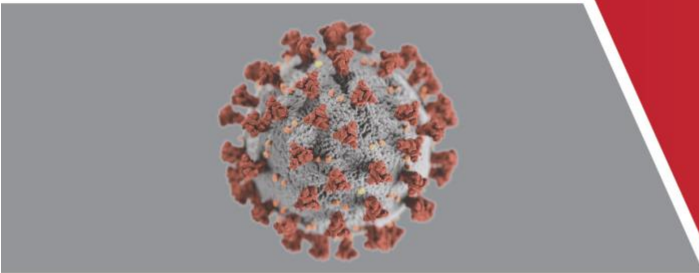




IMPLICATIONS OF COVID-19 ON NIGERIA'S ECONOMY



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About Connected Development (CODE)

CODE is a non-governmental organisation with headquarters in Abuja, Nigeria, with the mission to improve citizens' access to information and empower local communities in Africa. CODE strengthens local communities by creating platforms for dialogue, enabling informed debate, and building capacities of marginalised communities so as to accelerate social and economic progress in these communities.

Its social accountability initiative, Follow The Money, tracks, advocates and visualizes governmental implementation of capital funds that are intended for local communities in the areas of health, education and environment. This is to promote and ensure transparency, accountability and citizen engagement in governmental spending.

As at 2020 and through Follow The Money, CODE has impacted over 3 million rural lives especially women and children in ensuring that education and healthcare appropriations meant for them are well spent. CODE is currently tracking the implementation of COVID 19 Funds in Nigeria by tracking to ensure donations are adequately put to use to improve the Nation's ailing healthcare system. It does this through the #FollowCOVID19Money.

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Executive Summary

The COVID-19 pandemic has posed a serious challenge to the world, necessitating countries around the world to adopt stringent measures such as complete or partial lockdowns in order to contain the spread of the disease and this has had adverse implications on national economies and rural livelihoods. The Federal Government of Nigeria (FGN) had to close its land, sea and air borders and implemented a total lockdown in states and cities with very high infection rates across the country.

Consequently, state governments have followed suit. These measures have had its toll on individuals, households, micro, small and medium scale enterprises (MSMEs) and large corporations. In order to cushion the effect of the pandemic on the citizens, the federal government had announced a number of responses: N500 billion COVID-19 Crisis Intervention Fund, 50 billion Naira CBN intervention fund for households and MSMEs, 20,000 Naira four months conditional cash transfer to the country's poorest, reduction in price of fertilizers as subsidy to farmers etc.

Approvals have been granted by the National Assembly and the International Monetary Fund for Nigerian government to borrow 850 billion naira domestically and \$3.4 billion respectively to help finance the 2020 budget and reduce the impact of the severe economic shock the COVID-19 pandemic is having on the Nigerian economy. Experts believe the palliative measures introduced so far by the government are not enough considering Nigeria's estimated 200 million population. The continuous decline in oil prices which is Nigeria's major foreign exchange earner and the subsequent dwindling of the country's foreign exchange reserve has put the country in a very difficult economic position at this time.

It is important for the government to diversify its MSME sector to develop in all areas of agriculture, manufacturing, entertainment, technology and services as each of these sectors will continue to be very relevant to the overall GDP growth as well as employment generation in the country post COVID-19.

The budget should be revised downwards basing the revenue benchmarks and assumptions on realizable thresholds and estimates to ensure optimum budget performance. Government must at this time cut the cost of governance, reduce unnecessary expenditures and channel available resources into empowering MSMEs and stimulating the economy. Efforts should be made to limit importation and to encourage local manufacturing of most of the medical supplies such as facemasks, hand sanitizers, ventilators etc as to conserve our forex. The cash transfer palliative to the country's poorest should be inclusive and there should be transparent, comprehensive and universal social protection systems to mitigate against the prevalence of poverty.

This report analyses the implication of Nigeria's level of preparedness to combat COVID19 on its economy; the impact of the extremely decline in oil prices, and the influence on Medium and Small Enterprises in the coming months.

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Introduction

The world economy is currently in shock and gradually moving towards recession due to the Coronavirus disease pandemic, also known as COVID-19. The first infections were reported at the end of 2019 in China and have continued to spread globally, with all continents and 216 countries and territories affected. The infection is spreading at an exponential rate with over 307,537 deaths, 4,534,731 confirmed infections as at 17th May, 2020, around the globe (WHO Situational Report 17th May 2020). This global reach of the infection led WHO to declare it a pandemic on 11th March, 2020.

Simulations by the International Monetary Fund (IMF), predict a fall in global growth by 0.5 in 2020. The impact of the pandemic, may be felt more than that of World War II due to its predicted social, economic and humanitarian effect. The effects of COVID-19 on Africa is not only linked to the rate of morbidity and mortality but to the disruption of economic activities within the continent. With global oil prices dropping below \$30 a barrel, tax revenue is lost and commodity prices have skyrocketed with an increase in public expenditure to curb the spread of the infection. National efforts have resulted in lockdowns of businesses, markets, and sporting activities which generate millions in revenue.

In Nigeria, the Government is making efforts to contain the virus including closing all land, sea and air borders, closing down markets, schools and putting a halt to social gatherings. As businesses except those providing essential or emergency services are shut down, the populace has been plunged into a vulnerable state. Most Nigerians depend on their daily income for survival as the report of International Finance Corporation as at 2017 indicates that there are 36,994,578 Micro, Small and Medium Scale Enterprises (MSMEs) constituting up to 96% of all businesses in Nigeria (IFC, 2017).

