

CHARTING THE FUTURE FOR AFRICA'S LARGEST ECONOMY:

ECONOMIC IMPACT OF COVID-19 IN NIGERIA

APRIL 2020

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Nigeria's first confirmed 2019 coronavirus disease (COVID-19) case was on 27 February. Since then, new cases have grown rapidly in line with global trends. The global pandemic spotlights gaps in Nigeria's healthcare system, underlying inequality, and concerns about a wide-scale outbreak.

COVID-19 and the projected global recession have the potential to reduce Nigeria's GDP by 4% in our moderate scenario and by 23% in our downside scenario.

The resulting global recession will require immediate actions and will put further pressure on Nigeria to diversify. COVID-19 and the projected global recession have the potential to reduce GDP by 4% in our moderate scenario and by 23% in our downside scenario. There are growing concerns about the economic impact of the outbreak as global markets record massive shifts, and tens of millions of people risk unemployment. Coupled with the decline in oil prices, COVID-19 will pose additional stress to Nigeria's wider economy, if not contained.

Our estimates are a rough approximation of how these two forces will affect the economy in 2020 rather than an econometric analysis. However, we are particularly concerned about the potential impact on micro, small, and medium enterprises (MSMEs), a driver of Nigeria's economy and employment, and the impact on women entrepreneurs, and school-aged youth. The pressure on the economy presents an opportunity to address economic inequality, high costs of production, and boost diversification efforts.

In addition to the immediate healthcare response, the Government of Nigeria has started to deploy a range of economic measures. The government has taken measures such as closing its borders and opening Emergency Operations Centres. Further, the Ministry of Health and Nigeria Centre for Disease Control (NCDC) are making progress with contact tracing and increasing public awareness. The Central Bank of Nigeria has also introduced interventions to cushion the economic effects of COVID-19. However, more support is required to address urgent health and livelihood needs, and for the economy and businesses to recover from the economic setback due to the crisis.

Required economic measures will cost trillions of Naira, and suggest that a joint response from the government, private, and social sector is required. As the COVID-19 pandemic progresses, limitations in government and private sector capital will inhibit optimal response.

The report identifies four categories of actions to support the economic recovery: the usual suspects, the unusual suspects, short-term actions, and medium-term actions.

In addition to more immediate healthcare support that global philanthropy has targeted to date, a few levers need to be pulled in Nigeria to support the economic recovery, with a focus on MSMEs: immediate cash injections, investments in electrification and competitiveness, digitisation, and infrastructure.

This report provides an analysis of the impacts of COVID-19 on Nigeria by first providing an overview of the global situation and Nigerian context, including the response to-date, then by estimating and describing the potential economic impact of COVID-19 on the broader economy and by sector, with a focus on MSMEs.

Finally, the report identifies four categories of actions to support the economic recovery: the usual suspects, the unusual suspects, short-term actions, and medium-term actions.

Actions to support economic recovery

The usual suspects needed to shift the structure of the economy and increase competitiveness while supporting additional foreign exchange reserves:

- Invest in power infrastructure— particularly renewable energy—to ensure reliable electricity access for manufacturing and SMEs, to reduce pressure on foreign exchange reserves, and to create jobs
- Invest in high-potential sectors such as agriculture, technology-enabled sectors, such as ed-tech, etc. through additional stimulus funding and guarantee structures

The unusual suspects that may normally be overlooked, and which can help increase the impact of the response:

- Involve women in decision-making and focus on women's economic contributions
- Ensure a level playing field for access to intervention funds
- Endow a fund for the arts to support artist development, protect national identity, and encourage economic recovery
- Expand high-speed internet infrastructure, with initial focus on key urban centres particularly beyond the South West

- Provide mental health support for business owners and individuals to protect the health of the individual and ensure businesses can thrive, with a special focus on healthcare workers

Short-term actions to help secure financial relief for daily wage workers and safeguard agricultural output, manufacturing and free flow of critical goods:

- Give cash/food aid
 - Build credible vehicles to deploy philanthropic capital from companies, foundations, and individuals for individual and business relief
 - Increase social safety net programming, to the extent possible
- Secure the food supply
 - Solve fertiliser supply chain issues now in order to address planting needs
 - Secure and transport agricultural inputs and produce across state borders

- Expand credit facilities, blending, and forbearance
 - Extend loan holidays/moratoria and tenor, to the extent possible
 - Launch short-term facilities to restart informal businesses
 - Ensure that women access capital facilities, including revisiting collateral requirements, marketing, and structure
 - Develop blended finance facilities for infrastructure investments in healthcare and other sectors
 - Pivot and digitise
 - Develop digitisation programme for MSMEs to pivot service delivery and digitise operations
 - Digitise government payments using the pandemic / recession to encourage plugging the leakages
 - Support manufacturers and creative businesses to produce critical products (hygiene safeguards, more effective production, simplify design, etc.)
 - Ensure continued healthcare coverage
 - Remove barriers to or incentivise healthcare coverage for critical areas beyond COVID-19 (i.e., maternal health, under-five pneumonia, malaria, Lassa fever, malnutrition)
 - Conduct awareness campaigns on the importance of managing critical diseases even during the pandemic
 - Make decisions for the future
 - Plan for how COVID-19 healthcare infrastructure will be deployed post-COVID-19
 - Start planning and securing the fertilizer and inputs needed for the dry (second) season farming
 - Address inter-state transit challenges
 - Identify priority sectors
- Medium-term actions** to continue economic recovery:
- Prepare for the next shock
 - Invest in preparedness before the next outbreak, epidemic, pandemic, or disaster
 - Invest in affordable e-learning, digital health, and e-commerce platforms, and digital financial services
 - Give more cash: Give direct grants and loans for MSMEs to soften the impact from low cash flows, and provide capital for quick recovery
 - Continue targeted credit facilities, exploring monetary policy shifts
 - Develop trade finance facilities for MSMEs to meet higher foreign demand and consider temporary tax cuts on exports
 - Re-examine capital strategies for financial service providers and consider monetary policy changes to reduce reliance on foreign currency

Reviewing the global and Nigeria context

Global situation

The outbreak of COVID-19 has disrupted the global economy and resulted in hundreds of thousands of infections and fatalities. The global pandemic has led to stressed healthcare systems, significant loss of life, and resultant economic impacts. As of April 26, there were over 2.9 million cases of coronavirus globally and over 180,000 fatalities¹. Estimates suggest that over 25 million jobs could be lost worldwide and in February 2020 alone there were US\$50 billion in estimated losses to global export revenue^{2,3}.

While new cases of COVID-19 have declined significantly in Asia, cases in Europe, the United States, and Africa are growing dramatically. The surge in cases outside of Asia has led to a series of measures to try to curb the spread of COVID-19. Countries in Asia took measures by investing in country-wide testing, and enforcing city-wide lockdowns. Other countries adapted their approaches as cases numbers and fatalities surged. For example, Italy failed in taking strict measures in curbing earlier cases, especially social distancing and city lockdowns. However, most Italian cities are currently locked down, and Italy has closed its borders. The United States has closed its borders to certain regions, enforced city lockdowns, and approved a US\$2 trillion stimulus package. Countries such as Morocco and Ghana have sanitized streets and markets to curb infections, and countries like Nigeria, Ghana, Senegal,

Morocco, Angola and South Africa have completely shut their international borders⁴.

Nigerian context

In Nigeria, there has been a sharp rise in the number of confirmed cases after weeks of relatively few reported cases. As of April 26, there were over 1,100 confirmed cases of COVID-19 in Nigeria⁵. The actual number of cases is most likely higher, due to limited testing capabilities and the way the virus spreads in part because many who may be infected and contagious are likely to be asymptomatic.

The rise in COVID-19 cases brings into spotlight the gaps in Nigeria's healthcare system, and concerns about a wide-scale outbreak. Nigeria's healthcare system is underfunded. Nigeria's total health expenditure in 2016 was approximately US\$18 billion for a population of 180 million people compared to South Africa's expenditure of US\$26 billion for its population of 56 million⁶. Due to its underfunding, Nigeria's healthcare sector does not have adequate capacity to manage a widespread outbreak. Nigeria has only 8 hospital beds per 10,000 people. In contrast, Italy—a country severely affected by COVID-19—has an average of 34 beds per 10,000 people⁷. Historically, migration has affected the number of primary healthcare workers in Nigeria and those that remain are primarily concentrated in urban areas.

