like the government favoured a hostile approach towards the sector, exemplified with the ban of social media site "Twitter" in 2021.²⁰ The StartUp Bill championed by the government is intended to promote a collaborative effort between the government and those in the technology space.²¹ It is left to be seen if this attempt at 'regulatory support' would in fact be beneficial and have a positive effect on the Nigerian economy. At the time of writing, the Bill is still being considered by the legislature, and it is hoped that when passed, it will provide a friendlier environment for the technology ecosystem in Nigeria.

¹⁹ Elumoye D. and Aborisade S., 'National Assembly Transmits Reworked Electoral Act Amendment Bill to Buhari for Assent' (*Thisday*, 1 February 2022) <<https://www.thisdaylive.com/index.php/2022/02/01/national-assembly-transmits-reworked-electoral-act-amendment-bill-to-buhari-for-assent/>> accessed 3 February 2022

²⁰ Princewill N. and Busari S., 'Nigeria to Lift Twitter Ban After Six-Month Suspension' (*CNN World*, 13 January 2022), <<https://edition.cnn.com/2022/01/12/africa/nigeria-lifts-twitter-ban-intl/index.html>> accessed 3 February 2022

²¹ Onukwue A., 'Nigeria's Startup Bill is Heading to Parliament after Winning Cabinet Approval' (*Quartz Africa*, 16 December 2021) <<https://qz.com/africa/2103129/the-nigeria-startup-bill-is-heading-to-parliament-to-become-law/>> accessed 3 February 2022

There are other pending Bills that should be passed in 2022, including the Customs and Excise Management Act (Amendment) Bill and the Economic and Financial Crimes Commission Act (Amendment) Bill. While a Bill to reduce the workload on the Supreme Court by limiting certain cases to the Court of Appeal was proposed in 2021, it was not approved by the House of Representatives. Nonetheless, there is a pending Bill seeking to mandate High Court judges elevated to the Court of Appeal to return and complete pending criminal cases. This is a commendable and should be expanded to include long standing commercial matters, as well as situations of death, retirement, or transfer of a judge. It is hoped that in 2022, the legislature would complement the efforts of the judiciary with laws which enable quicker and more efficient dispensation of justice, to restore confidence in the judiciary and incentivise foreign investment.

The Role of the Judiciary in 2022

The nationwide strike embarked by the Judiciary Staff Union of Nigeria (JUSUN) in 2021, which lasted for 2 (two) months, brought to light the role of the judiciary in a nation's quest for sustainable growth and development. Amongst other issues, a key focus of the strike was financial autonomy, which many believe will ensure a more robust and independent judiciary. The JUSUN strike saw the suspension of all court activities across the country, which invariably hampered and stifled commercial activities.

Unfortunately, the issue of financial autonomy for the judiciary still lurks unresolved and the fear of another strike action looms. The degree of judicial independence and credibility correlates with the economic growth of a nation, as an inefficient dispute resolution framework is a disincentive to foreign investments. Furthermore, as the country approaches general elections in 2023, the judiciary should expect an upsurge in political related disputes, which will make courts even busier. Considering the priority usually given to election matters, coupled with the limited number of judges in the judiciary, it is anticipated that the adjudication of commercial disputes could become an even more prolonged process in 2022.

NIGERIA IN 2022 – ECONOMIC OUTLOOK

At the time of writing, the foreign exchange rate according to the country's apex bank stood at \$1 (one United States Dollar) to about ₦416.00 (four hundred and sixteen naira),²² which represents a further depreciation in the value of the Naira since the last fiscal year. While in 2020 the price of Crude oil went as low as \$41.47 (forty-one United States Dollars and forty-seven cents) per barrel, it currently sells at \$92 (ninety-two United States Dollars) per barrel,²³ higher than the \$57 (fifty-seven United States Dollars) per barrel benchmark set in the 2022 budget.²⁴ The impact of this should be significant in strengthening Nigeria's falling external reserves,²⁵ and complement the Central Bank of Nigeria's efforts to effect the stability of the Naira.