The Nigerian Government is bracing itself for the impact of the unprecedented crisis of COVID-19 by implementing measures to slow down the spread of the virus and cushion its effect on the economy. The Nigerian Government has requested the National Assembly to approve an intervention fund of NGN 500 billion for the purpose of relief provision to the vulnerable and to support the health sector. However, the recently approved \$3.4 billion International Monetary Fund emergency funding to Nigeria will provide the much-needed liquidity that will enable Nigeria to respond to urgent balance of payments needs during the coronavirus pandemic and to support the authorities' efforts in addressing the severe economic impact of the COVID-19 shock and the sharp fall in oil prices. Also, the 850 billion Naira domestic loan approval granted by the federal government will help the government to finance key approved projects and programmes in the 2020 Appropriation Act. Nevertheless, It is obvious that Nigeria urgently needs to think out of the box on ways to revamp and diversify its economy even as the world grapples with containing and stopping the COVID-19 pandemic.

Individuals and private establishments have also made donations to support the Government. However, these available and projected funds are insufficient to fight the war against COVID-19. In the first quarter, Nigeria has a negative economic growth as against the 2% growth it had in preceding years. The second quarter of the year has been predicted to follow the same trend and the country may take a while to recover from the economic impact of the pandemic.

To this end, this work examined the economic implications of the COVID-19 on the Nigerian economy, focusing on businesses and how government policies and interventions can fix the gaps based on our recommendations from the analysis of data. The study would also scrutinize the impact of COVID-19 on Nigerian citizens and the 2020 budget focusing on capital expenditure.

COVID-19 Pandemic and Business Performance in Nigeria

In a globalised world, Nigeria, like most countries, is struggling with uncertain times especially as figures of reported and confirmed cases are on the increase. As an oil-dependent country, Nigeria is contending with two major shocks - oil price shock and a hydra-headed phenomenon, COVID-19. To contain the spread of the virus, the Federal and Subnational Governments are responding with lockdown policies epitomized by restriction of human and vehicular movements and closure of businesses. As a consequence, domestic demand and supply have fallen and micro, small and medium scale enterprises (MSMEs) are the worst hit as they rely on imports for their raw materials used in production (Okojie & Faminu, 2020). At the grassroots, the situation is aggravating experiences of marginalisation, exclusion, deprivations, inequality and poverty.

Apart from such sectors as oil and banking, Nigeria's economy is largely informal. The Nigerian Informal Sector (IS) is a major contributor to the Nigerian economy, accounting for a significant portion of employment and national GDP (BOI, 2018). According to the International Monetary Fund (IMF), the Nigerian informal sector accounted for about 65% of Nigeria's 2017 GDP.⁴ The state-owned Bank of Industry, writes that the Informal Sector comprises any economic activity or source of income that is not fully regulated by the government and other public authorities. This includes enterprises that are not officially registered and do not maintain a complete set of accounts; workers who hold jobs lacking basic social or legal protection and employment benefits. Examples of informal employment workers include street traders, subsistence farmers, small scale manufacturers, service providers (e.g. hairdressers, private taxi drivers, and carpenters), etc.

The sector currently accounts for over half of global employment and as much as 90% of employment in some of the poorer developing countries. In grassroots economies, the bulk of their productive activities are informal. The informality of economic production agents in the grassroots exposes economic production agents to shocks and vulnerability, disproportionately, when compared to counterparts who operate in the formal business environment.

In 2019, Nigeria’s imports from China was N4.3trillion (25 percent of total imports), while imported manufactured goods took up about 70 percent of total imports. According to KPMG’s Business Impact Series, 2020, this is likely to be affected as China and the rest of the world have resorted to closing down factories, imposing travel bans and even total country lock-downs, as they struggle to contain the spread of the virus. This could put more pressure on inflation numbers (12.2 percent year on year as at February 2020) going forward as the cost of local production goes up. The economic outlook and business performance is likely to worsen as companies adjust to the new economic realities by laying off workers, further worsening the unemployment rate which conservatively hovers around 23.3 percent in last available data published by Nigeria Bureau of Statistics.

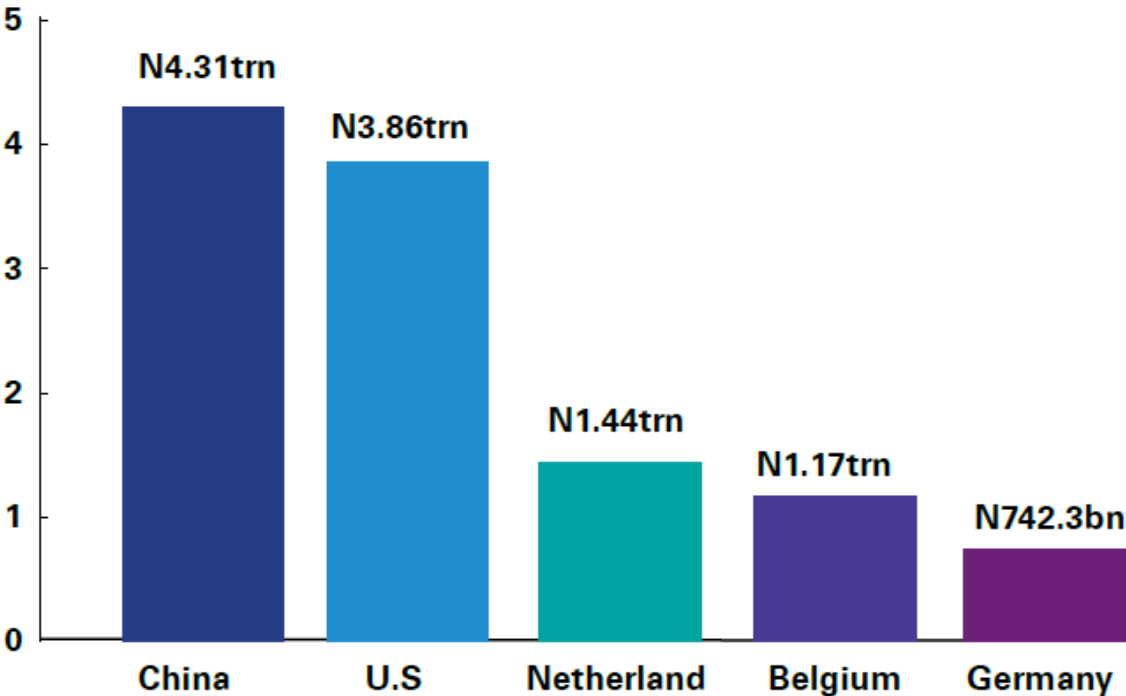


Figure 1: Nigeria’s Top Import Trading Partners (2019).

