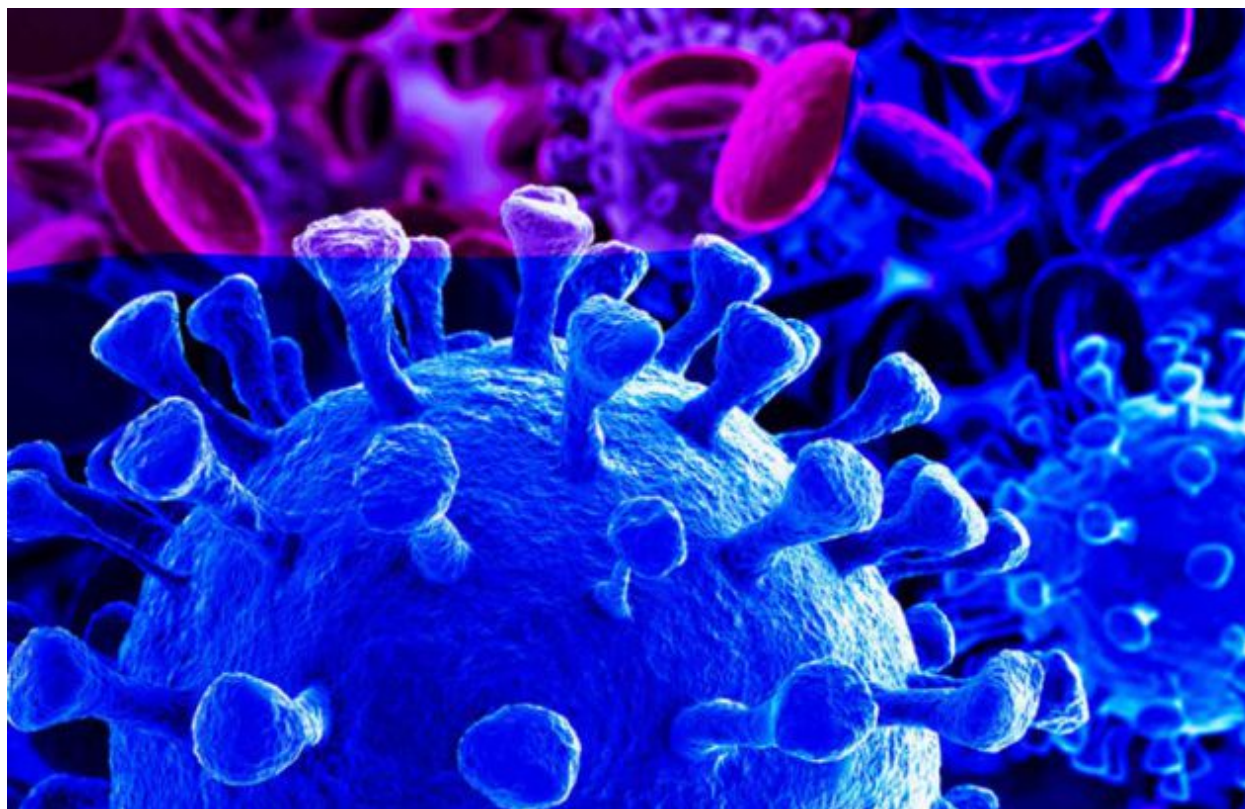


NIGERIA POST-COVID 19: EFFECTS, OUTLOOK AND PROSPECTS



1. **INTRODUCTION**

“SARS-COV-2” or “COVID-19”, is probably the most significant global event in the last 100 years and has caused a monumental disruption to the international order in every sphere of endeavour. The containment measures that have been applied by most countries include, lockdown of whole states and cities, banning or restricting of all forms of public gatherings, unprecedented “work from home” quarantine measures. Despite these measures, over 2.76

Million people globally have been infected¹ by the virus and over 100,000 people have died since its onset in late 2019. COVID-19 was declared a worldwide pandemic by the World Health Organization (“WHO”) on March 11th 2020 and is increasingly becoming an existential threat to the entire human race.

In Nigeria, despite the fact that there are only 981 confirmed cases of the virus (with 31 deaths and 197 people treated and discharged), the infrastructural/personnel deficit in the country’s health sector coupled with its weak economy and strong cultural beliefs, present elements that can create a perfect storm in Africa’s most populous nation. There is therefore a very urgent need for robust and effective response to the pandemic and for strategic planning that can alter its trajectory.

