Synthetic Sovereignty: Volume II
Case Studies and Countermeasures

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Chapter 3: Nigeria's eNaira – Financial Control Without Consent

I. Introduction: The Monetary Frontier of Synthetic Sovereignty

In October 2021, Nigeria became the first African nation and fifth country globally to launch a Central Bank Digital Currency (CBDC), marking a significant advancement in state-controlled digital finance. This pioneering move positioned the eNaira as a milestone for the continent, while signaling a profound shift in the architecture of monetary control—one that transforms the relationship between citizens, their financial behaviors, and the state. Unlike decentralized cryptocurrencies that distribute power away from central authorities, the eNaira concentrates it, creating an unprecedented capacity for surveillance, control, and intervention in daily economic life.

This financial manifestation of synthetic sovereignty—where the state constructs a digital reality through which all monetary actions must flow—completes our trilogy of case studies examining how power operates in the digital age. After exploring TikTok's algorithmic influence over cognitive terrain and India's infrastructural assertion of data sovereignty, Nigeria's eNaira reveals how financial systems themselves become vehicles for synthetic sovereignty, enabling unprecedented visibility into, and control over, citizen transactions.

The eNaira embodies a paradox: ostensibly designed to promote financial inclusion in a nation where significant portions of the population remain unbanked, it simultaneously creates the technical infrastructure for financial surveillance and control that would be impossible with physical currency. This tension between emancipatory promises and authoritarian capabilities defines the CBDC experiment and makes Nigeria's implementation a critical case study in the evolution of state power in the digital age.

II. Historical Context: From Colonial Currency to Digital Control

Nigeria's monetary history is inseparable from its colonial past. The British colonial administration's introduction of the West African pound in 1912 replaced diverse indigenous currencies and trading systems with a standardized medium that facilitated resource extraction and administrative control. Post-independence, the establishment of the Nigerian pound in 1959

and later the Naira in 1973 represented attempts to reassert monetary sovereignty, though often within constraints imposed by international financial institutions.

The eNaira emerges against this backdrop of contested monetary sovereignty and the more recent context of Nigeria's complex relationship with cryptocurrencies. In February 2021, months before the eNaira launch, the Central Bank of Nigeria (CBN) banned financial institutions from facilitating cryptocurrency transactions, citing concerns about money laundering, terrorism financing, and volatility. This 2017 warning to commercial banks about handling cryptocurrency assets was followed by the eNaira as the government's answer to cryptocurrencies. Yet Nigeria remained Africa's largest cryptocurrency market, with citizens turning to peer-to-peer platforms to circumvent restrictions, often using crypto to hedge against the Naira's persistent inflation and devaluation.

The eNaira thus represents not merely technological modernization but a strategic attempt to reassert state control over digital financial flows that had begun to escape traditional regulatory frameworks. By offering a "safer" digital alternative under complete central bank control, the Nigerian government sought to recapture monetary sovereignty threatened both by global financial powers and by decentralized cryptocurrencies.

This digital currency initiative also reflects broader global trends of CBDCs as tools for extending state power. As the Atlantic Council reports, 130 countries were considering a CBDC as of September 2023, compared to just 35 countries in May 2020, representing a dramatic expansion of interest in state-controlled digital currencies. This surge suggests a growing recognition among governments worldwide of the strategic importance of controlling the digital monetary infrastructure before private alternatives become entrenched.

III. Technical Architecture: The Infrastructure of Financial Surveillance

The eNaira's technical implementation reveals its dual nature as both an inclusion tool and a control mechanism. Built on the Hyperledger Fabric blockchain protocol, the eNaira operates as a private, permissioned blockchain where nodes are run exclusively by the Central Bank of Nigeria and authorized financial institutions. Unlike public crypto projects where nodes can be operated by anyone, eNaira nodes are only operated by the CBN and its trusted parties. This centralized architecture ensures the central bank maintains complete control over the currency's operation, transaction validation, and data access—a stark contrast to decentralized cryptocurrencies where no single entity exercises such authority.