Source: KPMG (2020)

Certainly, this is not a good time for Nigeria and her economic managers because of the commodity-price slump and uncertainty in the world market. However, on 16th March 2020, the apex bank (CBN) through a major policy, announced the creation of a NGN50 billion targeted credit facility to boost the economy amidst the growing economic devastation of coronavirus. The NGN50 credit facility will be implemented through the NIRSAL Microfinance Bank for households and SMEs that have been particularly hard hit by COVID-19, including but not limited to hoteliers, airline service providers, health care merchants, etc. However, the details on how to access this facility are still unknown and the most problematic component of the policy cycle in Nigeria is implementation. Will the dedicated funds get to targeted beneficiaries without diversion, misappropriation, gross abuse and corruption?

This is the puzzle for economic managers and Nigerian government's top bureaucracy. If designated funds meant as economic buffers against wholesale devastation by COVID-19 pandemic are not responsibly applied for the purposes they are created, SMEs and informal business operators will be worst hit and the consequences will linger far beyond the epidemic. This line of thought mirrors the thinking of the events that shaped the 2007 global financial crisis. Nigeria cannot afford another major economic depression especially as it is still "recovering" from her 2016 economic recession which slowed growth and heightened unemployment, economic hardship and poverty.

Assessing Government Policies in Cushioning the Impact of COVID-19 on Businesses

The National Social Investment Programme (NSIP) is a social welfare initiative created by the Federal Government in 2016 to help flatten the curve of inequality and poverty in Nigeria. The initiative consists of four main components: N-Power Programme, Conditional Cash Transfer programme, Government Enterprise and Empowerment Programme (GEEP), and Home-Grown School Feeding Programme. Each of the components have specific goals and objectives is contained in the Financial Agreements and Memorandum of Understanding (MoU) establishing it between the Nigerian and Swiss Government at the Global Forum on Asset Recovery (GFAR) summit in Washington DC in 2017 where it was agreed that the \$322.5million of Abacha loot would be spent on Conditional Cash Transfer Programme. The Cash Transfer Programme of the Federal Government is composed of 80 per cent returned \$322.5 million Abacha loot and 20 percent World Bank loan (ANEEJ, 2020).



Figure 2: Distribution of Conditional Cash Transfer to beneficiaries (poor households) on 01 April 2020 in Abuja. Image: TVC News

The N5,000 monthly cash transfer is ultimately to lift the recipients or beneficiaries out of poverty. The Centre for Investigative Reporting had in June 2018 published a report that confirmed the existence and operations of the scheme but revealed that poorest Nigerians were deprived (not captured) as beneficiaries in many states. As at December 2016, only 297, 973 caregivers are currently being paid in what appears as a "drop in the ocean". Estimates suggest that about 87 million Nigerians – 44 percent of the country's population of 196 million – live below the International Poverty Line of \$1.90 (N684) a day (Omeje, 2018).

Dramatically and amidst controversies, the administration of the funds and payments stopped in December 2019. Recall that Nigeria held her general elections in February 2019 and the stoppage may not be unconnected with the conclusion of the general elections. Stakeholders and close observers are known for complaints about lack of sustainable structure for the administration of the scheme; selection bias; undue political consideration and interference during disbursement; questions on data management and credibility; and opacity in the management of the programme. These are some of the resounding pitfalls of the initiative (Sahara Reporters, 2020).

Although the beneficiaries of the conditional cash transfer are drawn from the National Social Register (NSR) based on community-based targeting, not all individuals and households in the register would benefit or are currently benefiting from the cash transfer (ICIR, 2020). This reinforces criticisms and allegations on selection bias and undue political interferences during disbursements. The NSR is a pool of vulnerable and poor households captured by the National Social Safety-Nets Coordinating Office (NASSCO) through

community-based targeting. Since the outbreak of the coronavirus, the Federal Government is channeling palliatives through the scheme.

