

Economic and Policy Review Journal

H1'2021, Volume 19: Number 1



Harnessing COVID-19 induced Opportunities for Economic Recovery and Resilience in Nigeria

List of Articles

Page 3

Review of The Nigerian Economy in 2020 and Key
Priorities for 2021 and Beyond

NESG Research

Page 30

Analysis of the COVID-19 Impact: Need to Harness
Opportunities in the Resilient Sectors for Sustainable
Growth in Nigeria

ACIOE Research Team

Page 40

Securing Nigeria's Future: Urgent Economic Recovery
and Resilience Strategies

Opeoluwa O. Runsewe

Page 46

Reskilling the Nigerian Labour Force for Effective
Productivity: Prosilience as the New Normal

Muhammed A. Akanji and Ruqayyah A. Baderinwa



Review of the Nigerian Economy in 2020 and Key Priorities for 2021 and Beyond

NESG Research

Abstract

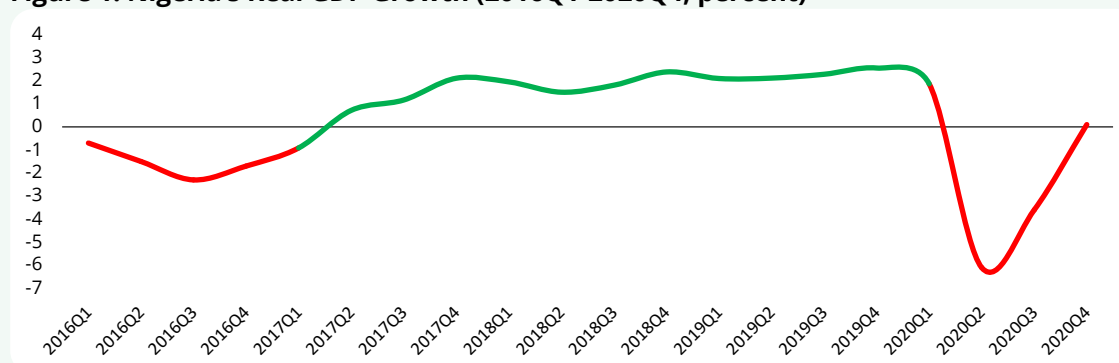
The Nigerian economy faced significant headwinds in 2020 arising from the COVID-19 pandemic. The pandemic exacerbated the realities of rising inflation, unemployment, a tightening fiscal space, and a faltering currency. With the significant macroeconomic challenges facing the nation, critical steps need to be taken to promote economic recovery, sustained growth and socio-economic development. In its 2021 Macroeconomic Outlook Report, the NESG highlighted four key priority areas that are important in attracting private investment which is critical in achieving sustained growth and development in the short and long term. These priority areas are macroeconomic stability, policy and regulatory consistency, sector reforms and human capital development. The first two priorities are critical in the short run. The government has a key role to play in stabilizing the macroeconomic environment and implementing policies which will support economic recovery and promote sustained economic growth further into the future. Sectoral reforms and human capital development, on the other hand, will mainly support improved economic outcomes in the medium to long-run. The potential of key sectors of the economy to attract private investment needs to be harnessed through sectoral reforms. In addition, human capital development is critical to achieving human development and maximizing the productive capacity of the nation.