To close its healthcare gap and support patients, Nigeria will need to increase supply of personal protective equipment, oxygen equipment, healthcare worker support, and testing. Data from 2014 suggested that Nigeria had approximately 134,000 hospital beds, and 4 physicians per

1 John Hopkins, Coronavirus COVID-19 Global Cases, 2020

2 BBC, Coronavirus: A visual guide to the economic impact, 2020

3 United Nations Conference on Trade and Development. Trade and Development Report Update – Global trade impact of coronavirus (COVID-19) epidemic. March 2020

4 Africa Arguments, Coronavirus in Africa Tracker, 2020

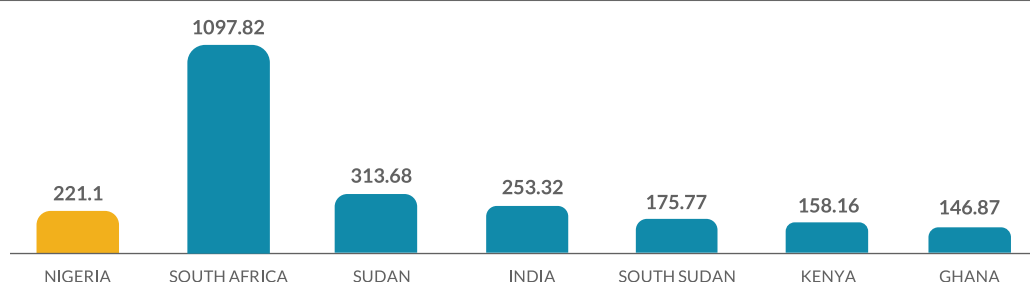
5 Nigeria Centre for Disease Control, Updates on COVID-19, 2020

6 World Bank, Current Health Expenditure (% of GDP), 2017

7 World Bank, Hospital beds per capita, 2019

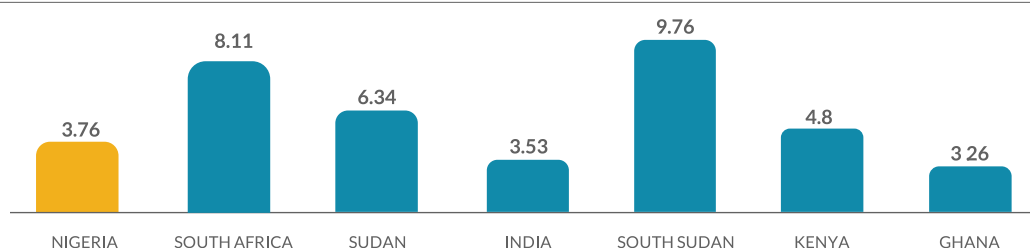
Healthcare expenditure per capita

USD, 2017



Healthcare expenditure

% of GDP, 2017



Source: World Bank, Current health expenditure per capita, PPP (current international \$) and Current health expenditure (% of GDP)

10,000 population^{8,9}. Additionally, there is a need to increase critical care capacity to help reduce case fatality rates. Ventilators, which have been used for treatment for patients with severe cases of COVID-19 in other countries, are limited in Nigeria—current ventilator capacity is presumed to be less than 500^{10,11}.

New infections have also risen in neighbouring countries, which may create further pressure on Nigeria, as a regional economic heavyweight. As COVID-19 cases rise in countries around Nigeria, there is a need for improved border control to curb the spread of land-borne infections. Regional trade has been particularly important for Nigeria and its ECOWAS neighbours; however, appropriate health check points are required. Nigeria's borders, especially in the Northern region are poorly protected, and this can potentially exacerbate the

spread of COVID-19 and put pressure on Nigeria's limited resources. Trends in the EU have shown how poor border control can lead to an infection spill over. With pressure on resources due to past insurgencies, North Eastern Nigerian States may be less prepared for a pandemic. Borno State, the worst-hit state by Boko Haram shares a border with Cameroon, which recorded over 1,500 cases of COVID-19, as of April 26¹². Further, resources in many border states may be further constrained as Nigeria has over 2.2 million internally displaced persons¹³.

A contracting economy is looming for Nigeria given the dual threat of COVID-19 and falling oil prices¹⁴. COVID-19 has caused a decline in oil demand given restrictions in movement and reductions in travel. China witnessed a 20% decline in demand for oil.

8 US International Trade Administration, Healthcare Resource Guide: Nigeria, 2015

9 WHO Workforce Alliance, Progress report on the Kampala Declaration and Agenda for Global Action

10 Punch, "Nigeria has less than 500 ventilators for coronavirus patients—Sources", 24 March 2020

11 Quip by LifeBank

12 John Hopkins, Coronavirus COVID-19 Global Cases, 2020

13 Internal Displacement Monitoring Centre, 2018

14 Foreign Policy, "Report: Demise of the Petrostates", 12 March 2020

As of March 23, the price of crude oil from Nigeria was at US\$25, the lowest price in three decades; and the price is projected to decline to US\$20^{15,16}. Nigeria's economy is highly reliant on the oil and gas sector—90% of foreign exchange reserves is from oil exports and the Naira's valuation is tied to oil sales. The oil slump will have dire impacts on the Nigerian economy, particularly on government spending as the sector provides three-quarters of government revenues.

The Nigerian economy is still in recovery from the last recession, thus COVID-19 and the low oil price put further pressure on the economy. The potential impact on the economy is even more critical given the budget-revenue gap, low reserves and high government debt. The President had signed a budget for NGN10.59 trillion (circa US\$2.9 billion) in December 2019, on the assumption that oil price would be US\$57 per barrel. With the falling prices, the Government of Nigeria revised the budget to NGN9.29 trillion in March 2020 to take into account the oil price decline^{17,18,19}.

Regarding its own foreign exchange reserves, Nigeria had already lost 20% of its reserves by mid-2019.

Reserves currently stand at US\$36.2 billion, worth 10 months of imports, and are expected to decline further with the oil price slump²⁰.

Coupled with the already high government debt, relative to high debt servicing ratio, there is limited room for the government to borrow from external sources or absorb funds from its own reserves to address this revenue gap. The expected revenue

gap will impact government spending across sectors, especially for non-priority sectors.

Globally, stock markets have seen a rapid decline, particularly amplified since February given the rapid spread of COVID-19. In Nigeria, the equities market is already absorbing COVID-19 related shocks and the falling oil prices as reflected in the decline of the ASI performance²¹.

Experts suggest that the equities market will likely experience negative returns by end of year.

Nonetheless, the market is expected to rebound in the medium-to-long-term, as it did after the 2014/2015 oil price slump and 2016 recession.

The market recorded positive growth in 2017, which could be mirrored after the expected slump of 2020.

The 2014/2015 oil price slump and 2016 recession

From 2014 to 2015, Nigeria experienced a fall in oil prices, which had a significant impact on construction, trade, services and industry—although the agriculture sector was resilient as the economy went into a recession in 2016^{22,23}.

- **Capital outflows:** Lower oil prices depleted Nigeria's foreign exchange reserves and depreciated the Naira relative to US dollar. As a result, global financial markets were concerned about Nigeria's ability to defend the Naira, leading to capital outflows. Nigeria lost circa US\$20 billion, equivalent to approximately 4% of its GDP²⁴.

15 Central Bank of Nigeria, Daily Crude Oil Price

16 The Guardian, "FG proposes budget cuts as projected oil prices heads for \$20", 10 March 2020

17 BusinessDay Nigeria, "Updated: FG to cut budget by N1.5T, crude oil Benchmark at \$30, capital budget 20%", 18 March 2020

18 The Africa Report, "How coronavirus and global oil price war can impact Nigeria", 11 March 2020

19 CardinalStone. Nigeria Economic Update: Racing Against Time. March 2020

20 CEIC Data, Nigeria Foreign Exchange Reserves, Retrieved March 2020

21 The Nigerian Stock Exchange, "Weekly Reports," Retrieved for 06/12/19, 03/01/2020, 31/01/2020, 28/02/2020, 13/03/2020

22 Central Bank of Nigeria, "GDP statistics," Retrieved 19 March 2020

23 ODI Working Paper. The oil price shock of 2014: Drivers, impacts and policy implications. March 2015

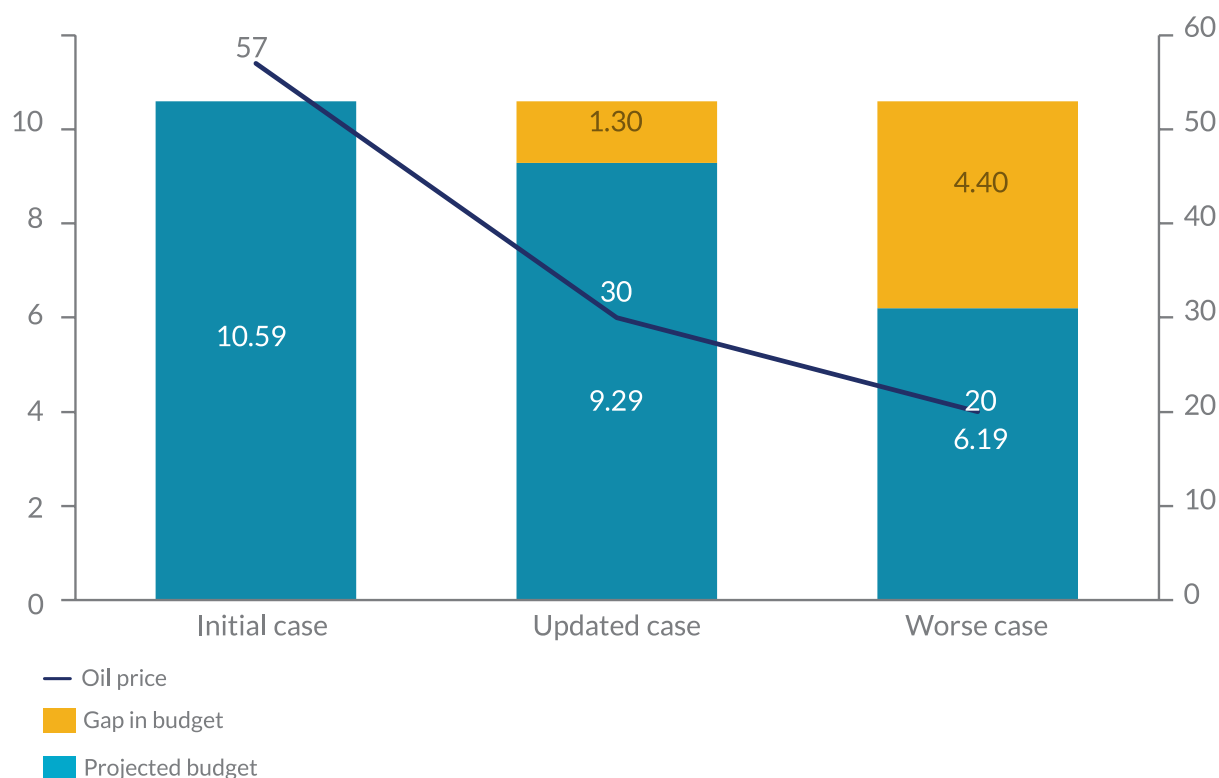
24 Council on Foreign Relations, "Can Nigeria endure falling oil prices," 2014

Restrictions on imports, affected import-reliant sectors:

The limited foreign exchange reserves led to restrictions in foreign exchange from the interbank market. Further, the CBN restricted imports for select goods to maintain reserves.