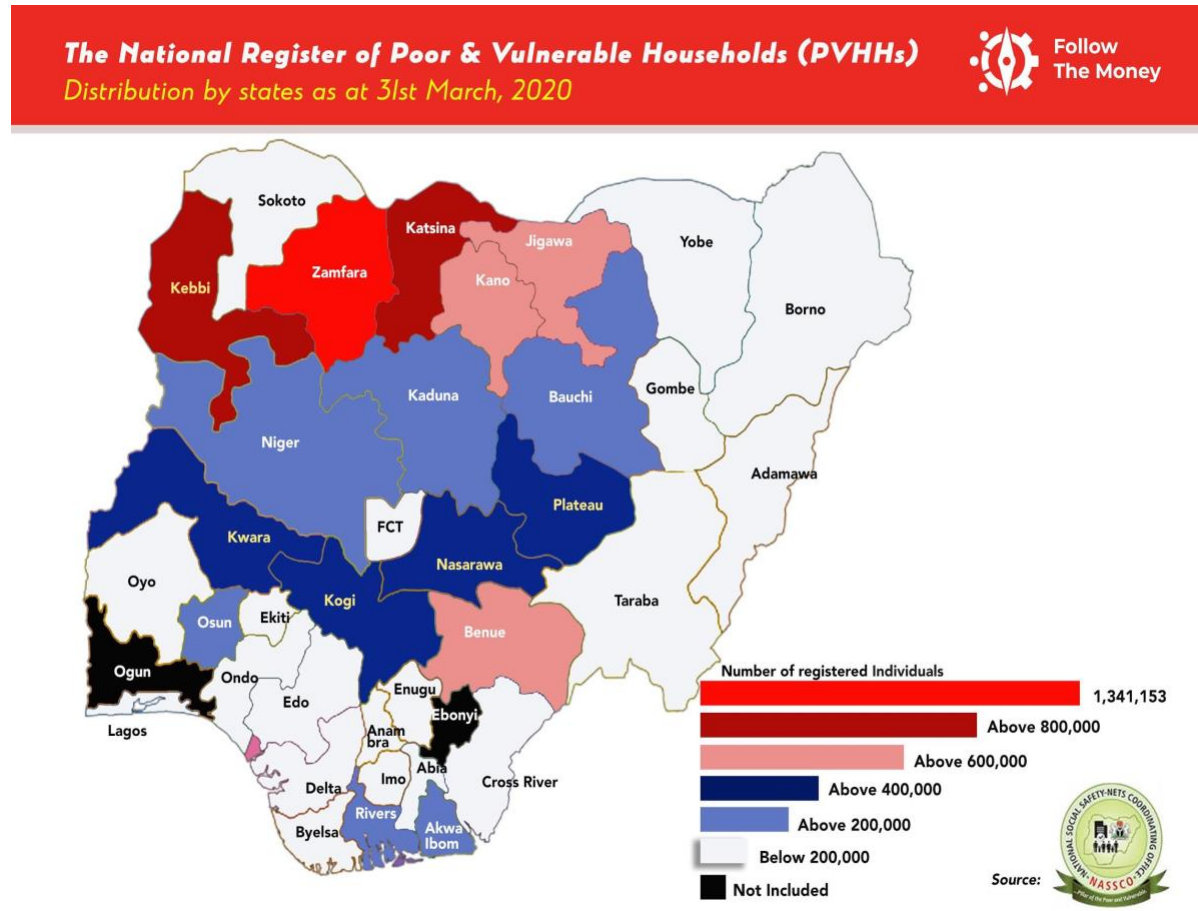


Figure 3: Map showing the distribution of the national Social Register

However, the latest data and statistics from NASSCO had on Friday, April 10, revealed the total number of all households and individuals on the register, showing that 2.64 million and 11 million households and individuals respectively have been captured on the register from 35 states and the FCT excluding Ogun State and Ebonyi State. Why some states would be excluded in a national programme that started in 2016 casts questions on its credibility and transparency.

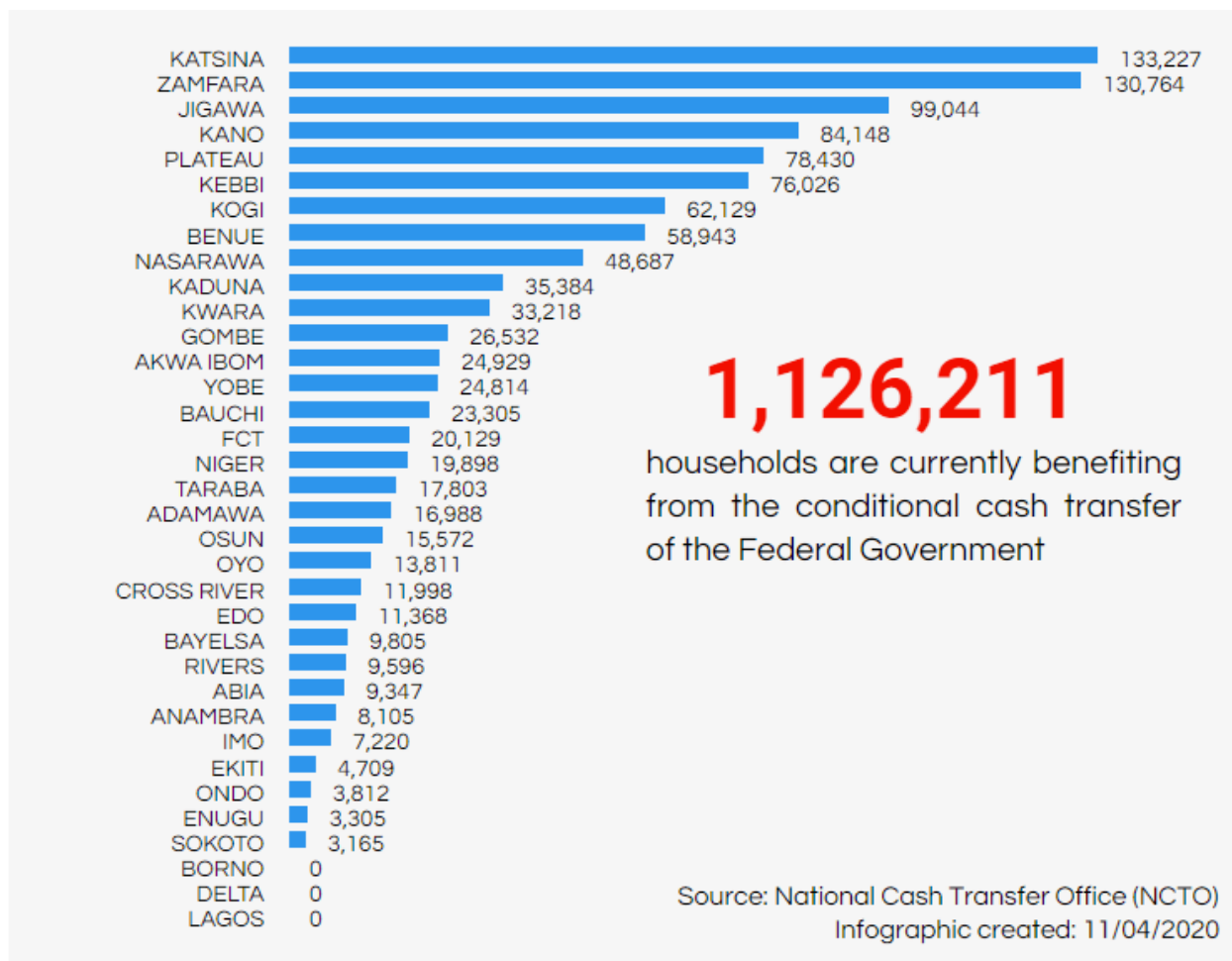


Figure 4: Geographic representation of beneficiaries of National Cash Transfer as at 09 April, 2020. Source: ICIR (2020)