The eNaira employs a tiered wallet structure that stratifies users based on the level of identification provided, with corresponding limitations on transaction amounts and account balances. This framework exemplifies how technical design encodes power relationships:

1. **Tier 0 (Phone Number Only)**: Basic wallets with minimal functionality and strict limits
2. **Tier 1 (BVN Verification)**: Expanded transaction limits with bank verification
3. **Tier 2 (Full Bank-Level KYC)**: Higher limits with complete identity verification

4. **Tier 3 (Enhanced Due Diligence)**: Reserved for financial institutions and government entities

This tiered structure creates a direct relationship between identity disclosure and financial capability, effectively forcing users to surrender privacy to gain meaningful functionality. While presented as anti-fraud measures, these design choices embed surveillance and control directly into the currency's architecture.

The technical implementation also features programmable money capabilities—not yet activated but built into the design—that would allow the central bank to impose conditions on how currency can be spent, when funds become available, or even expiration dates for stimulus payments. This represents an unprecedented level of control over citizens' financial behaviors, impossible with traditional cash.

A critical aspect of this infrastructure is its capacity for total transaction visibility. Unlike physical cash, which changes hands anonymously, the eNaira creates a permanent, centralized record of all financial activities. This high level of supervision has brought apprehension amongst potential users in Nigeria, who believe the eNaira was developed to monitor their transactions, potentially breaching privacy rights and providing the government with a powerful tool for financial surveillance.

Access challenges further reveal how technical infrastructure reinforces existing divides. With approximately 92 million Nigerians lacking electricity access and internet penetration at only 55.4% as of 2023, the digital nature of the eNaira risks excluding precisely those populations it purportedly aims to serve. While the Central Bank introduced USSD codes to enable some offline functionality, the infrastructure prerequisites for full participation remain significant barriers for many Nigerians.

IV. Consent and Coercion: Manufacturing Adoption

The eNaira's adoption strategy reveals the tension between democratic consent and authoritarian coercion in the implementation of synthetic sovereign systems. Despite extensive promotion by the Central Bank, voluntary adoption remained remarkably low, with surveys suggesting only 1 in 200 Nigerians actively using the eNaira during its first year. This resistance reflects both practical obstacles and deeper concerns about privacy, surveillance, and state control.

Faced with this reluctance, Nigerian authorities increasingly turned to coercive measures to manufacture adoption. The most dramatic example came in December 2022, when the Central Bank created an artificial cash shortage by restricting access to physical Naira notes, ostensibly as part of a currency redesign. This shortage resulted in protests and riots as people rejected the CBDC and called for cash to be restored. Despite this pushback, Central Bank Governor Godwin Emefiele characterized the initiative as successful, claiming adoption grew from 0.5% to

6% and stating that "the destination, as far as I am concerned, is to achieve a 100% cashless economy in Nigeria."

This manufactured crisis exemplifies how synthetic sovereignty often employs economic coercion to reshape citizen behavior when voluntary adoption fails. By creating artificial scarcity of physical currency, authorities attempted to force citizens into the digital system, regardless of concerns or readiness. This strategy reveals the fundamentally anti-democratic impulse often underlying CBDC implementations—a willingness to override citizen preferences in service of centralized control.

Beyond crisis engineering, the Central Bank has deployed various incentive structures to promote adoption, including:

1. Tax rebates for eNaira payments
2. Discounts on cab fares paid with eNaira
3. Integration with government salary payments
4. Partnerships with mobile money operators

These "softer" approaches to manufacturing consent still operate within a framework where rejection of the digital system becomes increasingly costly, both financially and in terms of access to essential services. As physical cash becomes more difficult to obtain and use, consent becomes increasingly illusory—a choice between digital participation on state terms or economic exclusion.

The struggle over eNaira adoption thus represents a fundamental contest over monetary sovereignty—not between nation-states, but between the Nigerian state and its own citizens. The central question becomes not whether Nigeria can assert sovereignty against global financial powers, but whether Nigerians themselves maintain any meaningful sovereignty over their own financial lives.

V. Surveillance as Governance: The Panopticon Economy

The eNaira transforms financial surveillance from a targeted investigative tool to a comprehensive governance mechanism. By creating complete visibility into all transactions conducted through the system, it establishes what might be called a "panopticon economy"—where all financial behaviors are potentially observable by state authorities at all times.