These restrictions had a significant impact on the manufacturing and trade sectors, which are dependent on imported inputs and machinery. EBIT declined for manufacturing and trading capitalized stocks, at an average of -9.6% by 2016.

Projected government budget, relative to projections in oil prices



Source: Foreign Policy, "Demise of petrostates," 03/2020; Guardian, "FG proposes budget cuts as projected oil prices head for \$20," 03/2020; The Africa Report, "How coronavirus and global oil price war can impact Nigeria," 03/2020; CardinalStone, "Nigeria Economic Update," 03/2020; CEIC, "Nigeria Foreign Exchange Reserves," Retrieved 03/20

Note: The projected government budget assumes a linear relationship between oil prices and revenues. In practice, the government's projected budget is a function of oil production, price, and other factors like capital intensity. Worst-case scenario adopts the lowest price as per experts' projections given the COVID-19 pandemic.

- **Growth of agriculture sector:** The agriculture sector remained resilient, with consistent GDP growth, coupled with increased EBIT growth, peaking at 99% in 2016. The government also introduced additional policies to support rapid growth of the sector, to reduce foreign exchange spending, diversify the oil-based economy, and increase food security.

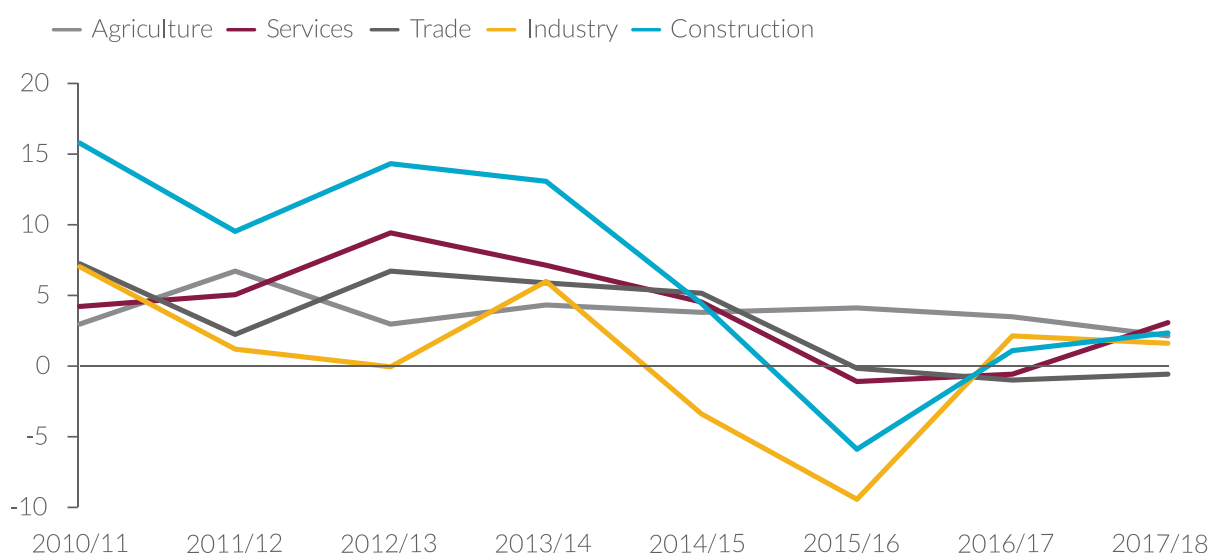
The GDP contribution by sector remained mostly static during previous recessions with slight decreases from the oil and gas sector and an increase for agriculture. Services and agriculture make up more than 60% of the economy; within services, the trade sector makes up over 18% of total GDP.

The oil and gas sector—representing only 9% of GDP—saw a slight decline in GDP contribution (circa 2%) during the last recession, signalling a slight move towards diversification in the broader economy.

From 2014 to 2015, Nigeria experienced a fall in oil prices, which had a significant impact on construction, trade, services and industry—although the agriculture sector was resilient as the economy went into a recession in 2016

Year-on-Year GDP change across five sectors

%, 2010/11 – 2017/18



Source: CBN, "GDP statistics," Retrieved 19/03/2020

The role of MSMEs

MSMEs are the backbone of Nigeria's economy: they account for 50% of Nigeria's GDP, and employ 77% of the country's total workforce. MSMEs are a key source of income for women, whom make up 49% of entrepreneurs.

Micro, small, and medium enterprises (MSMEs) are likely to be hardest hit by a recession, and less likely to quickly overcome the business impacts of COVID-19²⁵. MSMEs face constraints across three axes in the context of COVID-19:

- Limited access to finance. MSMEs depend on cash, making it difficult to recuperate after the COVID-19-related shocks. Even if they want to remain open, they will have difficulties accessing finance and salaries for staff could go unpaid, leading to loss of income for entrepreneurs and employees.
- Decreased consumption. There will be a significant decrease in consumption as lockdowns and the pending recession will force layoffs. As with past recessions, consumer behaviour will change, focusing on essential goods. Due to this, MSMEs will be affected since they depend on cash from daily sales to sustain their capital and for daily income.
- Limited digitisation. As lockdowns get extended and people's behaviours change, businesses will need to change their operations while connecting with consumers.

However, MSMEs are generally not digitised, supply chains are more informal, and they may not have the resources to pivot in the near-term.

There are more than 41 million MSMEs in Nigeria, with a majority in the trade, agriculture, and manufacturing sectors. In 2017, the total number of MSMEs in Nigeria was 41.5 million, up from 17.3 million in 2010, with the trade (42%), agriculture (21%), and manufacturing (9%) sectors accounting for the largest shares of businesses²⁶.

MSMEs are the backbone of Nigeria's economy: they account for 50% of Nigeria's GDP, and employ 77% of the country's total workforce. While the GDP figures are in line with international average, Nigeria's employment by MSMEs is above the average 50% (although the global data is from 2010). Nigeria's agricultural MSMEs contributed 97% to total agriculture GDP, while trade and manufacturing sectors contributed 59% and 55% respectively to total sector GDP²⁷.

Further, MSMEs are a key source of income for women, whom make up 49% of entrepreneurs, with significant representation in sectors such as trade, manufacturing, and hospitality.

Following the last recession, workforce employment from MSMEs fell from 84% in 2013 to 77% in 2017 as businesses were unable to sustain operations and keep employees.

Given the limitations MSMEs face, potential economic recovery and diversification plans will

need to focus on supporting MSMEs.

MSME development can contribute significantly to economic diversification and resilience. According to OECD, the MSME contribution to diversification is especially relevant for resource-rich countries (such as Nigeria) that are particularly vulnerable to commodity price fluctuations²⁸.

The CBN has already taken proactive steps to provide capital for MSMEs through a NGN50 billion credit fund. However, there is a need for sector-based interventions to address differential effects on sectors.

Agriculture and trade account for the majority of employment in Nigeria. In these sectors, 92% and 56% of the jobs are informal, and therefore reliant on daily wages²⁹. While tendency to save differs based on behavioural characteristics rather than demographic, informal workers tend not to have a deep safety net, i.e., no pension or life insurance, limited health insurance coverage, and are at more risk to experience shocks. Healthcare shocks are common, along with high vulnerability to hunger and poverty³⁰.

Informality is particularly important in considering economic stimulus and recovery, i.e., how to access informal workers. **The majority of workers will not access lending facilities or cash transfers as they are not captured by government programmes or systems, i.e., they may not be eligible for social investment programmes, may not pay taxes, and may not hold identification cards).**

26 SMEDAN, National Survey of MSMEs 2017, 2018

27 SMEDAN, National Survey of MSMEs 2013, 2014

28 OECD, Enhancing the Contributions of SMEs in a Global and Digitalised Economy, June 2017

29 National Bureau of Statistics, Nigeria Labour Force Statistics, 2018

30 Dalberg with Rockefeller Philanthropy Advisors, The Human Account Nigeria: <https://www.thehumanaccount.com/nigeria>

The response to-date and limitations

While several private sector actors have been proactive in quickly mobilizing capital to support urgent health response, the private sector is not immune to the effects of crisis and resultant instability on their operations. The private sector will struggle to keep up support considering the expected economic downturn.