Rate of Inflation

The inflation rate in Nigeria rose to 15.63% in December 2021, following 8 (eight) consecutive months of decline,²⁶ and it is projected to rise even higher in the coming months. This threatens the government's target of reducing inflation to 13% in 2022. A further increase in the rate of inflation could put millions of Nigerians at risk of food insecurity, push approximately 80,000,000.00 (eighty million) households into poverty, distort consumption, investments, and saving decisions of the government, which could have adverse ramifications for long-term borrowing and lending.²⁷ This is worrying, considering a high inflation rate has caused and is likely cause a further increase in the price of basic commodities in 2022.²⁸

²² This was this official rate of the Central Bank of Nigeria on 3 February 2022. See Central Bank of Nigeria, 'Exchange Rate by Currency'. <<https://www.cbn.gov.ng/rates/exchratebycurrency.asp>> accessed 3 February 2022

²³ This was the price on 3 February 2022. See Trading Economics, <<https://tradingeconomics.com/commodity/crude-oil>> accessed 3 February 2022

²⁴ Budget Office of the Federation, Federal Ministry of Finance, Budget and National Planning '2022 Budget - Budget of Economic Growth and Sustainability'. <<https://www.proshareng.com/news/Budget%20and%20Plans/Budget-2022--Budget-of-Economic-Growth-and-Sustainability/59366>> accessed 3 February 2022

²⁵ Oyekanmi S., 'Despite Higher Oil Prices, External Reserves Fall to \$40.4 Billion' (Nairametrics, 2 February 2022) <<https://nairametrics.com/2022/02/02/nigerias-foreign-reserve-falls-by-481-4-million-in-january-2022/>> accessed 3 February 2022

²⁶ Oyekanmi S., 'Nigeria's inflation rate rises to 15.63% in December 2021' (Nairametrics, 17 January 2022) <<https://nairametrics.com/2022/01/17/nigerias-inflation-rate-rises-to-15-63-in-december-2021/>> accessed 3 February 2022

²⁷ Oluwole V., 'World Bank warns that Nigeria's inflation rate may be among the world's highest in 2022' (Business Insider Africa, 4, January 2022) <<https://africa.businessinsider.com/local/markets/world-bank-warns-that-nigerias-inflation-rate-may-be-among-the-worlds-highest-in-2022/wsznc9x>> accessed 3 February 2022

²⁸ Adegbesan E., 'Food Inflation Hit 20.75% as Prices Rise Further in October' (Vanguard, 16 November 2021). <<https://www.vanguardngr.com/2021/11/food-inflation-hit-20-75-as-prices-rise-further-in-october/>> accessed 3 February 2022

Rising Debt Profile

At the moment, the mounting public debt of Nigeria is an issue that may significantly hamper Nigeria's economic growth in 2022.²⁹ As at September 2021, Nigeria's total public debt portfolio stood at about ₦38,000,000,000.00 (thirty-eight trillion naira), an increase from ₦32,900,000,000.00 (thirty-two trillion, nine hundred billion naira) recorded in 2020. Nigeria's budget deficit of ₦6,039,000,000.00 (six trillion, thirty-nine billion naira) represents 3.46% of GDP and is to be financed majorly by borrowing from domestic and foreign sources.³⁰

It is important that the legislature plays an effective role in critically assessing the expediency of loans before approving same in 2022. This is considering the fact that in the 2022 budget, ₦3,061,000,000.00 (three trillion, sixty-one billion naira) is earmarked for debt servicing. This amounts for 21% of total expenditure and 34% of total revenue. Nigeria's rising debts coupled with projections that debt-to-revenue ratio will exceed the 80% mark in 2022 following the build-up to the general elections,³¹ portends a debt crisis. It is hoped that the government will take steps to cut down expenditure, reduce the cost of governance and explore other deficit financing options in 2022.

Telecommunications Sector

In December 2021, the Government successfully allotted 2 (two) slots in the 3.5GHz spectrum band to MTN Communications and Mafab Communications, which will allow for the deployment of the 5G network nationwide. Licences are expected be issued to both companies after the payment of the total sum \$536 (five hundred and thirty-six dollars) in February 2022. The deployment of 5G will significantly impact the telecommunication sector, as it will enable the expansion of telecommunication services to include digital services, as well as facilitate transformation of the sector from a mere connectivity provider to a digital service provider.³² There is no doubt

²⁹ It is noteworthy that the government's borrowing powers are somewhat expanded by section 40 of the recently passed Finance Act 2021, as the government is further empowered to borrow to undertake 'critical reforms of significant national impact' in addition to capital expenditure and human development.

