

# New Directions for the Nigerian Economy, Post COVID – 19

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Coronavirus Disease of 2019 (COVID-19) outbreak emanated from Wuhan in China in December 2019. According to Worldometer, the plague has resulted in the deaths of 389,816 people across the world. Out of 6,638,912 infected persons, 3,204,546 people have recovered as at Thursday, June 4, 2020, 17:42 GMT. The pandemic has badly inflicted the human race and nearly all economies in the world haven been devastated. This has called for new ways of managing local economies in order sustain growth or escape economic recession and its negative impacts. The International Monetary Fund (IMF) has predicted a 3% downward trend in global growth in 2020. It has also projected that Nigerian economy would recede by -3.4% in 2021 due to COVID-19. This forecast was based on the country's National Bureau of Statistics (NBS) data.

Given Nigeria's large reliance on foreign earnings from crude oil, it faced a serious challenge of growth sustainability since the price of OPEC basket of oil has fallen from US\$65.11 on the average in January 2019 to as low as US\$ 15.23 as at 23<sup>rd</sup> April, 2020 but has picked up to US\$ 35.46 as at June 4, 2020. This oil price fall was due to the shortage in demand for crude oil and the trade war between Saudi Arabia and Russia. The Federal Government of Nigeria has reviewed downward its national budget to N10.5 trillion using US\$25 as the benchmark price of oil while setting up an Economic Sustainability Committee, chaired by the Vice-President, Prof. Yemi Osinbajo. Since COVID-19 affects the national economy through the channels of labour market, demand, supply and financing impacts, measures including palliatives (though grossly inadequate) from Nigerian governments, corporate and religious bodies, were merely immediate-term measures. The Central Bank of Nigeria (CBN) had rolled out its immediate term policies (0 -3 months), short-term policies (0 – 12 months) and medium-term policy priorities (0-3 years) in putting the economy on the expected right trajectory. The immediate term policies were meant to stabilize the financial system, drive a business continuity system that observes COVID-19 procedures and encourage credit flow into the system through reduction of interest rate on its intervention facilities from 9% to 5%. It also includes the introduction of one-year moratorium on its intervention facilities, improvement of foreign exchange performance, boosting the manufacturing and health sector as well as engendering financial inclusion. Its short-term

policies seek to strengthen the manufacturing sector across its value chain through its funding interventions, with the support of the Federal Government. It also includes supporting home-grown and sustainable health care services through bank and private equity financing, promoting establishment of Infracore Plc as an infrastructure development vehicle and prioritizing the provision of foreign exchange for the importation of machinery and critical raw materials. Its medium-term policy priorities include its support for manufacturing sector; housing market, renewable energy and promotion of cutting-edge research. Meanwhile the CBN in its Monetary Policy Committee (MPC) meeting of May 28, 2020 reduced monetary policy rate (MPR) from 13.5% to 12.5%, retained the asymmetric corridor of +200/-500 basis points around the MPR, Cash Reserve Ratio (CRR) at 27.5% and liquidity ratio (LR) at 30%. These prescriptions were due to the fact that impacts of COVID-19 on the economy was at the early stage and there was no need for much policy adjustments.

## Lockdown and Post-Lockdown Issues

1. It will be good to note one of the challenges faced in Nigeria is that of scantiness of data of the actual infected cases. Nigeria stands as the 7<sup>th</sup> most populous in the world with over 200 million, and to record a figure of around 3000 infected after 2 months of poorly executed lockdown is clearly worrisome especially when compared to countries with lower populations like South Africa with a population of 58 Million. Infection rate for the country is 3% based on 245,747 tests conducted in which 6783 was detected as at 2<sup>nd</sup> of May compare Nigeria with 14% from 17,566 test carried out in Nigeria where 2388 was identified to be infected by the beginning of May 2020.. We should not forget that South Africa has a bigger land size to accommodate less people per square Km and around 30% of Nigeria's population. Considering the level of poverty, poor living condition in populated urban centers and difficulty for government to monitor and ensure strict compliance for lockdown in a system absence of verifiable data of those who earn income on a daily basis we may be looking at a figure as high as 28 Million infected.
2. Security challenges as members of the "1 Million Boys Gang" unleash reign of terror on residents in Lagos and Ogun State in April.
3. The impact of ban in interstate travels was limited and porous. The barricades setup and manned by security operatives proved ineffective as some seized the opportunity to enrich themselves through

kickbacks. This encouraged the spread of the virus to other states. There were also cases where those on important essential and essential duties were prevented entry to some states unless they give bribe.

4. Economic lull across the country for over a month
5. Challenge in implementing lockdown in settlements having several families living together and sharing common facilities, like toilet and kitchen.
6. Closure of factories in Nigeria and abroad had disrupted international trade and supply chains
7. Disobedience of social distancing rules caused by poor planning and implementation of ease of lockdown procedures by businesses has seen a run on banks by crowds bent on carrying out banking transactions.