Cognizant of the potential setbacks, the Central Bank of Nigeria (CBN) has introduced interventions to offset the challenges of COVID-19 and the falling oil price³¹. The interventions include:

- Extension of moratorium on loans. Extension on repayment provided to CBN intervention facilities for one year, effective as of 1 March 2020.
- Creation of a NGN50 billion fund targeting households and MSMEs. For MSMEs, potential beneficiaries include airline service providers, hoteliers, healthcare providers, etc. The fund will be deployed under the NIRSAL Microfinance Bank.
- Reductions of interest rates for intervention facilities. Interest rates reduced from 9% to 5% for CBN intervention facilities for a period of one year. The measure is effective as of 1 March 2020.
- NGN100 billion credit support for the healthcare industry. The facility seeks to improve healthcare outcomes given the anticipated stress to healthcare facilities. Potential beneficiaries include manufacturing pharmaceutical industries, hospitals, healthcare providers, etc.
- Setup of COVID-19 Relief Fund. Launched account domiciled with Central Bank for voluntary contributions and donations.
- Regulatory forbearance for deposit money bank debt restructuring. Approved leave to banks to consider temporary and time-limited restructuring of loan tenor and terms to businesses and households.
- Strengthening of loan-to-deposit ratio policy. The LDR policy can support credit growth and reduce interest rates.

While public funding systems are already activated to respond to COVID-19 and the economic situation, public systems are generally ill-equipped to respond nimbly to rapidly evolving crises. Further, coupled with the already high government debt and high debt servicing ratio, there will be limited continued ability to borrow from external sources to fully address the revenue gap, at a time when Nigeria will experience declining GDP and pressure on foreign reserves.

A coalition of SMEs issued a call to action highlighting that Nigeria committed a smaller percent of its GDP to economic recovery than other emerging and developed markets. The credit facility was estimated to cover only up to 1,500 SMEs if the maximum amounts were disbursed³². However, NIRSAL Microfinance Bank already received over 80,000 MSME and household applications to the credit facility by April 14³³.

While several private sector actors have been proactive in quickly mobilizing capital to support urgent health response, the private sector is not immune to the effects of crisis and resultant instability on their operations. The private sector will struggle to keep up support considering the expected economic downturn.

31 CBN Circular. CBN policy measures in response to COVID-19 outbreak and spillovers. 16 March 2020

32 The Guardian, Op-ed "Nigeria, support your small and growing businesses", 20 April 2020

33 Vanguard Nigeria, "CBN N50bn COVID-19 Fund: NIRSAL MFB waives business plans", 14 April 2020

As the COVID-19 outbreak unfolds, global donors, foundations, and development finance institutions have mobilized funding for prevention, response, and recovery efforts mostly in the form of grants and loans. However, solutions to address the repercussions of COVID-19 go beyond current funding levels. **Additional philanthropic capital—from donors, private foundations, and**

individuals—will be uniquely placed to rapidly mobilize, anchor public-private collaboration, and to take risks in response to the pandemic.

The economic response needs strong government-led and private and social sector-enabled action—collaboration will be required.



Estimating the economic impact of COVID-19

We reviewed quantitative and qualitative factors to assess the economic impact of COVID-19 in Nigeria, identifying sector-specific issues, based on our past work, initial hypotheses and interviews.

The effects of COVID-19 on the Nigerian economy will unfold as immediate and medium-term shocks to the economy:

- The immediate COVID-19 economic implications generally start as a supply shock—shops, factories and value chains are disrupted, effects get deeper as supply repercussions cascade (company A cannot make X, because company B did not make or sell Y).
- At the same time, a demand shock appears—people who are out of jobs spend less, bankrupt firms cannot invest, and those that can still invest are more cautious. This risk aversion then amplifies the initial shock leading to an even worse economic outlook, leaving more people out of jobs, income and food.

- The situation is compounded by the fact that COVID-19 is a global pandemic and the resulting recession is global.

The potential economic impacts from COVID-19 can be understood by looking at drivers and enablers of Nigeria's economy. As highlighted above, the agriculture, trade, and manufacturing sectors significantly contribute to Nigeria's GDP and informal employment. While noting that GDP data does not cover 100% of the economy, combining GDP data and employment data with a sectoral and sub-sectoral review in Agriculture, Industry (e.g., trade, manufacturing, mining, oil & gas, construction/infrastructure), and Services (e.g., wholesale and retail trade, creative industries/arts & entertainment, education, hospitality) provides a clearer view of potential impacts.

Note: The oil & gas sector along with hospitality and tourism are excluded from our sectoral analysis. These sectors are very-well covered in other global analyses.

Potential scenarios

Both the downside and moderate scenarios suggest a contraction in 2020—a 4.1% reduction in GDP in the moderate scenario, and a 23.0% reduction in the downside scenario.

Two economic scenarios cover the effect of the global pandemic, projected recession and oil price dynamics.

In our moderate scenario, the COVID-19 crisis stabilizes in H2 2020, the oil price war ends in détente, the Naira recovers, and the economy stays out of a deep recession. Potential hints of the moderate scenario might include:

- Government and economic activity improve after decline: foreign exchange pressure declines halting further devaluation
- Federal government loses portion of budget given basis on US\$59/barrel, leading to reduced government spending in some areas
- Decline in export trade as some major trading partners are affected

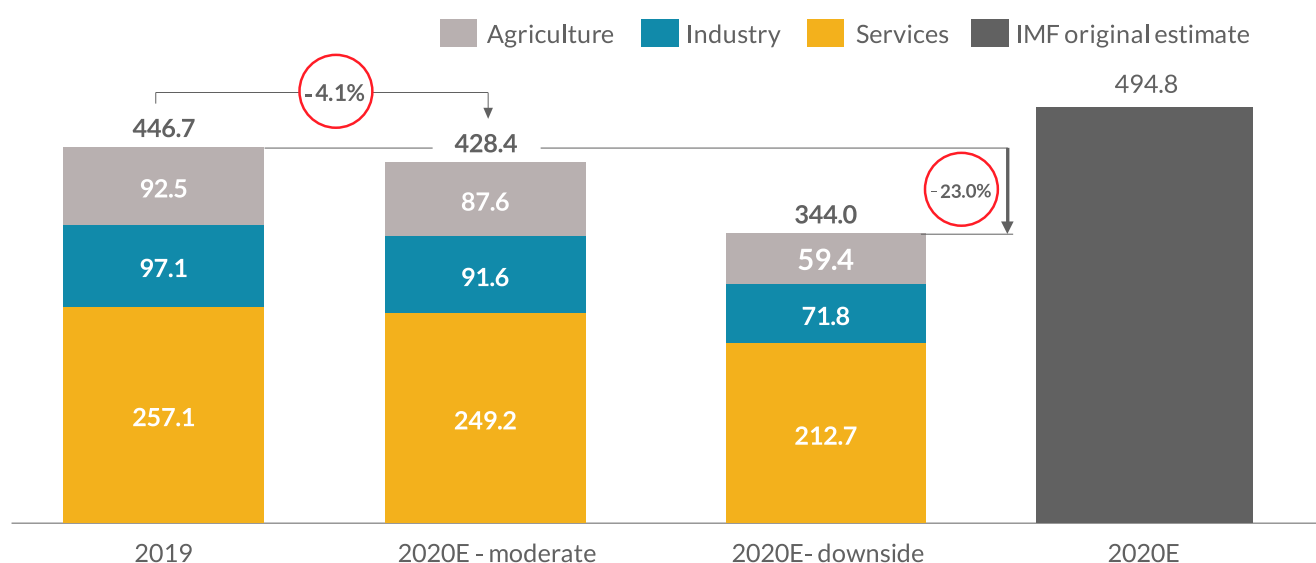
- Local demand limited when lockdowns occur, and demand reduced for more expensive products post-COVID-19 due to increased unemployment
- GDP reductions linked to global recession
- Risk of recession also diverts private sector and DFI attention from sectors that are perceived as non-critical leading to decline in sector performance

In our downside scenario, the pandemic continues beyond H2 2020, the oil price war persists, the Naira depreciates, and the economy is in a deep recession. Potential hints of the downside scenario might include:

- Significant deficit spending and/or aid package to deal with COVID-19 and offset loss of oil revenues, further damaging government finances, and eroding investor perceptions

GDP, 2019 and 2020 estimates

Billion USD



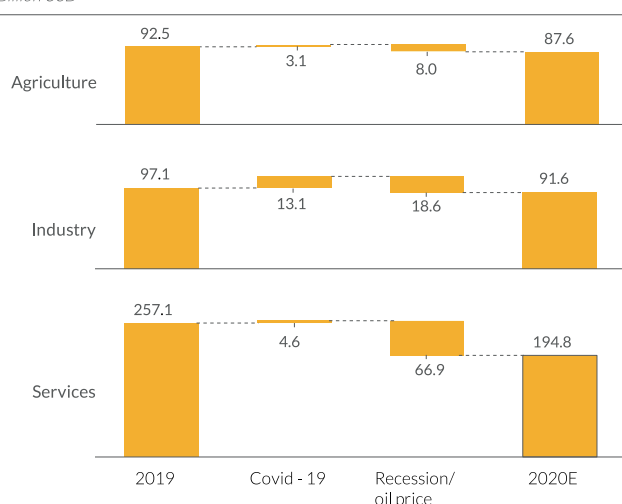
Source: IMF GDP estimates; Dalberg COVID-19 Nigeria economic model

- Limited government reserves lower possibility to stimulate the economy after pandemic spending
- Foreign exchange reserves further reduced as international products are sourced to combat crisis
- Domestic demand greatly reduced due to significant layoffs and revenue loss in several sectors
- High inflation outpaces wage growth and changes consumption behaviours
- Significant reduction in investment as institutions become hypervigilant about risk and have less money to invest

Both the downside and moderate scenarios suggest a contraction in 2020—a 4.1% reduction in GDP in the moderate scenario, and a 23.0% reduction in the downside scenario. We developed a model to roughly estimate the impacts on GDP. We investigated two separate components of the likely GDP impacts, one focused on the healthcare impacts linked to the pandemic and the other focused on the global recession. For the “COVID-19 component” we based our model on the experience of Guinea, Liberia, and Sierra Leone from 2014 to 2016, during the Ebola virus epidemic in West Africa, which had varying impacts on GDP by sector.