1. Introduction

Real Sector Developments

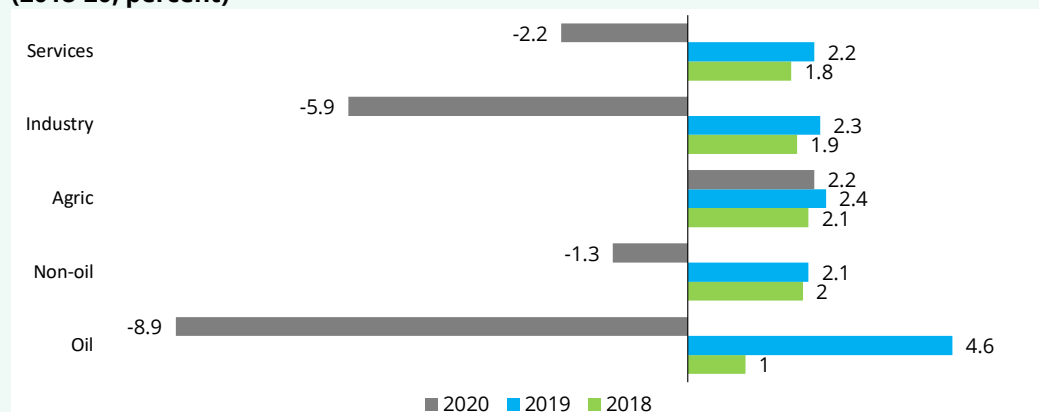
The global economy contracted in 2020, more than a decade since the 2008-09 global financial crisis. Against the backdrop of the COVID-19 outbreak, the global economy contracted by 3.1 percent in 2020, largely driven by advanced economies, which recorded a contraction of 4.4 percent in the year. On a country level, the United States, the United Kingdom, Germany, France, Canada and Japan contracted by 3.1 percent, 9.8 percent, 4.6 percent, 8 percent, 5.3 percent and 4.6 percent in 2020, respectively. On the other hand, emerging and developing economies grew by 2.1 percent. On a country level, the real Gross Domestic Product (GDP) of India, South Africa, Russia, Brazil and Saudi Arabia fell by 7.3 percent, 6.4 percent, 3 percent, 4.1 percent and 4.1 percent, respectively, in 2020, whereas the Chinese economy - where the rampaging virus emanated from - expanded by 2.3 percent in 2020.

Nigeria slipped into its second recession in five years on the back of the COVID-19 pandemic. Just like many other countries, Nigeria was not spared of the impact of COVID-19. In 2020, the economy halted its 12 consecutive quarters of expansion and contracted by 6.1 percent in 2020Q2, mainly driven by the global oil price plunge and the persistent implementation of lockdowns and stringent restrictions the world over. In 2020Q3, the Nigerian economy fell into a recession with a second consecutive negative growth of -3.6 percent (-6.1 percent in 2020Q2). This represents the second economic contraction since 2016. Cumulatively, the economy contracted by 1.9 percent in full year 2020, compared to an expansion of 2.3 percent in 2019.

Figure 1: Nigeria's Real GDP Growth (2016Q1-2020Q4, percent)

Source: Data: National Bureau of Statistics (NBS); Chart: NESG Research

Both Nigeria's oil and non-oil sectors were majorly affected by the pandemic. The negative impact of COVID-19 on the global oil market was transmitted into the Nigerian oil sector. The oil sector which suffered from lower crude oil prices and production contracted by 6.6 percent and 13.9 percent in 2020Q2 and 2020Q3, respectively, compared with positive growth rates of 7.2 percent and 6.5 percent recorded in the respective corresponding periods of 2019. Meanwhile, the disruption of economic activities that came with COVID-19 alongside scarcity of foreign exchange negatively impacted the non-oil sector, which contracted by 6.1 percent and 2.5 percent in 2020Q2 and 2020Q3, respectively. Cumulatively, the oil and non-oil sectors contracted by 8.9 percent and 1.3 percent in 2020, relative to an expansion of 4.6 percent and 1.7 percent in 2019, respectively. The Industrial sector was the most susceptible to COVID-19 shocks as it contracted by 12.1 percent in 2020Q2 and by 5.9 percent in 2020 (2019 growth: 2.3 percent). The contraction of the sector was driven by poor growth performances of sub-sectors including crude petroleum and natural gas (-8.9 percent) and manufacturing (-2.8 percent).

Figure 2: Growth Rate of Oil, Non-Oil and Sectoral Categorisation of Real GDP (2018-20, percent)