The House of Representatives has alleged that the Presidency may be deliberately hiding information concerning the National Social Investment Programmes (NSIPs), especially the National Conditional Cash Transfer Programme, from the National Assembly. This allegation was made by the spokesman for the House of Representatives, Mr. Benjamin Kalu, in a statement and report published by Financial Watch5. The House of Representatives accused Madam Maryam Uwais, the Special Assistant to President Muhammadu Buhari on NSIPs of deliberate attempts to conceal information pertaining to the financial activities of NSIP from the elected representatives of constitutional constituencies (Olajide, 2020).

Despite strong economic growth and having the highest GDP in Africa in 2012, 54% of Nigeria's population lives in poverty. Studies have shown that the majority of the Nigerian population lives below the poverty line, despite the numerous wealth in the country. This is a huge challenge in terms of development and poverty reduction. The key drivers of poverty, vulnerability and inequality in Nigeria includes inequality in

income and asset distribution, unequal access to basic infrastructure and services and social-cultural (UNDP, 2009). Nigeria has one of the most unequal societies in the world (OXFAM, 2020).

Palliatives and Interventions on COVID-19 and the Micro, Small and Medium Scale Enterprises (MSMEs)

In Nigeria, Micro Small and Medium Enterprises (MSMEs) are generally referred to as enterprises with up to 250 employees. The micro enterprises employ between 1 and 9, while the small enterprises employ between 10 and 49 and medium enterprises employ between 50 and 249 employees respectively (OECD, 2005; Osunde, 2016). MSMEs play a big role in the Nigerian economy and economies around the globe. MSMEs outnumber large companies by a wide margin and also employ many more people. Nigeria has over 37.07 million MSMEs, and they account for more than 84 percent of total jobs in the country and about 48.5 percent of the gross domestic product, GDP, as well as about 7.27 percent of goods and services exported out of the country according to Ministry of Industry, Trade and Investment, (Premium Times, 2020). Based on the total numbers of MSMEs in Nigeria, Micro Enterprises account for the bulk with 36,994,578 enterprises (about 99.8 percent), while small enterprises took 68,168, and medium enterprises 4,670 (Premium Times, 2020). It is evident that Nigeria is overwhelmingly a country of small businesses, petty traders and micro-firms.

Nigeria's MSMEs are one of the worst hit by the devastating impact of the COVID-19 currently ravaging countries of the world and their economies. Nigeria's federal government had activated the implementation of a lockdown policy in three states of Lagos, Ogun and FCT which had recorded the highest number of confirmed cases of the COVID-19 in Nigeria. Other state governments have since taken a cue from the Federal government and introduced varying degrees of shutdowns and curfews in their respective states. This entails the closing down of markets, shops, offices, companies and businesses nationwide except for the few who deal on essential needs such as food, medical supply and transportation. Only few MSMEs in Nigeria have the savings to cover things like rent and pay wages as lockdowns across the country see businesses close, custom dry up and employees let go, making the MSME sector one of the most vulnerable to the COVID-19 pandemic. This has serious implications on the livelihoods of millions of households and poor people in Nigeria, where close to half of the 202 million population live in extreme poverty. It also has severe implications for the Nigerian economy as unemployment and under-employment rate worsens, inflation rises, and foreign exchange dwindles.

In order to cushion the crushing effect of the COVID-19 pandemic among Nigerians, the federal government introduced some palliatives. One of such palliative is the cash transfer of 20,000 Naira to 10.7 million of the country's poorest. According to the minister of humanitarian Affairs, these people belong to around 2.6

million households across the country – although it is not yet very clear the criteria and yardstick used to ascertain the beneficiaries of such cash disbursements. Nigeria's central bank has retroactively lowered interest rates from 9% to 5% as of March 1, 2020 for one year. It also has announced credit relief of 50 billion Naira for households and MSMEs affected by the coronavirus pandemic with an objective to cushion the adverse effects of COVID-19 on households and MSMEs; support households and MSMEs whose economic activities have been significantly disrupted by the COVID-19 pandemic and stimulate credit to MSMEs to expand their productive capacity through equipment upgrade, and research and development.

However, experts have criticized the amount as too small to make a difference. Tax relief is also available and the government is to introduce a scheme to encourage people to retain staff. President Buhari recently approved a N500 billion COVID-19 Crisis Intervention Fund and has ordered the distribution of 150 trucks of rice seized by Nigeria Custom Service to the 36 states of the federation according to the finance minister and as reported by Daily Trust newspaper. The president equally approved reduction of price of fertilizers from N5,500 to N5,000 per bag with a view of giving subsidy to farmers. Nigerian private sector leaders announced the creation of the Coalition against Coronavirus (CACOVID) and the initiative is spearheaded by Access Bank Group and Dangote Industries Ltd, with support from Zenith Bank, Guaranty Trust Bank, MTN, ITB and others. Over 80 billion naira has been donated so far by these corporate organizations and individuals. The donations are channeled to fighting COVID-19 by raising public awareness, supporting healthcare professionals, institutions and governments. It is not yet clear if any of these funds is dedicated to giving palliatives to poor Nigerians and MSMEs in the country.