Moderate scenario GDP by sector, 2019 and covid - 19/recession impacts 2020E

Billion USD



For the “global recession/oil price component”, we based our model on Nigeria’s past economic performance during the 2009, 2015, 2016, and 2017 slowdowns.

MODERATE SCENARIO

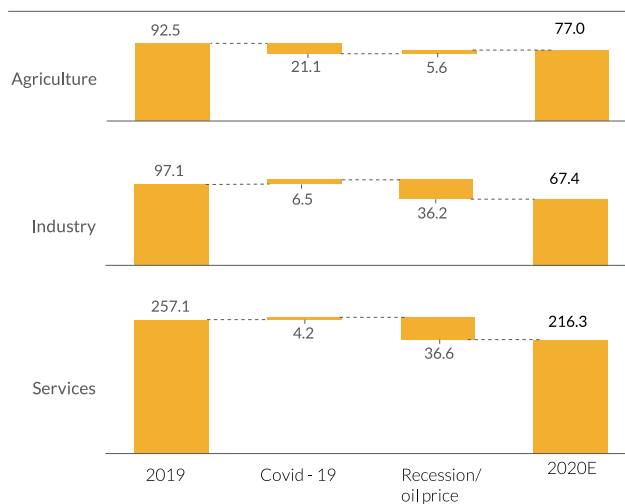
In the moderate scenario, the global recession and oil issues drive an estimated 4.1% reduction in 2020 GDP, even with a well-managed COVID-19 response.

Based on the Ebola virus outbreak, agriculture and industry have the potential to grow moderately during the pandemic (in the best-case scenario), i.e., given demand for essential items and with limited planting season interruptions. For agriculture, the moderate scenario comparator was selected from the country showing the first positive per cent growth. Industry impacts seem to have been deferred to 2015 and 2016, so the comparator was selected from the country with the best 2014 performance. As services seem to have recovered quickly across all three countries during the epidemic, the comparator was selected from the country with the best performance in the period.

Based on Nigeria’s past contractions, the 2009 recession had the smallest per cent reduction in sectoral GDP, except for services, which was least hit in the 2015 slowdown.

Downside scenario GDP by sector, 2019 and covid-19/recession impacts 2020E

Billion USD



Source: National Bureau of Statistics, Nigeria Gross Domestic Product for Nigeria; World Bank Group Data: World Bank national accounts data, and OECD National Accounts data files; African Development Bank Socioeconomic Database – GDP contribution by sector; Dalberg analysis

DOWNSIDE SCENARIO

In the downside scenario, the projected global recession and oil issues drive a 23% reduction in GDP, with significant pressure on industry and services as the pandemic requires more government intervention.

Based on the Ebola virus outbreak, the worst-performing sectors varied by country and year. In agriculture, the impacts varied in comparator countries. The agriculture sector comparator was selected from the country with the lowest sectoral

growth (without having shown previous positive growth). For industry, impacts seem to have been deferred to 2015/2016, so the comparator was selected from the country with the worst 2014 performance. Services seems to have recovered quickly across all three countries, so the comparator was selected from the country with the worst 2014 performance.

Based on Nigeria's past contractions, the 2016 recession had the largest per cent reduction in sectoral GDP, except for industry, hardest hit in the 2015 slowdown.



Sectoral analysis

The sectors will be impacted differently; however, food shortages, substantial layoffs and significant impacts on education are likely. The sectoral analysis lays out how the sectors may be impacted by COVID-19 and the recession highlighting the critical challenges actors will face. For each sector, we reflect on the experience of MSMEs and marginalised groups.

Driving sectors	Agriculture	M. Likely short-term fertiliser shortage, yield decreased and a possible long-term price hike D. A long-term pandemic will put strain on global supply chains, limited ability for domestic production to cover food demand
	Manufacturing Industry	M. Limited supply chain disruptions and ability to resume production D. International supply chains significantly affect production, plant closures / line or shift reductions as working capital is constrained
	Trade Services	M. Cash-to-stock traders will be greatly affected, temporary disruptions to supply chains, and possible long-term price hike D. Substantial layoffs and decline in sales, consumer behaviour changes, creating demand for essential goods only
	Healthcare Services	M. Some increased attention and investment in healthcare sector, which will improve overall health capacity D. Shifted focus and investment in healthcare to improve capacity, but significant mental health toll on healthcare workers
	Education Services	M. Minor loss of education, especially in low-income communities without access to distance learning platforms D. Schools likely re-opened after some time, increased economic pressure on out-of-school population
	Transportation Services	M. Massive loss of revenue for airline industry, likely slowdown in business travel post-COVID-19 D. Land transport recovers but push towards cheapest option, airline and surrounding businesses greatly affected
Enabling sectors	Arts & Ent. Service	M. Massive loss of income in short term, live and event industry affected for longer term D. Major revenue decline, pandemic-related restrictions on gatherings, consumers focus on purchasing essential goods
	Finance Services	M. Banks become hypervigilant, minor loss of revenue from drop in consumer spending D. Financial institutions lose access to international trade lines, decline in cross-border trade and massive revenue loss for banks
	Infrastructure Industry	M. Publicly-funded infrastructure projects will be muted, longer and more frequent power outages D. Deterioration of existing infrastructure, reduction in power supply and internet connectivity. Very limited new projects

Source: Dalberg analysis

Key: ■ Low economic impact ■ Moderate economic impact ■ High economic impact M = Moderate D = Downside

Sector	Constant GDP contribution %, 2019	Number of jobs Millions, 2017	MSME share of sector GDP %, 2013	4-year CAGR %
Agriculture	25.2	32.4	97	3.0
Industry	22.2	6.7	26.1	0.8
Manufacturing	9.1	4.9	55.5	-0.4
Infrastructure	4.3	1.7	33.4	2.2
Mining and quarrying	8.9	0.1	4.3	-1.4
Services	52.6	30	50.5	0.8
Trade	16.0	10	59.4	-0.6
Healthcare	0.7	2	59.3	-0.5
Education	2.1	2.5	41.3	0.3
Transportation	1.5	2.4	68.4	7.1
Finance	3.0	0.9	6.1	0.3
Arts & Entertainment	2.9	0.5	97.8	2.5
Accommodation and food services	0.9	0.9	45.9	-0.6
Information and communication services	10.3	0.3	12.0	5.5
Public administration and defense	2.1	N/A	N/A	-2.8
Real estate activities	6.1	0.07	55.6	-4.6
Professional, scientific and technical activities	3.6	4.3	6.1	0.3
Administrative and support services	0.02	0.4	89.5	0.4
Others	3.4	5.6	N/A	2.8

Note: Descriptions in the report include areas classified differently from the United Nations for ease of readability between sectors

Source: NBS, Nigeria Gross Domestic Report, 2019; NBS, Nigerian Labor Force (20-40 hours of work), 2017; SMEDAN & NBS, 2013 MSME Survey Report, 2014

AGRICULTURE

The agriculture sector is likely to receive increased focus from the government to ensure national food security. However, potential supply chain disruptions pose a threat to this sector, especially in securing production this season and distribution in the next planting (later in 2020). As the virus spreads, rural agrarian communities are less likely to succeed with social distancing and other preventive methods, leading to a likely reduction in production if farmers are highly affected.

A disruption of international trade routes might affect the import of important inputs such as improved seeds and fertilizers—limiting yield and truncating production capacity for local demand, which might usher in commodity price hikes. International supply chain disruptions will also affect the supply of processed foods, putting more pressure on local crop production.

There will be behavioural changes in consumers, forcing a prioritisation of less expensive food substitutes. However, there will likely be increased demand from neighbouring countries due to competitiveness of the Nigerian Naira. Finally, women are less included across agricultural value chains and will be more acutely affected by economic shocks. For example, women might be disproportionately excluded from the economic recovery as loans often require collateral—which women are less likely to have.

INDUSTRY

Manufacturing

The manufacturing sector will likely be deeply impacted as production from non-essential factories are halted during lockdowns. In addition, imports of inputs will become more expensive due to the Naira devaluation, and broken supply chains will disturb production. However, a further devaluation of the Naira could make locally manufactured goods more attractive for neighbouring countries, an opportunity which may not be maximized given potential for continued

international trade disruptions caused by the pandemic.

Some manufacturing sub-sectors may experience increased demand. For example, micro-manufacturing plants can be revived to supply personal protective equipment (PPE), and local FMCG manufacturers targeting the base of the pyramid (and lower cost products) may benefit from increased demand given increased consumer price sensitivity. However, FMCG production dependent on imports will be hard hit in 2020. Unfortunately, while manufacturing has lower levels of informality than other sectors, previous recessions suggest potential for significant job losses and wage reductions as plants reduce operations or reduce the number of shifts.