Source: Data: NBS; Chart: NESG Research

Similarly, the Services sector's output fell by 2.2 percent in 2020 from an expansion of 2.2 percent in 2019. The deceleration of the sector's growth in 2020 was largely due to large contractions in major sub-sectors including transportation & storage (-22.3 percent), accommodation & food services (-17.8 percent), real estate (-9.2 percent) and trade (-8.5 percent). The negative growth rates in these activities largely suppressed the gains from the strong growth of ICT and financial services sectors – the major beneficiaries of the global pandemic – at 12.9 percent and 9.4 percent, respectively, in 2020. As with the recession in 2016, the agricultural sector exhibited resilience, as reflected by a positive but slower growth rate at 2.2 percent in 2020, relative to 2019 (2.4 percent). In addition to COVID-19 induced lockdowns, the agricultural sector was disadvantaged by incessant insecurity incidences, particularly in the food producing regions of the country. A further breakdown of the 2020 growth numbers showed that quarrying and other minerals led the 17 expanding sectors with a growth of 21.2 percent, followed by telecommunication and information services (15.9 percent), financial institutions (13.3 percent) and broadcasting (4.9 percent). Conversely, activities contracted in 29 sub-sectors led by oil refining (-62.2 percent), followed by major activities in transport sector including air transport (-37 percent), rail transport and pipelines (-33.6 percent) and road transport (-22.3 percent).

Constrained supply chain manifested in rising inflation and rising unemployment.

The headline inflation consistently rose from 11 percent in August 2019 to 15.8 percent in December 2020. Food inflation continued to account for the large increase in overall inflation. The food inflation rate increased by 4.9 percentage points to 19.6 percent in December 2020 from 14.7 percent in December 2019. Similarly, the core Inflation increased by 2.1 percentage points to 11.4 percent in December 2020 from 9.3 percent in December 2019. The average headline inflation rose to 14.9 percent in 2020 from 11.4 percent in 2019. Inflationary pressures have been overtime fueled by factors including heightened insecurity, foreign exchange scarcity and exchange rate depreciation, supply chain bottlenecks and increase in Value Added Tax (VAT).

Figure 3: Nigeria's Inflation Rate (percent)

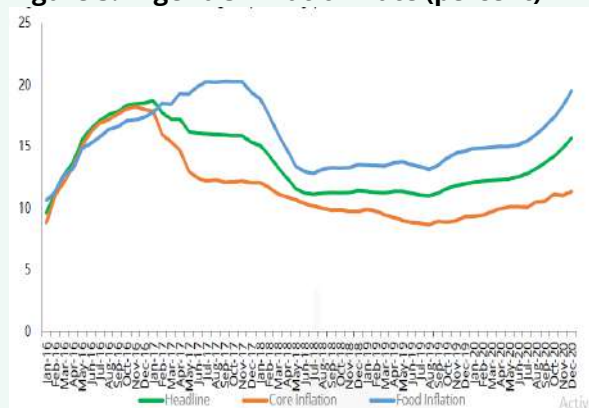
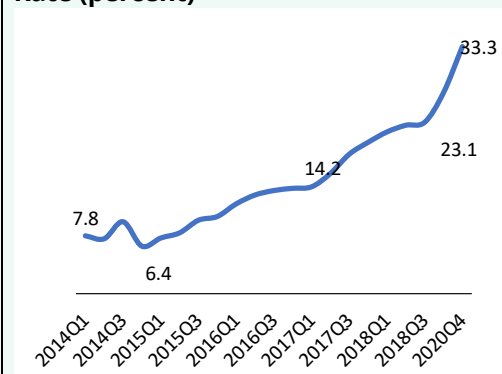


Figure 4: Nigeria's Unemployment Rate (percent)