## Way Forward

It is clear that a lot could have been achieved by thinking through the process of the fight against COVID-19. The government has been more reactive than proactive choosing to act after cases had been recorded, and moving too slowly to curtail the spread. A defensive/preventive approach would have had better results across board and saved the level of waste and loss that will be experienced by Nigeria.

The Nigerian Bureau of Statistics (NBS), Universal Basic Education Commission (UBEC) and National Multidimensional Poverty Index (NMPI) indicate that number of out of school children is on the rise, health care is way below acceptable standards, poverty is on the rise, the average Nigerian is not expected to live beyond 55 years, and corruption remains on the increase.

The way forward for Nigeria is to further look inward in addressing the present health and economic challenges. With a population that is largely very young, everything must be done to protect our future. The wisdom of the aged must be available to guide the youth.

Between 1999 and 2020, Nigeria had deficit budgets for 12 years. Based on the NBS statistics, it had overall surplus budget in 2004-2009 and 2010-2014 which amounted to N12.91 trillion. If 50% of that amount was saved, it would

have only saved N6. 46 trillion (US\$17 billion). This amount if saved would have been able to provide a succor for the economy in 2020. Nigeria needs to plan to open its economy gradually from lockdown while maintaining strict health procedures such as compulsory putting on of face masks, early morning sanitation of public places, use of sanitizers, flexible work system, culture of hand washing at home and in public places and provision of hand washing materials in public places. The Federal and state governments would need to collaborate with community and labour union leaders as well as spiritual leaders in churches and mosques in promoting health ideals that will minimize the spread of COVID-19. The government must make effort to save jobs by paying wages and salaries up to the minimum wage of N30,000 to workers whose employers are unable to pay their wages in the months of April-June 2020.

The Federal Government of Nigeria needs to create a resource pool for declaration of emergency in agriculture and its value-chain, manufacturing, creativity, research and innovation. This is in addition to the planned medium-term efforts of the CBN. The wealthy Nigerians should be encouraged to donate reasonable financial resources into the pool. The resource pool is to be managed by competitively selected firms that will compete to get additional funds allotments.

There should be a complete re-awakening in Nigeria to production activities. There are presently massive opportunities in the manufacturing of hand gloves, sanitizers, face masks and detection of vaccines for curing COVID-19 pandemic among many others. The government must begin to seek alternative financing other than debts henceforth in order to save the country from debt accumulation and its overwhelming crisis. Every state and local government in Nigeria should henceforth be run sustainably while maintaining welfare maximization objective. The era of rolling out bailout funds to states should gradually disappear in the management of Nigerian economy as the excess crude account and sovereign wealth fund have significantly dwindled.

## Government Revenue

No doubt the Government source of revenue has and will be affected; most businesses have remained largely closed, therefore tax revenue will equally be reduced, and the nation has not been able to sell its oil; given this the federal budget has been calibrated downward to \$30.

The fact that the world is getting close to the summer months does not spell well, the reason being that oil demand for heating in the temperate world, a major driver of crude oil demand, will equally reduce. There is so much glut now that it will be impossible to use a significant portion of production in the short run before winter season sets.

With recurrent expenses of the government almost constant the provision for capital projects will suffer as the government will likely put a hold on a lot of capital projects. Government spending will be refocused, and savings or reductions in some areas will free funds for other more urgent needs.

The Federal govt is a key major real estate owner in Nigeria, it is in a position to raise much needed funds by leveraging their current values via long term leasing arrangements. A good example is the Ikoyi Federal Secretariat, a disused monument that has been rotting away for years.

## Agencies Collaboration

We observed that collaboration among several government agencies has been poor and unreliable. This was evidenced by some agencies carrying out activities counter to the overall objective managing the pandemic. This highlights the existence of non-alignment among the government agencies and the ministry of health and NCDC.

Going forward the government will need to call itself to order and take 3 initiatives to ensure, it is not seen doing so much and not achieving any appreciable results.

1. Plan a continuity strategy around the current situation, and gaining ground the government will need to find key partners to implement actions
2. If the government is to sustain the traditional way of financing itself, it will need to rethink how it raises its funding and generate revenue. The demand for grants from the donor and multilateral agencies will most likely be scarce and at its peak already as countries ravaged by the COVID -19 pandemic will add to the need and thin spread of once available funds. The same problem will be applicable to loans

from international institutions like the World Bank and International Monetary Fund (IMF) with several making demands to combat the pandemic. It is unlikely that grants will be able to go round. It is also very likely that Nigeria does not fall into the category of countries that will be considered to require grants, being an oil-rich nation. If the country is to come out of pandemic it should harness available revenue rather than additional loans that will tie out the future which is not the best at this time.

3. Seize the opportunities at this time to correct several anomalies found to be existing in the economy. If the govt does not react we will be wasting a very good opportunity to address areas like implementing transparency structures, water, electricity, education, and housing.