Infrastructure

Infrastructure investments will likely slow in the short term, with potential longer-term economic repercussions. Publicly funded infrastructure projects will reduce overall as the revenues dip and the government enacts budget cuts, while project developers will struggle to raise commercial capital as investors become risk averse.

Public spending in the medium-term and long-term will face two opposite pressures. Government stimulus investments to get the country “back to work” may provide a limited number of jobs. However, there will likely be massive cuts in government spending, which will further compound critical infrastructure supply gaps, and significantly impact blue-collar jobs.

Increased activity on the services side for sub-sectors deemed essential, i.e., internet, telecommunications, will likely shield infrastructure growth for those sub-sectors. However, surging demand for services due to shifts towards remote work and a spike in demand for data will require increased infrastructure investments or else demand will strain existing infrastructure, leading to slower internet connectivity, in turn impacting business productivity. Further, in the long term, while demand for data is expected to remain high,

willingness to pay might reduce, especially for MSMEs and individual users given significant cuts in business revenue and low consumer spending.

Finally, foreign capital and guarantees become harder to attract due to uncertainty of demand and potential longer-term economic issues without innovative vehicles or attractive terms.

SERVICES

Trade

Cash-to-stock traders will be greatly affected by lockdowns and will experience supply shortages and pressures on demand after the lockdowns are released. Temporary business closures will lead to layoffs, especially for MSMEs with limited access to digitisation tools for business continuity. Supply shortages will arise as local and international supply chains are disrupted and demand for cheaper goods limits profit margins. The informal sector is especially vulnerable as roadside traders and hawkers dependent on daily sales are already experiencing reduced demand, and will find it hard to recover.

Some wholesalers (especially of imported goods) and manufacturers estimate a 10-20% squeeze on value chain participant margins, though not all pressure will be on cash-to-stock traders. Margin pressure will occur when consumer prices cannot be increased due to competition or ability to pay.

Traders of non-essential or luxury goods will be further affected as consumers change behaviour to prioritise cheap and essential substitutes. Businesses with large perishable inventories will face short-term stock losses. Women dominate cross-border trade in West Africa and contribute significantly to trade and informal trade. Women will also be acutely affected by border controls and supply chain pressure. Finally, there is a possibility

of price hikes, especially for expensive, imported commodities from Asia and Europe as international trade is disrupted due to COVID-19 lockdowns and a less competitive Naira.

Healthcare

As disaster readiness efforts expand, there will be increased investment and capacity building in the healthcare sector—an upside for the underfunded sector. This increased investment might be complemented with expanded digital capacity as technology is used for data reporting and monitoring. However, if there is an uncontrolled outbreak it will put strain on the broader healthcare system, e.g., frontline healthcare workers would be risk of higher infection rates and mental health dangers such as depression, anxiety, and insomnia as seen in other countries³⁴.

Additionally, as foreign reserves are depleted, equipment will become more expensive to import, forcing the government to reduce spending on non-critical, but important healthcare segments. Finally, there might be a significant decline in general consultations and in-patient admissions, as patients try to avoid hospital-acquired COVID-19 infections—posing a risk of fatalities from diseases that are easily treatable. During the West Africa Ebola virus disease outbreak, malaria, tuberculosis, and HIV/AIDS mortalities increased given healthcare services constraints in Guinea, Liberia, and Sierra Leone³⁵.

Education

The school closures will affect cash flows for education entrepreneurs, teachers and other employees in the sector.

There are over 10 million students in private schools across Nigeria. Low-cost schools face significant risks with reopening as cash reserves dry

34 Lai J, Ma S, Wang Y, et al. Factors Associated with Mental Health Outcomes Among Health Care Workers Exposed to Coronavirus Disease 2019. JAMA Network Open. March 2020

35 Parpia AS, Ndeffo Mbah ML, Wenzel NS, Galvani AP. Effects of response to the 2014–2015 Ebola outbreak on deaths from malaria, HIV, and tuberculosis, West Africa. Emerging Infectious Disease. March 2016

up, putting more jobs at risk. Businesses that serve schools including food vendors and class tutoring should see decreased revenues.

Further, students scheduled for the National WASSCE could be affected due to delays and lack of preparation. Children in low-income communities who are now at home but normally participate in school feeding programmes will put pressure on household disposable income without palliative food support. Temporary school closures will significantly affect the out-of-school population, especially for low-income and rural communities without access to distance learning tools. Female children are likely to be disproportionately affected as economic pressure forces low-income families to put children to work or forgo school fees for economic recovery. Girls will be unevenly affected as, when school resumes, they might be required to stay home or be forced to take on jobs.

However, there is an opportunity for distance learning and ICT solutions, especially in more affluent cities with strong internet connectivity such as Lagos, Abuja, and Port Harcourt.

Transportation

Transit-dependent segments including air travel, taxis, and overland travel should record significant revenue losses, as land travel will be temporarily affected. The airline industry may see possible bankruptcies for local carriers without direct intervention as leisure and business travel is halted, and which may persist even after COVID-19. When road transit returns, there will likely be a shortage or price hike in spare parts (tires, batteries, etc.) limiting the capacity of old vehicles after the lockdowns.

While a longer recovery period is expected for the transportation industry in general, road transport could recover relatively quickly. However, restrictions on passenger numbers may continue and consumers may have residual fears of using crowded carriers such as public buses.

The slump in oil prices has already translated to cheaper pump prices—this cost reduction may not counteract reduced demand even with increased prices as informal businesses look to bounce back.

Finance

There may be potential disruptions in financial services including liquidity stress, credit supply and loan defaults driven by business losses due to the pandemic and resulting recession. Loan books could experience very little growth as financial institutions adopt a more cautious posture to new lending.

There may also be minimal or delayed repayment of loans, with financial institutions needing to restructure existing loans and fees to ease the impact on individuals and businesses. Further, there are possible capital flight risks from foreign investors, which could impact domestic financial institutions' access to trade lines from international banks. This capitalisation challenge could lead to a decline in cross-border trade activities and a massive revenue loss for banks.

Capital raising efforts of private equity and venture capital firms would take a significant hit—and funds that have capital to deploy may have to wait until later in the year to complete due diligence. Pension fund administrators will likely make more conservative investments in response to market and interest shifts, potentially constraining local capital markets.

Uptake and volumes in digital financial services should increase (particularly in urban and semi-urban regions) as consumers shift focus from cash to limit the spread of the virus and embrace digital options. However, cash transactions will remain important in low-income communities and for households without access to formal accounts.

Arts & Entertainment

Beyond the lockdowns disrupting live events and productions, and markets, there will be deeper disruptions to the sector as funds from corporates dry up.

Reductions in corporate funding—a significant source of sector funding—are expected as private companies prioritize business recovery over arts and entertainment sector sponsorship.

These disruptions will lead to loss of jobs for MSMEs and employees in production and media houses, and for part-time employees. The fashion, film, music, and beauty subsectors dominated by entrepreneurs will be affected by short-term lockdowns given tight cash flows of most businesses.

Economic pressures may halt public and private investment into arts and entertainment, particularly

if the sector is not deemed essential to economic recovery.

There is potential for growth in consumption via online channels from consumers with high internet connectivity—for example, from 15 to 30 March there was a sharp increase in the search phrase “Yoruba movies” on Google. However, digital distribution can bring thinner margins for creative entrepreneurs compared to live channels, and often require new content—which is more difficult to produce during lockdowns.

Actions

Given the significant levels of inequality and poverty in Nigeria and economy-wide challenges, work must continue on previously started initiatives to address inequality in addition to planning and policy changes to support the recovery.

As the Government of Nigeria, private sector, civil society, and social sector respond to the pandemic and the pending recession, a number of actions can be taken to help soften the economic impacts of COVID-19.

We developed a long list of solutions based on the critical constraints in each sector as well as economy-wide and long-standing constraints that can unlock economic growth if addressed. Given the significant levels of inequality and poverty in Nigeria, and the economy-wide challenges focused on areas such as electricity and financial inclusion, work must continue on previously started initiatives to address inequality in addition to planning and policy changes to support the recovery.

The actions outlined in this section focus more on economic recovery than ongoing initiatives and include only the highest priority actions. Certain actions on the long list, i.e., develop plan for 2020 examinations, transfer COVID-19 knowledge for future pandemics, are important and need to be

addressed—but may be more difficult to deliver or will have more limited relative impact.

The usual suspects

- **Aggressively invest in power infrastructure—and renewable energy in particular—to ensure reliable electricity access for manufacturing and SMEs**, to reduce pressure on foreign exchange reserves, and to create jobs (Renewable energy companies, investors, Federal Ministry of Power, Works, and Housing, State Governments, NERC, and potentially DISCOs, PHCN, TCN, Ministry of Petroleum Resources, Legislature)
- **Invest in high-potential sectors** such as agriculture, technology-enabled sectors like ed-tech, etc. **through additional stimulus funding and guarantee structures** (CBN, Development Bank of Nigeria, Bank of Industry and other Nigerian and international DFIs)

While continuing to invest in security, Nigeria needs to further diversify and take advantage of the opportunity to increase its competitiveness. These “usual suspects” actions are not new and have been included in most national plans of the past decade. The usual suspects consider the structure of the economy—particularly how Nigeria prioritises sector contributions, and how to prioritise them going forward.

Post-COVID-19, investors will compare countries to identify those best able to recover and achieve high growth rates. Alongside these actions, work must continue to improve Nigeria’s business environment, e.g., through PEBEC and other bodies.