The Federal Government of Nigeria and various state governments have therefore established Covid-19 Task Forces as Command Centres to coordinate and implement the respective national and sub-national responses; enacted emergency legislation, regulations and orders to give the force of law and emergency powers to the various measures they have put in place²; placed total or limited bans on public gatherings and movement; rolled out economic stimulus packages³; established special intervention funds⁴; created palliatives for economically disadvantaged and vulnerable citizens and established unprecedented number of Isolation Centres and Testing Facilities across the nation.⁵

¹ These numbers refer to confirmed cases as the actual numbers are not accurately verifiable due to limited testing capacity in most countries of the world, for example in Nigeria, it is estimated that about 5,000 tests have been carried out, with an estimated population of over 200 million people, this means that only 24 people in a million have been tested.

² For example, Lagos State enacted the Emergency Coronavirus Pandemic Bill 2020 and issued the Lagos State Infectious Diseases (Emergency Prevention) Regulations 2020.

³ For example, the Federal Government of Nigeria, among other things, reduced the pump price of Premium Motor Spirit (“Petrol”) from N145 to N123.50 per litre, while the National Assembly introduced the Emergency Economic Stimulus Bill 2020” (which has already been passed by the House of Representatives) to provide for tax relief for companies’ employees income tax remittances, suspension of import duty on selected medical goods and deferral of residential mortgage obligations under the National Housing Fund.

⁴ The Federal Government of Nigeria, among other things, established a N500 Billion Intervention Fund to support healthcare facilities, provide relief for taxpayers and incentivize employment.

⁵ In real terms there is still a huge infrastructure gap in the required number of such facilities and equipment to adequately cater for our citizens in the unlikely event that there is a sharp rise in the number of confirmed cases of Covid-19 infections.

This article shall provide an outlook of the current scenarios and a predictor for the likely outcomes in a Post Covid-19 Nigeria, with emphasis on prospects for recovery and paths for new business.

2. **COVID-19 & THE NIGERIAN ECONOMY**

The Nigerian economy is Africa's largest economy, comprising a mixed economy, with a nominal GDP of over USD450 Billion and a GDP (PPP) per capita of USD5,887. Although revenue from its oil resources only account for about 10% of its nominal GDP⁶, Nigeria's economy is still largely dependent on these resources which account for about 70% of government spend and over 80% of our total export earnings and so international price fluctuations of oil and interruptions to its production capacity⁷ tend to have a colossal effect on the economy.⁸ The largest contributor, however, to Nigeria's GDP is the Service Industry which accounts for over 50% of our GDP and comprises such sectors as telecommunications, construction, technology, financial services, tourism, entertainment, wholesale and retail trade but these sectors are largely local and therefore do not provide significant foreign exchange revenue.⁹

Nigeria's economy hitherto enjoyed a period of sustained GDP growth of about 7% from 2000-2014, however due to the global oil price slump and interruptions to its own production capacity, our GDP dropped to less than 3% in 2015 and eventually the economy entered into a recession in 2016¹⁰. Nigeria only began to come out of this recession in 2018 and by 2019, our GDP growth

⁶ Revenue from Nigeria's natural gas accounts for approximately another 15% of our nominal GDP.

⁷ For example, Shell Petroleum Dev. Company of Nigeria Limited on 6th of April 2020, declared a force majeure on its Forcados Production facility due to the closure of the Trans Forcados Pipeline and this closure has reduced Nigeria's export volumes by 240,000 barrels of daily oil production. This is quite a distinct issue from our recently agreed OPEC production cut which in theory will further reduce our export volumes by another 417,000 barrels per day, the crude oil price war between Russia and Saudi Arabia which led to the fall in global prices of oil and the approximately 60 cargoes of unsold Nigerian crude oil from NNPC's April and May export cargoes.

⁸ In contrast agriculture which accounts for about 21% of our nominal GDP is unable to significantly boost our foreign exchange earnings, since our agricultural industry continues to be plagued by farmer and herder conflict and is largely non-mechanized and subsistent.

⁹ In 2019, according to the Central Bank of Nigeria's statistics, revenue earnings from non-oil exports was estimated at USD 2 Billion received from the agricultural, mining, industrial, manufactured products and food products sectors.