## Security

The country should consider that the mandatory usage of face mask will also mean the the identity of criminals may become more difficult to ascertain. To address this the use of social engineering should be embraced among the public.

To tackle widespread crime that may be a fallout of lockdown the government will have to embrace solutions such as vigilance, efficient early warning systems and communications strategies.

## Currency

Government at a time like this may be tempted to devalue the naira at the same time increase taxes and find ways of cutting expenses and salaries, and also withdrawing critical services. This is not the right approach to adopt and It should be noted that spending by people drives demand, and to demand drives economic activities which drives tax revenue for the government.

The government in order to improve all the effort at promoting export, the nation should stop looking to the west, rather the southern and western Africa market should be explored as an immediate quick win. It is a very good opportunity to initiate production for Africans who may not require strict quality standards as the developed world due to the marked differentiation

in environment and weather. This will afford such producers the time to perfect and improve quality overtime through efficient used of R&D and scaling.

## Reliance on Foreign Currency

The exchange rate needs to be brought down so it becomes easy for Nigeria to buy needed input to drive demand up. Government should make it a strict policy to patronize local industries. One of such is waivers on importation of raw materials and reduced taxes for companies who can produce by substituting imports for local inputs to production of goods. The Government should initiate policies that encourage investors and spenders who want to invest to buy things that will engender local industrialization and technology advancements, and also begin to pursue the relocation of production and services resulting from globalization which have now been impacted or curtailed by the Covid-19 pandemic.

The next way to encourage the economy is to encourage Nigerians to invest in their state owned or other local assets through special promotional and reward structures set up through the stock exchanges including crowd funding for Nigerians. Government should begin to allow foreign interest participation in key initiatives but as soon as possible Nigerian should be allowed to take back and run them.

## Food Security

Access of local farmers to farm inputs and machinery must be given urgent attention. A structure that eliminates bureaucracy in the distribution of fertiliser and seedlings must be put in place and evaluated regularly. Government support is required to ensure the security of farmlands and crops from the threat of herdsmen and the armed bandits attack. Security operatives should be well distributed to deliver security to these places. The new policy should focus on food rather than land security.

Security operatives are to allow easy passage for vehicles conveying farm produce across states to make farming profitable to farmers.

## Healthcare System

The adoption of a funding system for health insurance will aid access to world-class health care standard for Nigerian to health. Rather than copy what other countries have put in place the health sector must develop a workable system that is suited to the local context, is efficient and effective based on set standards that must be observed.

To address the low number of tests being carried out the government must partner procure immediately effective and inexpensive test kits which are then to be distributed to all 774 LGAs health centers and major public and private hospitals. Health officers and their services should become mobile and technology driven including the management of the data and assisting in planning.

The Federal government should seize the opportunity of the pandemic to improve the health centers across the nations' 774 LGAs. Available budget allocation and intervention funds must be utilized transparently to upgrade health centers within each locality. This will reduce the burden on budget allocation to the health sector in future budgets. By upgrading facilities in health centers across the nation, the government can bring quality health care to a larger number of people even in rural areas.

## Welfare

The 2019 NBS property statistics recently released has revealed that over 82.9 million representing 40.1% are classified as poor. If casualties of Covid are to be reduced the impact on the families should be addressed and reduced by the government. The provision for this can be done through the restructuring of government expenses, lease or sales of idle resources and adjustments for things that can easily be expensed, savings from this can then be put to intervention funds and palliatives that will make sense and have an impact on people who need it.



There are a number of approaches that can be implemented by the government to reach the poor, 3 easy ones are;

1. The Electricity bill: households whose monthly electricity bill falls below a threshold are to be considered.
2. The political Party Structure will require the major political parties leveraging their election campaign structures to distribute palliatives and support the needy. This should however not be seen as an opportunity to plunder resources.
3. Additionally, this can also be carried out through the local government structure. The local government is in a better position to identify the sort of palliatives needed by the LGAs being closer to the people. By not leveraging on the power of the local Government the state governments have limited the impact that would have been made. Problems are best tackled when broken down, most especially where issues being faced may vary between each local community. The local government that should get to the people is almost non-existing in this fight against the pandemic.

## Employment

Government provision of intervention fund for businesses to play in the food value chain will assist to mop-up unemployment and redirect the minds of youth to profitable food businesses.

Capacity building support for teeming unemployed in micro-businesses capable of filling gaps for imports should be pursued

Nigerian falls victim of brain-drain. what we have seen is that Nigeria has one of the most sought after and economically viable brain. One of the things the government can do is to produce brains for export as a purposeful policy so that Nigeria can further diversify her foreign earnings. This can be done within a year of adjusting our educational system which is expected to drive equaling benchmarks across the borders of export.

These are just a few quick wins that the government can implement to address issues in the immediate term.

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