This surveillance capability extends far beyond traditional anti-money laundering or tax compliance measures. It enables:

1. **Behavioral Mapping**: Analysis of individual and collective spending patterns, creating detailed profiles of citizen economic activity

2. **Social Graphing**: Identification of financial relationships between individuals and organizations, revealing personal and political networks
3. **Geographic Tracking**: Monitoring of transaction locations, enabling mapping of physical movements through financial footprints
4. **Policy Targeting**: Precision implementation of monetary policy or sanctions against specific individuals, groups, or regions

These capabilities represent a fundamental transformation in the state's relationship to citizen economic activity. Physical cash transactions occur in a space of relative privacy, where individual financial choices are not automatically legible to authorities. The eNaira eliminates this privacy zone, making all transactions potentially subject to real-time monitoring and analysis.

This high level of supervision has brought apprehension amongst potential users in Nigeria, most of whom believe that eNaira was developed by the government to monitor their monetary transactions, breaching privacy rights and potentially serving as a tool for control. This concern is particularly acute in a nation where trust in government institutions is limited and where surveillance has previously been deployed against political opposition, activists, and journalists.

The implications extend beyond individual privacy to collective political action. Financial surveillance can identify funding sources for protests or opposition groups, map supporter networks, and potentially enable targeted financial restrictions against political challengers. In a democracy ranked only 43 out of 100 in Freedom House's 2023 assessment, with significant concerns about corruption and oppression, these surveillance capabilities raise profound questions about the potential for financial infrastructure to be weaponized against democratic participation.

Furthermore, this surveillance architecture creates what privacy scholars call the "chilling effect"—where citizens modify their behavior due to awareness of potential observation, even without direct intervention. The mere possibility that authorities might scrutinize financial transactions can discourage legitimate political donations, support for controversial causes, or economic relationships with perceived regime critics. This self-censorship effect makes the surveillance power of CBDCs particularly insidious, shaping behavior without requiring active enforcement.

VI. Programmable Control: Beyond Visibility to Intervention

Perhaps the most significant aspect of the eNaira's synthetic sovereignty implications lies not in what has been implemented but in what becomes possible through its programmable nature. CBDCs like the eNaira enable not just passive surveillance but active intervention in financial behaviors through programmable money features.

These capabilities, though not fully deployed in Nigeria's current implementation, include:

1. **Conditional Payments**: Funds that can only be spent on specific categories of goods or services
2. **Time-Bound Currency**: Money that expires if not used within a certain period
3. **Geofenced Transactions**: Payments restricted to particular geographic areas
4. **Behavioral Incentives**: Automatic rewards or penalties based on specified activities
5. **Automated Taxation**: Direct deduction of taxes at the moment of transaction
6. **Individualized Monetary Policy**: Different interest rates or spending limits for different citizens

Such features transform money from a neutral medium of exchange into a sophisticated tool for behavioral engineering. A government could, for example, issue stimulus payments that can only be used for domestically produced goods, expire within 30 days, and cannot be transferred to others—creating precisely targeted economic interventions impossible with traditional currency.

The eNaira's architecture includes smart contract functionality, though this feature has not yet been enabled. When activated, it would allow for the implementation of complex programmatic controls over how money functions. These capabilities represent the ultimate expression of synthetic sovereignty in the financial domain—not just observing economic activity but actively shaping and restricting it through code-based constraints embedded in the currency itself.

This programmability raises profound questions about autonomy and consent. When money itself becomes a policy implementation mechanism, citizens lose the ability to make independent economic decisions within the constraints of law, instead finding their choices pre-emptively channeled through programmatic restrictions. The distinction between regulation (which prohibits certain behaviors but preserves choice within those boundaries) and programming (which makes certain choices technically impossible) represents a fundamental shift in the nature of state power.

In a democratic context, such powers might be subject to legislative oversight, judicial review, and public deliberation. However, in Nigeria's implementation, these capabilities reside primarily with the Central Bank—an institution designed to operate with significant independence from democratic processes. This concentration of unchecked power over the monetary system represents a significant challenge to democratic governance.

VII. Resistance and Adaptation: Shadow Financial Systems

Nigerian citizens have not been passive subjects in the face of the eNaira's implementation, instead demonstrating significant agency through various forms of resistance and adaptation. The most obvious indicator is the CBDC's persistently low adoption rate, with 98.5% of wallets remaining unused on any given week according to IMF data, suggesting widespread rejection of state-controlled digital currency despite significant promotional efforts.