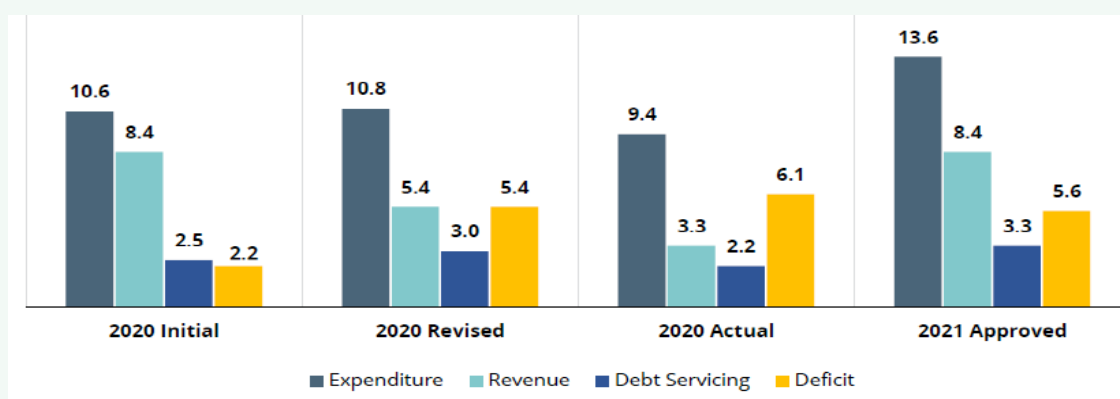
Source: Data: NBS; Chart: NESG Research

Moreover, the adverse impact of the global pandemic on economic activities manifested in rising unemployment rate, with many firms embarking on output scale down and retrenchment. According to data from the National Bureau of Statistics (NBS), the unemployment rate jumped to an all-time high of 33.3 percent in 2020 from 23.1 percent in 2018. The combined rate of unemployment and underemployment rose to 56.1 percent in 2020 from 38.1 percent in 2018. The misery index – the sum of inflation and combined unemployment and underemployment rate – worsened to 71 percent in 2020 from 50.2 percent in 2018.

Domestic Policy Developments

COVID-19 worsened the already challenging fiscal position. The strain on the global economy manifested in lower demand for crude oil as countries implemented lockdown and movement restrictions. This led to a crash in oil prices in the global oil market. As a result, the government revised the 2020 budget to accommodate the potential revenue shortfall and cater for the stimulus spending given the need to cushion the effect of the lockdown on citizens and businesses. The Federal Government earlier budgeted a total of N10.6 trillion in expenditure for 2020 with N8.4 trillion in revenue and N2.2 trillion in budget deficit. The budget was then revised as expenditure target was increased to N10.8 trillion, thereby pushing budget deficit up to N5.5 trillion. Budget assumptions were also revised: the oil price benchmark was revised to US\$28 per barrel from US\$57 per barrel and oil production was revised to 1.94 million barrels per day (mbpd) from 2.18 mbpd.

Figure 5: Federal Government Estimates of Expenditure, Revenue and Budget Deficit (N'Trillion)

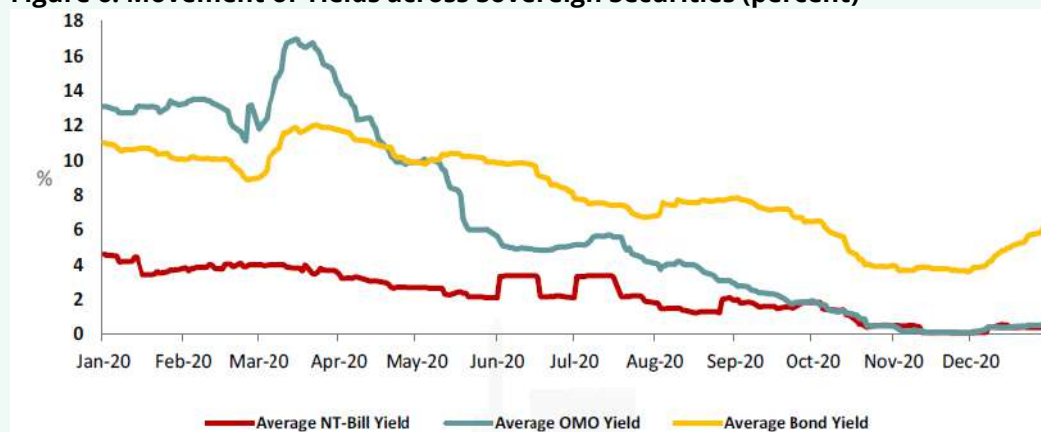


Source: Data: Budget Office of the Federation; Chart: NESG Research

Beyond the constraints on revenue mobilization, the surge in emergency spending to effect COVID-19 interventions and relief measures widened the budget deficit which stood at N6.1 trillion in 2020, an 11.7 percent increase from the initial estimates (N5.5 trillion). The rising debt profile and the growing momentum of external borrowing ultimately casts doubt about Nigeria's capacity to redeem her huge debts upon maturity, let alone servicing the debts so-accumulated. Very concerning is the uptick in public debt service-to-revenue ratio to 82.9 percent in 2020 from 54.3 percent in 2019, while the public debt stock stood higher at N32.9 trillion (US\$86.4 million) in 2020 from N27.4 trillion (US\$84.1 million) in 2019.