The oil price slump has provided an opportunity for Nigeria to consider longer-term economic stability through investments in renewable energy. While Nigeria has a significant oil reserve it has not been able to transfer this reserve to economic advantage—over 80 million people do not have access to electricity and Nigeria still imports over US\$6 billion in refined petroleum^{36,37}. Challenges getting electricity consistently weigh down Nigeria’s Doing Business rating³⁸.

Related infrastructure will be required for structural transitions in the newly prioritised sectors, e.g., rail, port, and road investments to support more efficient agricultural produce transport.

In past periods of economic growth or recovery in Nigeria, inequality and unemployment grew. Even the usual suspects actions need to be implemented in a way that helps equitably create jobs and stimulate the economy. For example, infrastructure investments should prioritise a getting Nigerians back to work and upskilling them.

The unusual suspects

- **Involve women in decision-making and focus on women’s economic contributions** (Presidential Taskforce for the Control of the Coronavirus, CACOVID, philanthropic community / donors)
- **Ensure a level playing field for access to intervention funds** (CBN, civil society groups)
- **Endow a fund for the arts** to support artist development, protect national identity, and encourage economic recovery (Economic Sustainability Committee; philanthropic community / donors; creative businesses including production houses, music labels, beauty schools, venues, galleries, theatres, et al; guilds/associations)
- **Expand high-speed internet infrastructure**, with initial focus on key urban centres particularly beyond the South West (NITDA, NCC, MICT, State Governments, investors, ISPs, donors / philanthropic community)
- **Provide mental health support for business owners and individuals** to protect the health of the individual and ensure businesses can thrive, with a special focus on healthcare workers (Presidential Taskforce for the Control of the Coronavirus, civil society, schools, donors / philanthropic community)

Women are excluded from economic activities, political and business leadership, access to financial services, and household decision-making in Nigeria. Other groups including youth, the disabled, and minority ethnic groups are also disadvantaged. Existing systems structurally exclude these groups and stimulus funding delivered through normal channels will tend to reinforce this exclusion and lead to a greater gap during the recession and recovery. In a recent global example, structural inequalities have already shown up in the initial

36 World Bank, Access to Electricity (% of population) and Population, 2017

37 The Observatory of Economic Complexity: Nigeria, 2017

38 World Bank, Doing Business Ratings, 2020

deployment of stimulus funding in the United States³⁹.

Involving women in decision-making at the most senior levels and focusing on how the government, private, and social sector actors can actively include women can help create gender-transformative policies, programmes, and investments. These actions can help include women and other marginalised groups and ensure that they can better and more equitably participate in Nigeria's economic recovery.

Nigeria will be recovering from the COVID-19 pandemic and facing an economic slowdown at the same time. Mental health challenges have been highlighted for healthcare workers post COVID-19 in other countries. Individuals' mental health may also be affected given social distancing measures in addition to high mortality rates and inability to host or travel to funerals^{40,41}.

Investing in mental health—a normally taboo topic—will be important to national recovery and resilience. While recovery from war holds challenges different from COVID-19, the long-lasting mental health impacts of the Nigeria-Biafra War over 50 years ago should serve as a lesson for the country⁴². If the pandemic does take as many lives as early projections suggest, the nation may be in mourning while trying to recover economically. Investments in mental health support can help the recovery⁴³.

Investments in public works and public good such as high-speed infrastructure and the arts will support resilience. Starting to invest now in

digital infrastructure will ensure broadened access if further lockdowns are required—and will put people to work at a time when jobs are at risk.

The arts and entertainment sector has been underinvested in, however, it has played an important role in establishing Nigeria's reputation as a cultural capital and exposing the world to Nigeria's creativity. A well-managed endowment for the arts will help protect national identity and culture while putting hundreds of thousands of people back to work. Investing in the creative industries can also support mental health resilience, while ensuring Nigeria's creative industries thrive.

Short-term actions

In addition to the usual and unusual suspects, we identified a long-list of short-term actions to help alleviate the immediate impacts of COVID-19 and movement restrictions in addition to planning required to support economic recovery later in 2020. The prioritised, short-term actions are included below.

GIVE CASH/FOOD AID

- **Build credible vehicles to deploy philanthropic capital from companies, foundations, and individuals for individual and business relief** (private sector, trade/business associations, NGOs, philanthropic community / donors)
- **Increase social safety net programming**, to the extent possible (National Social Investment Office, State Governments)

39 The New York Times, "Banks Gave Richest Clients 'Concierge Treatment' for Pandemic Aid", 22 April 2020

40 Brooks, Samantha K et al. The psychological impact of quarantine and how to reduce it: rapid review of the evidence. The Lancet 2020; 395: 912–20. February 2020

41 Gunnell, D. et al. Comment: Suicide risk and prevention during the COVID-19 pandemic. Lancet Psychiatry 2020. April 2020

42 Ezeokana J. O., Chine B. C., Nnedom O. A. U. Omonijo D. O. Influence of Traumatization and Category of Biafran- Nigerian Civil War Veterans on Posttraumatic Stress Disorder (PTSD) among War Survivors. Journal of Basic and Applied Scientific Research 1(10)1480-1483. June 2011

43 A recent World Bank study in Nigeria suggests that "experiencing any type of adverse event is strongly associated with a higher probability of showing depressive symptoms. [And] depression is associated with lower labor force participation and lower child educational investments". World Bank Group Policy Research working paper; no. WPS 8685. Jamison, Julian C et al. The Relationship between Conflicts, Economic Shocks, and Death with Depression, Economic Activities, and Human Capital Investment in Nigeria. December 2018

The cash (or food) transfer programmes will be constrained by the low levels of financial inclusion in Nigeria (where less than 50% of adults have access to formal bank accounts) and global recessionary pressures, i.e., that have affected remittances and will affect individual philanthropy.

New vehicles are emerging and will be required to better reach the broader population. The vehicles should consider prioritising certain sectors by economic or national importance, e.g., agriculture, trade, healthcare, manufacturing, transportation, and creative industries. **The existing social safety net programmes and new vehicles should consider innovative partnerships with Nigerian and global philanthropic partners to connect beneficiaries directly to relief funds and food aid, and should continue their openness to auditing.**

SECURE THE FOOD SUPPLY

- **Solve fertiliser supply chain issues now** in order to address planting needs (Federal Ministry of Agriculture and Rural Development, NSIA, private sector – blending plants, traders, etc., State Governments, financial service providers)
- **Secure and transport agricultural inputs and produce across state borders** (FMARD, private sector, research institutes, State Governors, Ministry of the Interior, Presidential Taskforce for the Control of the Coronavirus, Nigeria Governors' Forum, security agencies)

The urgency of the current planting season requires collaboration and financing to unlock constraints. These investments would help to maintain last year's level of agricultural production. In order to manage the limited ability to import food (due to local and international trade restrictions) and increase production above last year's level, agriculture must be prioritised in planning and finance, and hybrid and higher yielding seeds must be imported urgently.

EXPAND CREDIT FACILITIES, BLENDING, AND FORBEARANCE

- **Extend loan holidays/moratoria and tenor**, to the extent possible (financial service providers, CBN, DFIs)
- **Launch short-term facilities to restart informal businesses** (trade/business associations, financial service providers, FMCG companies, NGOs, philanthropic community / donors, DFIs)
- **Ensure that women access capital facilities**, including revisiting collateral requirements, marketing, and structure (financial service providers, CBN, DFIs)
- **Develop blended finance facilities for infrastructure investments** in healthcare and other sectors (CBN, NSIA, DFIs)

The current COVID-19 related Central Bank debt facility covers only a few households and MSMEs. **While additional stimulus funding is identified as a “usual suspect” action, above, considerations must be put in place to ensure that women participate.** When traders and the transport sector can re-start activities, they will need access to short-term facilities as cash reserves may have been spent on daily living expenses. **Informal businesses, which may not be formally financially served should be included in new credit facilities.** For example, a facility for intracity transportation companies might focus on securing essential parts, e.g., tires, spark plugs, batteries, as demand returns.

Further and patient capital support will be required to jumpstart the economy; however, this type of capital will require partnerships with and beyond the Central Bank. **Blended finance facilities should be developed now to support medium-term economic recovery.**

PIVOT AND DIGITISE

- **Develop digitisation programme for MSMEs** to pivot service delivery and digitise operations (financial service providers, telecommunications)

companies, philanthropic community / donors)

- **Digitise government payments** using the pandemic / recession to encourage plugging the leakages (State and Federal Ministries of Finance, Office of the Accountant General of the Federation (OAGF), Government Integrated Financial Management Information System (GIFMIS), development partners)
- **Support manufacturers and creative businesses to produce critical products** (hygiene safeguards, more effective production, simplify design, etc.) (philanthropic community / donors, trade / business associations)

Movement restrictions may be released and then reinstated in the time before a COVID-19 vaccine is widely available in Nigeria. Businesses most affected will continue to be in trade and manufacturing, and they should prepare for the future. As MSMEs in sectors such as education and health need to pivot services, financial service providers and telecommunications companies may consider impact bonds or other blended finance vehicles to support outreach efforts, attracting philanthropic capital to help reduce the cost of data and offer grace periods.

In addition to business-level digitisation, the Government of Nigeria should continue its digitisation efforts, which have led to significant costs savings over the past decade. Further expansion of GIFMIS—including to state government payments—will help to reduce financial irregularities and leakages at a time when budgets will be constrained.