Experts and MSMEs stakeholders believed that the palliative measures the federal government had introduced earlier on were not enough considering Nigeria's estimated 202 million population. However, it is important to note that Nigerian government is cash trapped due to its massive budget shortfall triggered by the dramatic fall in crude oil prices – oil demand has slumped because of the worldwide coronavirus shutdowns. Crude oil is Nigeria's biggest export, responsible for around 86% of the country's total export revenues (OPEC, 2019). With a dwindling foreign exchange reserve and a severely depleted excess crude account which stands at about \$71.81 million as at February 2020; it is obvious that Nigeria urgently needs to think out of the box on ways to revamp and diversify its economy even as the world grapple with containing and stopping the COVID-19 pandemic.

A poll conducted by a group of researchers from the prestigious Tsinghua University in China on a diverse sample of MSMEs during the peak of the pandemic revealed that a third of respondents admitted that they cannot carry on for more than one month amid the shrinking economic activity, while a third of the sample admitted that they cannot go on for more than two months. According to the poll, only 10% of respondents can resist for six months or more. In light of these findings, we can imagine the disastrous consequences in developing countries like Nigeria with limited resources and weak economic activity compared to the

Chinese economy, and we can imagine the socio-economic pressure resulting from this kind of situation. We can also wonder how governments will deal with this situation with scarce resources and limited options (Islamic Development Bank, 2020). It is evident that Nigeria's MSME sector will face a very tough and seemingly intractable challenge of surviving and making profit after the COVID-19 pandemic. However, with economic support and interventions from international organizations like the World Bank, International Monetary Fund (IMF), the European Union, the Islamic Development Bank, the African Development Bank, the Chinese government etc. Nigeria and the rest of the developing countries may pick up the pieces and begin to rebuild their economies. For instance, The African Development Bank (AFDB) has raised an exceptional \$3 billion in a three-year bond to help alleviate the economic and social impact the Covid-19 pandemic will have on livelihoods and Africa's economies, while the Islamic Development Bank of which Nigeria is a member, is preparing a comprehensive \$2 billion package, dedicating a significant portion of it to support and empower the MSMEs sector in member countries. According to the World Bank, it is prepared to deploy up to \$160 billion over the next 15 months to support COVID-19 measures that will help countries respond to immediate health consequences of the pandemic and bolster economic recovery.

It has been suggested in some quarters that the Chinese government should suspend loan repayment for countries like Nigeria who are owing them as a way of compensating and supporting their economic recovery process. The Federal Government of Nigeria is reported to be seeking \$6.9 billion (equivalent of N2.53 trillion) from the International Monetary Fund, the World Bank, the African Development Bank and the Islamic Development Bank to mitigate the impact of the ravaging COVID-19 pandemic on Nigeria's economy according to the minister of finance as reported by Daily Trust Newspaper.

On April 28 2020, the [International Monetary Fund](#) acting on a loan request by the Nigerian government approved \$3.4 billion in emergency funding to Nigeria to provide the much-needed liquidity that will enable Nigeria to respond to urgent balance of payments needs during the coronavirus pandemic and to support the authorities' efforts in addressing the severe economic impact of the COVID-19 shock and the sharp fall in oil prices. Also, the financial support from the IMF will help limit the decline in Nigeria's international reserves and provide financing to the budget for targeted and temporary spending increases aimed at containing and mitigating the economic impact of the pandemic and of the sharp fall in international oil prices. Amidst all of these proposed interventions, experts still project that the economic recovery process of developing countries like Nigeria might take some years. Nigeria should focus its COVID-19 and post COVID-19 pandemic economic growth drive on ways to help its MSME sector adapt and bounce back from the COVID-19 impact. It is important for the government to diversify its MSME sector to develop in all areas of agriculture, manufacturing, entertainment, technology and services as each of these sectors will continue to be very relevant to the overall GDP growth as well as employment generation in the country.

Impact of COVID-19 on the Nigerian 2020 Budget and Citizens

History was made in Nigeria when the President of the federal Republic of Nigeria submitted the proposed budget for 2020 on the floor of the National Assembly on the 8th of October, 2019 and the National Assembly passed it into law within 2 months by 5th December, 2019. That was the fastest time appropriation bill passed through the National assembly and the first time that Nigeria would run a fiscal year from January to December. The National Assembly slightly increased the budget from N10.33 trillion to N10.50 trillion and it was accented into law by the president and it came with great expectations as it was named budget of sustaining growth and job creation. In the mind of Nigerians, the adjustments in the pattern of passage of the appropriation act and the change in the period of the fiscal year fitting in properly into 2020 promises to bring good tidings, though Nigerians were not impressed by the low value of the proposed capital expenditure compared to the other components of the budget which we shall analyze later.

The assumptions of the budget as reflected on Figure 5 includes the estimate of oil production at 2.18 mbpd. Oil price at \$57 per barrel, exchange rate of 305 Naira per Dollar, inflation rate of 10.81, nominal consumption of 122.75 trillion Naira, nominal Gross Domestic Product (GDP) of 142.96 trillion Naira and a growth rate of 2.93%.