¹⁰ The economy contracted by approximately less than 2% in 2016.

again climbed up to a positive position above 2%¹¹. However, an increased debt profile; high debt servicing rates; double digit inflation rates; massive recurrent expenditures; non-diversified economy; inconsistent monetary and fiscal policies, insufficient capital flows; huge infrastructure deficits; high petroleum subsidies; insufficient information technology utilization; high levels of poverty and rising unemployment and significant insecurity are just some of the factors that have continued to hamper the growth of the economy. ¹²

The Federal Government of Nigeria has tried to mitigate the above challenges by making several policy interventions which include foreign exchange and import restrictions; land border closure; increase in bank debt-deposit ratios; introduction of social intervention schemes; measured removal of subsidies; implementation of the Economic Recovery and Growth Plan; establishment of special intervention funds by the Central Bank of Nigeria; increase in VAT rate; and execution of the African Continental Free Trade Agreement. These measures have only enjoyed limited success and were unable to establish Nigeria on the path of strong economic growth.¹³

It is against the backdrop of this myriad of economic challenges that Nigeria announced its first case of Covid 19 infection on the 27th of February 2020¹⁴ and since then the confirmed cases have reached a total number of 981 persons at the time of this writing this article. Covid 19 is having a most profound effect on the Nigerian economy as it has literally grounded all economic activity to a halt, with most states¹⁵ in the federation imposing complete or partial cessation on the movement of persons and goods and the operation of businesses, except in the case of designated essentials¹⁶. Apart from grounding the local economy, the pandemic has led to a marked increase in government spending at the

¹¹ As was highlighted above was driven largely by the services sector of our economy

¹² See African Development Bank Economic Outlook on Nigeria in 2020 at www.afdb.org and the World Bank Country Report on the Nigerian Economy for 2019 at www.worldbank.org

¹³ This is largely due to the impact of fall in global oil prices, Nigeria's high debt servicing obligations and its largely unproductive non-oil export revenues.

¹⁴ The index case was an Italian national who came into Nigeria from Italy on the 25th of February 2020.

¹⁵ In the cases of Lagos State, Ogun State and the Federal Capital Territory, the lockdown orders were made by President Muhammadu Buhari pursuant to the Covid-19 Regulations Nos. 1&2 of 2020, for an initial period of 14 days effective from the 30th of March 2020 and extended by another 14 days on the 13th of April 2020.

¹⁶ The designated essentials exempted from the lockdown order are private security operators, medical establishments, media practitioners, food processing, retail and distribution companies, petroleum retail and distribution companies, hospitals, health care manufacturing and distribution companies, telecommunications workers, petroleum distribution and retail companies, financial services operators and money market operators.

federal and state levels to ramp up capacity for effective testing and treatment of the virus and to cater for healthcare in general; reduction in consumer spending; loss of government revenues due to tax cuts and deferrals; halting of global and regional supply chains of goods and services; shutdown of the public transport system, reduced demand for oil exports due to lockdown of economies of our trading partners; reduction of capacity to service heavy debt profile and the devaluation of the Naira albeit as an adoption of a uniform foreign exchange window.¹⁷

The Federal Government of Nigeria has put in place a number of measures to address the fallouts of the Covid 19 Pandemic in Nigeria and these include:

- a) **CBN Stimulus Packages:** The Central Bank of Nigeria (CBN) announced the establishment of a number of monetary interventions including a N50 billion credit facility for affected households and SMEs; interest rate reduction on intervention facilities from 9% to 5%, 1year moratorium on its intervention facilities, and while granting regulatory forbearance for banks to restructure facilities for affected customers. An additional N100 billion intervention fund in healthcare loans to pharmaceutical companies and healthcare practitioners to expand/build capacity in the health sector, the establishment of N1 trillion to fund for the manufacturing industry, direction of oil companies and oil service companies to sell their Forex to the CBN and not the Nigerian National Petroleum Corporation (“NNPC”) and suspension of Forex sales to Bureau De Change operators.
- b) **Fuel price reduction:** The pump price of petrol was reduced from N145 to N125 and later on to N123.5 per litre to reflect the lower landing cost of imported petrol due to the decline in global crude oil prices.
- c) **Economic Stimulus Bill:** the National Assembly has introduced an “Emergency Economic Stimulus Bill 2020” to provide for tax relief, suspension of import duty on selected medical goods and deferral of residential mortgage obligations. Also employers who retain their employees from 1st of March 2020 till the 31st of December 2020 will be granted tax relief (but companies that are partly or wholly taxable under the Petroleum Profit Tax Act are not eligible). Lastly deferral of mortgage payments will apply to mortgage payment obligations under the National Housing Fund while import duty waiver will apply to medical equipment, medicines, personal protection equipment and other medical necessities required for the treatment and management of Covid-19 disease in Nigeria.