More active forms of resistance include:

1. **Continued Cryptocurrency Usage**: Despite the banking ban, Nigerians conduct substantial cryptocurrency transactions through peer-to-peer platforms, with Bitcoin trades worth approximately N497.35 billion ($1.16 billion) on Paxful alone between January 2021 and June 2022

2. **Parallel Market Remittances**: Citizens continue to use unofficial channels for remittances rather than the formal banking system or eNaira, prioritizing speed, cost, and privacy over regulatory compliance

3. **Cash Preservation**: During the cash shortage crisis, communities organized to protect access to physical currency, including protests against the forced digitization of the economy

4. **Digital Abstention**: Many Nigerians simply opt out of digital financial systems entirely, particularly in rural areas where traditional methods of exchange persist

These forms of resistance reveal the limitations of synthetic sovereignty when confronted with determined citizen agency. The Nigerian state, despite its control over formal banking infrastructure and regulatory authority, has been unable to fully capture financial activities within its digital surveillance system. Instead, a complex ecology of formal and informal financial practices has emerged, with citizens strategically navigating between state-controlled and alternative systems based on their specific needs and concerns.

VIII. Global Implications and Conclusion: Monetary Infrastructure as a Sovereignty Battleground

Nigeria's eNaira represents the vanguard of a profound transformation in the relationship between citizens, states, and money itself. As physical cash—the last truly anonymous, permission-less form of state currency—is gradually marginalized, CBDCs offer unprecedented capabilities for financial surveillance and control. This shift is not merely technological but fundamentally political, raising crucial questions about privacy, autonomy, and power in the digital age.

The eNaira case reveals that synthetic sovereignty in the monetary domain operates through a complex interplay of infrastructure, incentives, and coercion. By constructing digital systems that make financial activities legible to state authorities, CBDCs create the conditions for new forms of governance—ones where behavior is shaped not just through laws and penalties but through the technical architecture of money itself.

Yet Nigeria's experience also demonstrates the resilience of human agency in the face of digital control systems. Through strategic adoption decisions, alternative financial channels, and sometimes direct resistance, citizens have maintained spaces of autonomy despite the extension of state surveillance capabilities. This ongoing negotiation between control and

freedom will likely characterize CBDC implementation globally as more nations deploy these technologies.

The Nigerian model has significant global implications as the CBDC race accelerates worldwide. With 130 countries now considering digital currencies (up from just 35 in 2020), the Nigerian experience offers both a template and a warning. The technical architecture that enables surveillance and programmable control—masked behind financial inclusion narratives—presents an attractive model for regimes seeking to extend state power over economic life. Simultaneously, the persistent resistance and low adoption serve as cautionary signals about the limits of imposed digital transformation.

Nigeria's eNaira experiment encapsulates the deeper logic of synthetic sovereignty—where control is no longer asserted merely through territory or governance, but through digital infrastructure that rewires the conditions of daily life. What was once exercised through legislation or coercive enforcement now operates through code, architecture, and access design. In this context, a central bank becomes not just a monetary institution but a system administrator for national behavioral compliance.

The eNaira's case underscores a fundamental truth of the digital age: infrastructure is ideology. Whether a country's financial system is decentralized and open or centralized and programmable reflects not just technical design decisions but political visions of control, consent, and autonomy. Nigeria's CBDC represents a shift toward an infrastructural authoritarianism cloaked in the language of financial inclusion—an experiment in algorithmic governance over the economic lives of its citizens.

The future of financial freedom in this emerging programmable economy depends critically on design choices, governance structures, and legal protections. CBDCs could be implemented with robust privacy guarantees, democratic oversight, and meaningful consent mechanisms—or they could become sophisticated tools for authoritarian control, depending on the societies that deploy them. The technical architecture is not destiny; it reflects and reinforces existing power relationships.

As synthetic sovereignty extends into the monetary foundation of daily life, the stakes could not be higher. Money is not merely an economic tool but a fundamental social technology that shapes how we relate to one another and to governing institutions. The eNaira is therefore not just a case study in digital currency. It is a cautionary tale of what happens when synthetic sovereignty overreaches—when the digital state forgets that consent cannot be coded, and that sovereignty, to endure, must be shared.