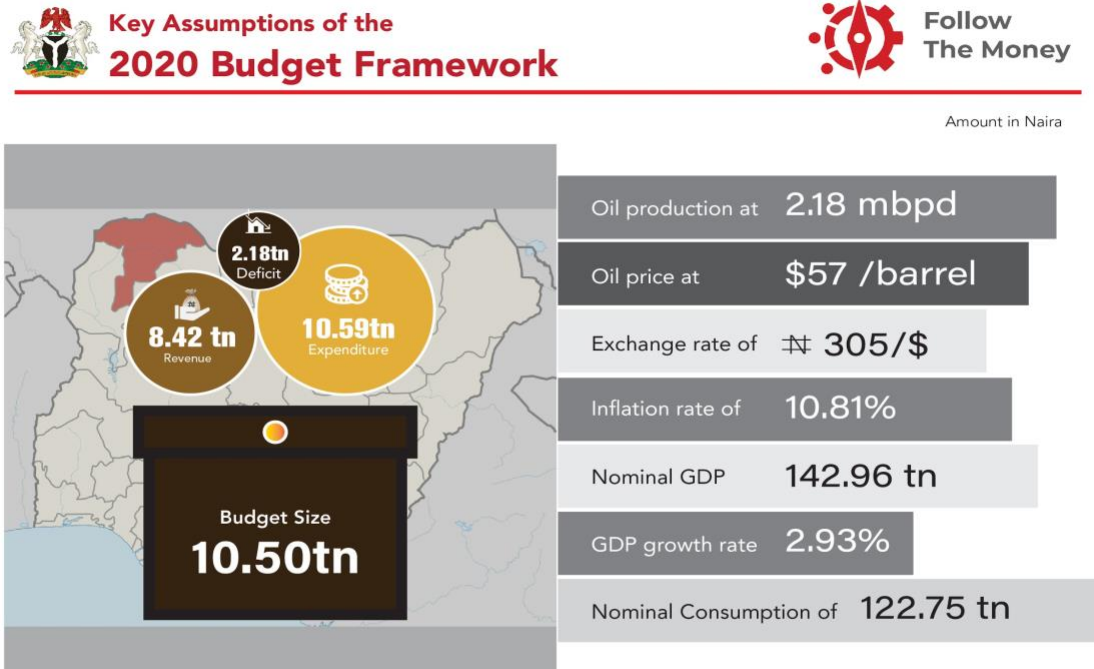


Figure 5: Key Assumptions of the 2020 Budget Framework. Source: Office of the Minister of Finance, Budget & National Planning.

These assumptions were quite realistic at the point of the passage of the appropriation Act, however, within the first quarter of 2020 these assumptions seem no longer realistic as they have been affected by global economic trends orchestrated by the COVID-19 pandemic.

The National Assembly approved proposed expenditure of NGN10.59 trillion and NGN 8.42 trillion as anticipated revenue for the 2020 fiscal year with a fiscal deficit of around NGN 2.17 trillion and the breakdown of the proposed expenditure is reflected on figure 2 as reported by BudgIT (2020)

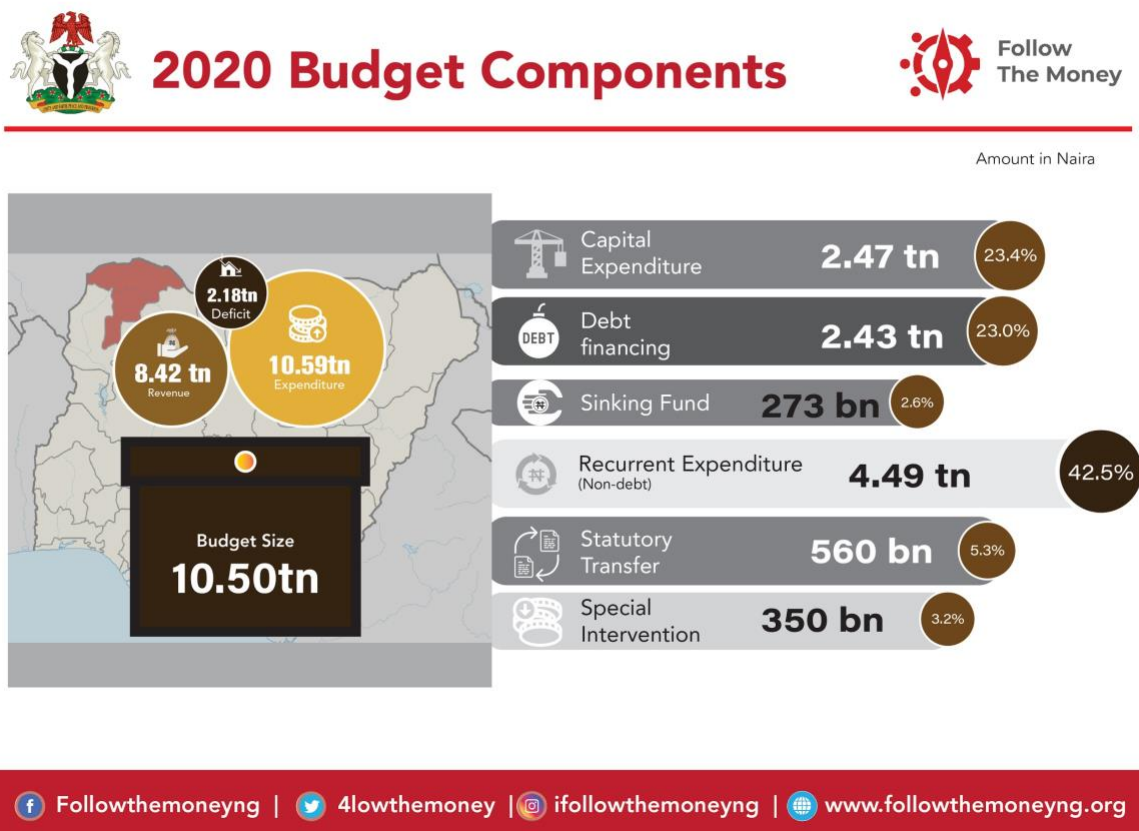


Figure 6: 2020 Budget Components.

The largest component in the budget is the non-debt recurrent expenditure taking 42.5 percent of the entire budget size that is earmarked for taking care of government recurrent expenditure excluding debt servicing. If debt servicing is added to the non-debt expenditure, it means that 65.5% of the entire budget is slated for activities which would not create real wealth. The size of the Capital expenditure proposal was rather small at 23.4 percent. One starts wondering if up to 10 percent of the budget will still be devoted to capital projects with the pressure on the health sector now to contain COVID-19.