¹⁷ These effects are some of the immediate effects on the Nigerian economy but in terms of the medium and long term effects, it is expected that there may be inadequate credit flows into the economy due to tightening of global liquidity; loss of investor confidence leading to decline in FPIs and FDIs; business failures and loss of jobs; decline in volume of trade, increased deficit spending, high rate of inflation and probably another depression in the economy (as recently predicted by the IMF Chief Economist, Gita Gopinath, who forecast a recession of about 3.4% for Nigeria). See KPMG’s Business Impact Series on Economic Impact and Pandemic Planning, March 2020 at www.kpmg.ng.com

- d) Budget Adjustment:** The first step was to adjust the 2020 budget to better reflect the likely outcome of events following the outbreak of Covid-19. The adjustment resulted in a downward review of the benchmark price of crude oil from \$57 to \$30 per barrel and a reduction of the budget size by about N1.5 trillion.
- e) Foreign Exchange Rate Adjustment:** The official exchange rate was adjusted to remove the existing rebate and move it towards a convergence with the investors and exporters window rate while the exchange rate for BDCs was adjusted upwards to about \$1=N380.
- F) Taxes:** The Federal Inland Revenue Service (FIRS) recently announced an Extension of timeline for filing of value added tax and withholding tax from the 21st day to the last working day of the month, following the month of deduction; Use of electronic platforms for payment of taxes and processing of tax clearance certificates; Proposed creation of a portal where documents required for desk reviews and tax audits will be uploaded by taxpayers for online access by the tax authority. The Lagos State Inland Revenue Service (LIRS) also announced an extension of deadline for filing annual tax returns for employees and self-employed persons by two months from 31 March 2020 to 31 May 2020.
- G) Social Intervention Schemes:** President Buhari announced a 3 month repayment moratorium for all TraderMoni, MarketMoni and FarmerMoni loans to be implemented with immediate effect. Beneficiaries of government-backed microcredit schemes- TraderMoni, MarketMoni and Farmer Moni – will proceed on a three-month loan repayment holiday as succor for the harsh economic conditions induced by the coronavirus plague. A similar moratorium has also been extended to all Federal Government funded loans issued by the Bank of Industry, Bank of Agriculture and the Nigeria Export Import Bank.

3. **PROSPECTS FOR NIGERIA IN A POST-COVID 19 ECONOMY**

Despite the impending economic collapse and the statistics that only seem to spell doom and gloom, there is still many positive developments that will occur in Nigeria as a result of Covid-19. Below are some of the outcomes we expect:

- (i) The much touted structural reforms and diversification of the economy which has been a major policy thrust of every government's economic agenda since 1999¹⁸, can now begin to take root as it has become inevitable that the nation must focus on the non-oil sector to drive its revenue earnings, grow the economy and provide insulation from the kind of shocks that will characterize international trade as countries

¹⁸ All economic policies from the National Economic Empowerment Development Strategies (NEEDS) of President Obasanjo, to the 7 Point Agenda of President Yar'adua, to the Transformation Agenda of President Jonathan and to the Economic Recovery and Growth Plan of President Buhari.

grapple with the process of kick starting their economies in the context of a global recession.

- (ii) Nigeria will revisit its multilateral and bilateral trade agreements¹⁹ and devise a means to better utilize the strategic opportunities and trade relationships provided under these agreements to achieve a positive balance of trade and ultimately grow our economy.
- (iii) Market reforms will occur at an unprecedented level in the petroleum industry as the policy of subsidies and price control for refined petroleum products which is estimated to account for over N10 trillion spent on subsidies between 2006 and 2018²⁰ will be stopped. In principle it does make sound business sense to remove the subsidies as the Managing Director of NNPC, Mr Mele Kyari, recently stated in a nationally televised interview, where he said that subsidies only benefit the wealthy and that as at 6th of April 2020, there were zero subsidies being paid on petroleum products. The advantages of removing the subsidies are obvious as the removal will free up scarce forex thereby shoring up our foreign reserves and causing the value of our currency to appreciate, allowing utilization of saved funds on critical productive sectors of the economy and of course catalyze capacity development for local refining (and even export refining).
- (iv) Fiscal policies will focus primarily on food security through the deepening of the agricultural industry; strengthening the entire value chain of the manufacturing process (from utilization of local raw materials to upgrading capacity of machinery/equipment to delivery of standard finished goods); delivery of extensive and high quality infrastructure to provide the necessary linkages required to optimize local production; ensuring the survival and growth of MSMEs; establishing a strong social safety net that caters for the vulnerable ad persons outside the productive segments of society; promoting research and development to drive innovation; building standard healthcare facilities and training and retaining our best healthcare practitioners.²¹

¹⁹ Till date, Nigeria has entered into over 31 Trade and Investment Agreements and out of which it has ratified 15, most recently the Federal Government ratified the African Continental Free Trade Agreement, which aims to free up trade, capital and movement of persons in Africa, thereby creating a market comprising 1.3 billion people and valued at potentially USD 3.4 trillion.