³⁰ Ukpe W., '2022 Budget: FG Assures Debt-level Still Sustainable, as Debt-servicing hit 34% of Total Revenues (Nairametrics, 6 January 2022) <<https://nairametrics.com/2022/01/06/2024-budget-fg-assures-debt-level-still-sustainable-as-debt-service-hits-34-of-total-revenues/>> accessed 3 February 2022

³¹ Egwuatu P., 'Nigeria's debt-to-revenue ratio to cross 80% mark in 2022 – Augusto & Co' (*Vanguard*, 31 January 2022) <<https://www.vanguardngr.com/2022/01/nigerias-debt-to-revenue-ratio-to-cross-80-mark-in-2022-agusto-co/>> accessed 3 February 2022

³² 'How Will 5G Impact the Telecom Industry' (*Valuer*, 20 April 2021) <<https://www.valuer.ai/blog/how-will-5g-impact-the-telecom-industry>> accessed on 3 February 2022.

that this deployment will result in a boost in the Nigerian economy, exemplified by the licence fee being a source of revenue for the Government. However, deployment is not scheduled to commence until 12 (twelve) months after the issuance of the license, therefore the year 2022 will be a starting phase in the future of telecommunications in the country.

Socio-Economic Factors

2023 Elections

Elections usually contribute to an increased GDP growth rate in the year preceding the elections, as in 2002, 2006, 2010, 2014 and 2019, the Nigerian economy grew by 3.8%, 8.2%, 7.8%, 6.3% and 1.9% respectively.³³ Pre-election GDP growth is induced by increased spending and consumption. For instance, about ₦189,000,000,000.00 (one hundred and eighty-nine billion naira) was spent on conducting elections across the various arms and cadres of government in 2019. This does not include the spending by political parties and politicians for miscellaneous reasons.³⁴ On this basis, there is a possibility that the economy may get a boost from the events leading to the 2023 elections in 2022.

Insecurity

Insecurity remains a huge concern as it affects all other sectors and channels of economic growth – agriculture, tourism, investment, services, education and even good governance etc. Beyond resulting in the loss of lives and property, as well as a further decrease in foreign direct investments, a less productive and inefficient workforce may be a challenge the country faces in 2022 if the security problems are not addressed.

³³ Tijani M., 'Here's What Happens to the Economy and Naira Just Before an Election Year' (*The Cable*, 12 January 2022) <<https://www.thecable.ng/heres-what-happens-to-the-economy-and-naira-just-before-an-election-year/>> accessed 3 February 2022

³⁴ Victor A. '2023 elections: The Economics of Politics in Nigeria' (*Business Day*, 13 January 2022). <https://businessday.ng/opinion/article/2023-elections-the-economics-of-politics-in-nigeria/> accessed 3 February 2022

Overview

There is room for some optimism going into 2022, as economic growth is projected at 2.5%, a slightly upward growth from the 2.4% recorded in 2021.³⁵ The African Development Bank also forecasts that the economy is expected to grow by 2.9% in the 2022 financial year,³⁶ which further indicates that there could be an improvement in the state of the economy. Also, the 2022 budget makes some positive assumptions, including a 4.2% GDP growth and a drop in the rate of inflation to 13%.³⁷ It is hoped that the policies and measures adopted by the federal government to contain the spread of Covid-19 and recover from its impact on the economy, the increase in oil prices, and the strengthening of key sectors will signal a step towards a more robust economic outlook for the country in 2022.

CONCLUSION

This article focused on the legal and economic outlook of Nigeria for 2022 and has discussed a plethora of factors affecting the Nigerian economy, which are likely to shape the landscape in 2022. A combination of the factors stated in this article show that there must be a conscious effort to ensure the Nigerian economy can be managed in a way that allows the legal framework to have a positive impact on the growth and further development of the country.

For more information contact us on:

info@esherandmakarioslaw.com

234-1-3248150

³⁵ Quaglietti L and Wheeler C., 'The Global Economic Outlook in five charts' (11 January 2022). <<https://blogs.worldbank.org/voices/global-economic-outlook-five-charts-1>> accessed 3 February 2022

³⁶ (Supra n1)

³⁷ Isiaka A., '2022 Budget Proposal: Fiscal Deficit Rising on Account of Defence Spending' (*Proshare*, 11 October 2021). <<https://www.proshareng.com/news/BUDGET%20AND%20PLANS/2022-Budget-Proposal--Fiscal-Deficit-Rising-on-Account-of-Defence-Spending/59401>> accessed 3 February 2022