Financial service providers and the philanthropic community can also support manufacturers and creative businesses to produce critical products pivoting to meet ongoing demand from the COVID-19 response.

ENSURE CONTINUED HEALTHCARE COVERAGE

- **Remove barriers to or incentivise healthcare coverage for critical areas** (i.e., maternal

health, under-five pneumonia, malaria, Lassa fever, malnutrition) (State governments, Ministries of Health, private and public sector health facilities, NGOs)

- Conduct **awareness campaign on the importance of managing critical diseases even during the pandemic** (State and Federal Ministries of Health, civil society)

Companies and NGOs have developed maternal care packages to ensure that expecting mothers can use to be protected from COVID-19 if they deliver at health facilities. Additional incentives have included states waiving the costs of childbirth to encourage deliveries assisted by skilled healthcare workers, and in health care facilities.

These types of investments and awareness raising may be required to ensure Nigeria does not experience spikes in incidence or mortality from non-COVID-19-related causes.

MAKE DECISIONS FOR THE FUTURE

- **Plan for how COVID-19 healthcare infrastructure will be deployed post-COVID-19** (Ministry of Health, Nigeria Centre for Disease Control (NCDC), private health care facilities, Presidential Taskforce for the Control of the Coronavirus, CACOVID)
- **Start planning and securing the fertilizer and inputs needed for the dry (second) season** farming (Federal Ministry of Agriculture and Rural Development, private sector, State Governments, financial service providers)
- **Address inter-state transit challenges** (State Governors, Ministry of the Interior, Presidential Taskforce for the Control of the Coronavirus, Nigeria Governors' Forum, security agencies)
- **Identify priority sectors** (National Economic Council, Economic Sustainability Committee, Federal Executive Council, financial service providers)

Healthcare spending has surged as new facilities and equipment come online in response to COVID-19. This spending has generally been on much needed medical supplies and equipment that can be redeployed following COVID-19. **Even while responding to emergency requests, plans should be put in place for stewardship and tracking of this equipment following the peaks associated with COVID-19.**

For agriculture and trade, transit challenges have persisted during lockdowns even with guidance on what goods are deemed essential. As lockdowns may be released and reinstated as described above, plans should be made now for how to ease the transit challenges already being experienced. **Delayed transit will put upward pressure on consumer prices and reduce income for those selling perishable goods—inflationary pressure coupled with reduced take home income.**

Actors should also start planning and securing input requirements for the second agricultural season, to ensure Nigeria maintains last year's production levels at a minimum.

As a country, Nigeria will also have to prioritise sectors for the economic recovery plan. For example, petroleum products have dominated historically in terms of foreign exchange earnings.

However, given the current economic situation, the Government and legislators should consider a shift while supporting banks and oil workers affected by the price crash.

Further, sustainable investments in areas such as agriculture, renewable energy, gas, minerals, housing, and other sectors have the potential to reduce oil dependency while paving the way for the economy of tomorrow.

Medium-term actions

We identified a long-list of medium-term actions to help continue the journey to economic recovery

in 2020 even as COVID-19 remains a threat to growth this year. The prioritised, medium-term actions are included below.

PREPARE FOR THE NEXT SHOCK

- **Invest in preparedness before the next outbreak, epidemic, pandemic, or disaster** (State Governments, Federal Executive Council and Federal Ministries, Nigeria Governors' Forum, NCDC, civil society, private companies)
- **Invest in affordable e-learning, digital health, e-commerce platforms, and digital financial services** (financial service providers, telecommunications companies, ISPs, investors, philanthropic community / donors, CBN)

The COVID-19 pandemic is not the first shock to affect Nigeria, and it will not be the last.

Planning should be done to prioritise shocks and stresses at the state and national level and ensure budgets address the constraints that most affect the country's resilience. In the context of COVID-19, for example, states may consider better understanding handwashing and sanitation penetration and then investing in community-owned toilets and handwashing stations.

Preparedness can help the country better respond to the next crisis, including future peaks of COVID-19.

The pandemic has already started to highlight global and local inequality in access to goods and services. New markets need to be created and new modes of education and healthcare need to be identified and financed to ensure that Nigerians can access goods and basic services. **These investments in improving the standards of living have the potential to reduce inequality and support preparedness for the next shock.**

GIVE MORE CASH

- Give **direct grants and loans for MSMEs** to soften the impact from low cash flows, and provide capital for quick recovery

Economic recovery will take time. Given the large number of MSMEs and limited household-level financial resilience in Nigeria, further stimulus may be required. However, given pressures previously outlined, these actions will require use of credible vehicles to attract non-government funding.

Economies in Asia, Europe, and North America—which host significant Nigerian diaspora populations—will likely recover before Nigeria’s economy. Nigerians in the diaspora remit significantly to the country, although remitters generally require trust and certainty that remittances help to improve livelihoods⁴⁴.

Transparency will be required to mobilise significant philanthropic capital from the diaspora.

CONTINUE TARGETED CREDIT FACILITIES, EXPLORING MONETARY POLICY SHIFTS

- **Develop trade finance facilities for MSMEs to meet higher foreign demand** and consider temporary tax cuts on exports
- **Re-examine capital strategies for financial service providers** and consider monetary policy changes to **reduce reliance on foreign currency**

To mobilise foreign exchange earnings and support MSMEs, the Central Bank might introduce a trade finance facility and FIRS might introduce tax holidays for certain categories of exports. **As Nigerian products become cheaper due to the currency devaluation, the trade facility can help make Nigerian exports even more attractive.**

Nigeria must balance inflationary pressures along with its very high monetary policy rate. As the government considers priority sectors to encourage growth and improve foreign exchange reserves, monetary policy may need to shift to encourage lending to priority sectors and uptake of credit facilities. A plan should be developed to revise the rate while balancing inflation during the pending recession.

COVID-19 will highlight the significant structural inequality in health status, access to healthcare, living conditions, access to networks, and racism.

However, these economic impacts can be reduced if the country uses its COVID-19 response to address longstanding structural challenges that are being brought fully into the spotlight.

The countries best able to respond to the economic impacts had plans in place and executed against them well, had safety nets in place, strong leadership, or are adapting data and innovation to aid the response, oftentimes “leapfrogging” nearby neighbours. For Nigeria, Africa’s largest economy, the negative economic impacts could be significant. However, these economic impacts can be reduced if the country uses its COVID-19 response to address longstanding structural challenges that are being brought fully into the spotlight.

44 Policy Development Facility Phase II on behalf of Office of the Vice President (OVP), Nigerian Investment Promotion Commission (NIPC), and Ministry of Foreign Affairs (MFA). Nigeria Diaspora Study: Opportunities for Increasing the Development Impact of Nigeria’s Diaspora. October 2017

Methodology

In identifying potential economic impacts, we used desk research, stakeholder interviews, and analysis, founded on our past experience. Our analysis followed two stages, developing a rough estimate of GDP impacts and exploring sector-specific challenges.

We focused on four areas to drive the analysis.

Use quantitative and qualitative data to understand impacts but emphasise the qualitative data.

We used quantitative data to analyse the overall economy and the importance of different sectors, as well as historical data from Nigeria and the West Africa Ebola outbreak to identify the potential impact of COVID-19 and the global recession.

We developed two scenarios—a moderate scenario and a downside scenario—mapping economic issues that could be faced due to COVID-19 and global challenges (recession, oil price/currency devaluation). These scenarios were based on our past work, impacts of COVID-19 in other countries, and interviews.

We then calculated a rough estimate of impacts on GDP growth, using comparators for COVID-19 (the past West Africa Ebola epidemic) and the recession (Nigeria's past recessions). These estimations are not an econometric analysis and do not consider the full and likely significant regional trade implications of the dual-edged global pandemic and recession. While the Ebola epidemic and past slowdowns take into account stimulus in the economies, increased stimulus spending in 2020 could improve the economic outlook.

Our emphasis has however been on qualitative data derived from experts, including sectoral experts or those with general knowledge about the economy. For the sectoral analysis, the use of qualitative and historical data was most insightful on the immediate impacts as there is a lag in availability of economic data.

Focus on the largest and the most easily disrupted part of the economy, MSMEs.

The Nigerian economy is mostly an informal or semi-informal economy (for example, agriculture, which makes up nearly a quarter of the GDP has over 90% informal employment). MSMEs make up a significant portion of the GDP and employment and are most easily disrupted. To understand what will happen economy-wide, the MSME impacts were reviewed across sectors.

Focus on the key sectors in terms of size or importance or enabling the economy.

The economic impact will be felt very differently depending on the sector (based on historical experience). The economic analysis focused on sizing the potential GDP impact and highlighting likely impacts in the scenarios, by sector defined as drivers and enablers. For each sector, we aimed to understand potential impacts due to:

- Supply-side shocks, i.e., broken domestic supply chain, broken international supply chain, impacts on quality, missing supply / skill, costs of imports, exports vs domestic sales
- Demand-side shocks, i.e., Reductions in consumer spending, changes to consumer needs, shifts in export market, reduced investment from financial industry, reductions in government spending, reduced inter-state travel

Develop solutions based on sector needs. While some solutions must be economy-wide, e.g., cash transfers, sector-specific solutions give a clear view on the delivery pathways (the how).

We developed a long-list of actions by sector and economy-wide actions and conducted a qualitative prioritisation and ranking exercise based on estimated ease of implementation and potential economic impact.

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