²⁰ It is also estimated that over N780 billion was spent on fuel subsidies in 2019, while the 2020 budget appropriated almost N500 billion for subsidies.

²¹ See Central Bank of Nigeria Policy Statement on “Turning the Covid-19 tragedy into an opportunity for a new Nigeria”

- (v) At the organizational level, it is expected that Information and Communication Technology²² will shape new habits and workplace behavior (as previous models for productivity may be incompatible with guaranteeing a safe work environment going forward) by advancing the use of virtual tools for work and communication. This in turn will generate a boom in the ICT Industry, promote a healthier work/life balance (eliminate the daily commute to and from work and therefore give workers more time to rest) and promote development of in-country capacity of global standards.
- (vi) E-Commerce, automated supply chains, big data, social media, artificial intelligence and the internet of things²³, among others, will now play a major role in production, supply, retail and consumption of goods and services as business processes all over the world will be revised in a way that delivers value but limits physical engagement and contact.²⁴It is also expected that stock exchanges, commodities exchanges and other trading/investment platforms will also fully adopt these technologies in their operations.²⁵
- (vii) Entertainment, gaming and sports will all imbibe more significant virtual components, as technology firms drive new lines of business in these fields and create more user-centric content and as previous paradigms of these activities are discarded.²⁶
- (viii) Government bureaucracy, regulatory compliance, administration of justice, tax administration and all other indices that make it easy to do business in Nigeria will substantially migrate their operations to virtual

²² Although affordable broadband technology, ability to effectively navigate the virtual space and affordability of hardware devices are a real challenge in our environment.

²³ The ecosystem for these technologies is largely in place in Nigeria so what businesses will be required to do is invest in acquiring the technology and create business units to drive their transition to these platforms. Hopefully all the relevant laws (there are already laws that regulate data, digital identity and cybercrimes in Nigeria) to regulate this space will follow in the near future.

²⁴ See article “Shifts in the Low Touch Economy” at www.boardofinnovation.com

²⁵ The Nigerian Stock Exchange recently issued its “Guidance on Companies Virtual Board, Committee and Management Meetings” in response to lockdown effects of Covid-19.

²⁶ Most country analysis of these activities show between 50-70% increase in participation in their online counterparts. For example, in March this year, Online Motorsports Magazine, the Race, organized an All-Star Esports Battle Car Race, in which real race car drivers participated and this event drew more than half a million viewers.

platforms and members of the public will now be able to start and complete all legal requirements for their business online²⁷.

4. **CONCLUSION**

Nigeria and the entire world is in a most precarious situation as it is clear that all the advances of technology, modern medicine and human development have left us in no better position to handle the Covid-19 pandemic and successfully avoid its earth shaking impact. We are living through the stark reality of a changing world where every country of the world must face this challenge almost on its own and where even the most advanced societies appear helpless to stop the relentless march of this virus through their borders.

As Nigerians, we remain a people of strong faiths and have continued to show unparalleled optimism and positivity in our collective response to this pandemic. Our adherence to the government's directives on measures to contain and avoid the spread of Covid-19 although ambivalent have largely allowed the government implement a systematic and strategic response to the virus.

Undoubtedly Nigeria has suffered significant human, economic and other losses as a result of Covid-19, but we must not allow these losses control our trajectory in the coming days or determine our destiny as a nation, there are many wins we shall also achieve and the opportunities presented to us reinvent our nation are evident.

What we need now in Nigeria more than ever before is strong and focused leadership, sacrificial disposition, collective thinking and innovative actions, tailor-made solutions and above all divine benevolence.

²⁷ In a recent article titled "the Nigerian Justice Sector: A Case for Virtual Dispute Resolution" by Dayo Adamolekun, it was recommended that virtual hearing rooms be utilized on digital platforms that are equipped to create the ambience of face to face proceedings. All participants at this hearing will be visible and audible to one another and there will be real time access to shared documents and real evidence. See www.thecable.ng.com