The Federal government was optimistic that the 2020 budget would stimulate general improvements in the fundamentals of the Nigerian Economy to create more diversified and inclusive growth over the medium-term with expected reduction in the rate of unemployment. It was also expected to stimulate the implementation of the Strategic Revenue Growth Initiative (SRGI) with increased vigour to improve revenue collection and expenditure management. These anticipations were worth hoping for from the angle of the Government, but obviously, indications from the COVID-19 pandemic make the projections to look like a mirage.

The COVID-19 pandemic has really affected the assumptions upon which the 2020 budget was prepared and approved as shown in figure 1. The price of crude oil has crashed below \$20 per barrel with uncertainty of the oil price in subsequent months of 2020 while oil production in Nigeria has dropped largely below 2 million barrels per day. The Federal Government of Nigeria (FGN) has been compelled by these circumstances to revisit the fiscal assumptions on which the 2020 Appropriation Act was based to conform to the emerging economic realities. The benchmark for oil price for 2020 has therefore been reviewed to \$30 per barrel and oil production to 1.7 million barrels per day. This adjustment may be good now but there is possibility of other adjustments as global economic realities adjust. Capital expenditure is apparently going to be drastically affected as more funds are devoted to the health care centre to fight the pandemic. The debt profile of the country is skyrocketing as the FGN even continues to seek for more loans to finance the economy. States' budgets are also affected as the many states may battle so hard to meet with its recurring expenditure let alone investing in capital projects. Development in Nigeria is clearly going to be affected even as the economy gradually moves into recession if the pandemic is not properly managed.

United Nations (UN) has projected that the COVID-19 pandemic can lead to wider inequality, exclusion, discrimination and global unemployment in the medium and long term if it is not properly addressed¹⁸ (United Nations, 2020). The UN further estimates that COVID-19 poses a real challenge to the UN sustainable Development Goal of ending poverty by 2030 and projected that over 500 million people could be living below the poverty line, below US\$1.90 per day by 2030.

The Nigerian economy is largely driven by the oil and gas sector which accounts for a very large chunk of the country's foreign exchange. The Oil and Gas sector is also a major source of foreign exchange for Nigeria and has recently had a very steep decline in oil prices resulting from the effect of the COVID-19 pandemic. The official exchange rate has been adjusted 36 Naira per dollar. There have also been adjustments in the exchange rate under the investors and exporters (I & E) window from 360 to 380 naira per dollar in the effort geared towards harmonizing the exchange rate across the I&E windows, Bureau de change and retail and wholesale windows.

Recommendations on Appropriate Policies and Interventions

1. Rapid response by state or formal authorities

It is imperative that the Nigerian Government inform its citizens on the impact of the pandemic as well as minimise the adverse effects of COVID-19. All suspected cases should be promptly quarantined and tested. Authorities must ensure contact tracing of all confirmed cases. Isolate all confirmed cases to contain the spread. Verify and report the health statistics to the NCDC, and the African Centre for Disease Control and Prevention and WHO to ensure adequate, verifiable and transparent monitoring of the situation. Ensure adequate and timely sharing of information to inform citizens on the current situation. Tackle the issue of falsified information by enforcing the law on “Fake News”. Collaborate with African Centre for Disease Control to coordinate surveillance, monitoring the spread of the outbreak and mapping out policy responses with other African Nations.

2. Revision of national and subnational budgets to reflect realities

The Federal Government should revise the budget to prioritize the health sector (infrastructure, PPEs, medical equipment and products). Government must drastically review their revenue expectation and projection in the 2020 budget. The budget should be revised downwards basing the revenue benchmarks and assumptions on realisable thresholds and estimates to ensure optimum budget performance especially on the non oil revenue components.

3. Better allocation of funds and institutional preparedness

Allocate funding for medical research to drive evidence-based responses during epidemics and pandemics. Provide adequate measures and coverage to internally displaced persons, refugees and migrants for whom social distancing may prove difficult to impose

4. Diversification and consolidation of the economy

It is important for the government to diversify its MSME sector to develop in all areas of agriculture, manufacturing, entertainment, technology and services as each of these sectors will continue to be very relevant to the overall GDP growth as well as employment generation in the country. The Central Bank of Nigeria should increase the credit facility earmarked to empower the MSME sector so that more MSME in Nigeria can benefit.

5. Eradication of frivolous expenditures in national and subnational budgets

Government must cut down expenditures, especially the recurrent ones that go into paying of salaries and allowances of public office holders which in the Nigerian context are too high.

Government needs to secure food supply chains, particularly the supply of priority products—and ensure the appropriate pricing of these products. They will also need to ensure affordable access to essential services such as power, telecoms and utilities.

6. Stimulation of MSMEs to improve local production and capacity

Efforts should be made to limit importation and to encourage local manufacturing of most of the medical supplies such as facemasks, hand sanitizers, ventilators etc as to conserve our forex and stimulate our economy.

7. Expansion of social protection and safety net

There should be transparent, comprehensive and universal social protection systems to mitigate against the prevalence of poverty. This is germane as it would provide basic income security to enhance the capacity of workers to manage and overcome shocks. The cash transfer palliative to the country's poorest should be inclusive (ensuring that vulnerable groups like women, the disabled and the elderly are well captured) and should spread across all the states in the country.

Conclusion

The Covid-19 pandemic poses serious challenges at a national level with the rapid and increasing spread of the contagion across the Nation. Drastic measures taken within the country and global economic realities have led to faltering economic activities. The over-dependency on crude oil will certainly lead to a negative economic spinoff in the face of falling oil prices globally.

Contrary to countries like China and Turkey who are taking advantage of the spread of Covid-19 in other parts of the world to produce medical supplies, Nigeria will find it difficult to transform its abundant agricultural and mineral resources to answer to the demands of much needed goods and services.

A paradigm shift is needed to change Nigeria's trade pattern with the rest of the world. Nigeria needs to take this opportunity to build an economy that is not dependent on crude oil and is resilient to external shocks in order to achieve a sustainable economy.

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