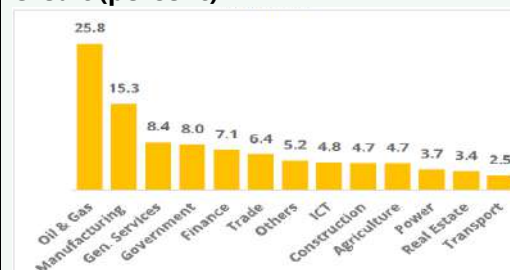
Tough economic environment limits the effectiveness of monetary policy. Monetary policy tools became constrained in the face of rising liquidity, inflationary pressure, foreign exchange instability, and economic fallout of COVID-19 which led the economy into a recession. Rising liquidity was as a result of the Central Bank of Nigeria's (CBN's) Open Market Operation (OMO) policy in 2019 that restricted non-bank corporates and individuals from participating in OMO transactions both in the primary and secondary markets. This made it impossible for some investors to roll over their investments in the OMO market, thereby shoring up the liquidity level in the economy. Consequently, yields across all sovereign instruments declined – average yields on FGN Bond, Treasury Bill and OMO declined to 6.0 percent, 0.5 percent and 0.6 percent at the close of December 2020 from 9.1 percent, 4.7 percent and 13.1 percent on the first trading day of 2020.

Figure 6: Movement of Yields across Sovereign Securities (percent)



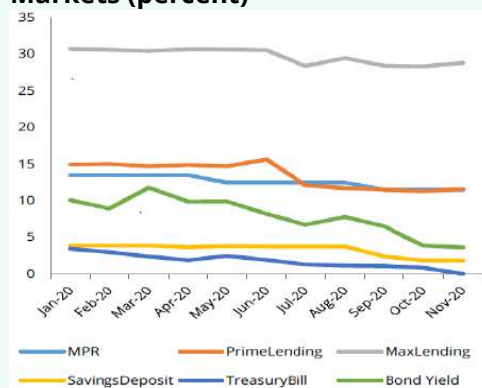
Source: Data: Debt Management Office (DMO); Chart: NESG Research

Against the backdrop of monetary policy stimulus packages in the fight against COVID-19 and the continued implementation of the 65 percent Loan-to-Deposit Ratio (LDR), there was a jump in aggregate credit facilities available to the private sector in 2020. As at November 2020, the total credit to the private sector increased by N2.6 trillion (9.7 percent) to N29.3 trillion from N26.7 trillion in December 2019. This is also reflected in the decline in prime lending rate from 15 percent in December 2019 to 11.3 percent as at October 2020. Besides, the total banking sector credit as at September 2020 stood at N19.9 trillion, an increase of N2.7 trillion (15.6 percent) from December 2019. About 18.8 percent of the banking credit was channeled to the oil & gas sector. The manufacturing sector - a segment of the industrial sector - accounted for 15.3 percent of banking credit portfolio, while the agricultural sector had a 4.7 percent share.

Figure 7: Banking Credit to the Private Sector (N'Trillion)**Figure 8: Sectoral Utilization of Banking Credit (percent)**

Source: Data: Central Bank of Nigeria (CBN); Chart: NESG Research

In addition, the major outcomes of the CBN's unorthodox monetary policy stance in 2020 were the setting in of financial repression – low interest rate environment matched with high inflation regime – and huge disparity between the Monetary Policy Rate (MPR) – the supposed anchor rate – and rates that subsisted in the fixed income market (that is, yields on Treasury bills and government bond). The negative real returns to investment largely served as a major disincentive to investors in 2020. Meanwhile, the equity market recorded a rally in stock prices, with annualized returns estimated at 50 percent in 2020.

Figure 9: Interest Rates across Markets (percent)**Figure 10: Nigerian Stock Exchange (NSE) All-Share Index**

Source: Data: CBN; NSE; Chart: NESG Research

External Sector Developments

COVID-19 worsened Nigeria's trade balance position, plunged foreign investment inflows, stifled external reserves accretion and threatened currency stability. The closure of land borders resulted in the initial slippage of the trade balance position into negative territory in the fourth quarter of 2019. The country recorded a trade deficit throughout 2020, with the overall deficit at -N7.4 trillion in 2020, relative to a trade surplus of N2.2 trillion in 2019. The worsening position of the trade balance so far in the year 2020 could be attributed to lockdown restrictions and suspension of international travels across the world as part of measures aimed at containing the spread of the coronavirus pandemic. Similarly, the overall investment inflows dipped by 59.4 percent to US\$9.7 billion in 2020 from US\$23.9 billion in 2019. The decline in total investment inflows in 2020 was primarily driven by a 68.9 percent drop in foreign portfolio investments (FPI) to US\$5.1 billion in 2020 from US\$16.4 billion in 2019. A combination of trade deficit and weak investment inflows suggests the deterioration of the balance of payments position in 2020. This is not unprecedented considering the country's overreliance on oil proceeds. In 2020, the average crude oil price fell sharply by 55.6 percent to US\$42.1 per barrel from US\$65.5 per barrel in 2019. The average domestic crude oil production fell to 1.7 million barrels per day in 2020 from 2 million barrels per day in 2019. Lower crude oil prices and a drop in domestic crude oil production translated into lower oil export earnings, which nosedived by 33.5 percent to N11.1 trillion in 2020 from N16.7 trillion in 2019.

The worsening external economic environment was also reflected in the huge pressure on the country's external reserves and the instability in the forex market.

Against the backdrop of higher demand for foreign exchange (forex) in the face of limited foreign exchange supply, the CBN adjusted the official exchange rate to N361/US\$ and N381/US\$ in March and July 2020, respectively from N307/US\$. Owing to lower oil export receipts, the persistent deterioration in the trade balance and dwindling investment inflows at the height of COVID-19 pandemic, there was a continuous depletion in external reserves. Between January and April, the reserves lost 13 percent of its value.

Figure 9: Nigeria's External Reserves (US\$ Billion)

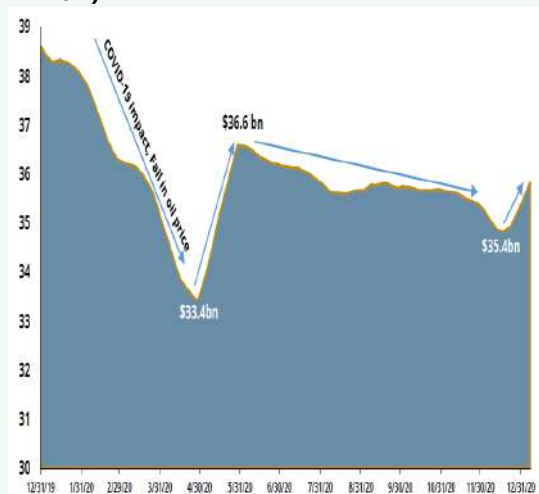
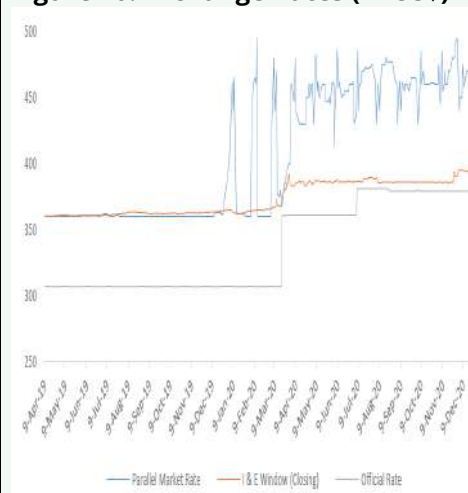


Figure 10: Exchange Rates (N/US\$)



Source: Data: CBN; Chart: NESG Research

Meanwhile, the increase in external reserves in May 2020 was due to the approval of IMF's Refinancing Instrument worth US\$3.4 billion for Nigeria in April 2020. Ever since, the CBN has continued to ration forex among end-users. For the most part of 2020, the inability of the Apex bank to meet the forex demand backlogs widened the parallel market premium, which stood at 25 percent on December 31, 2020. External reserves faced pressure in 2020, closing the year at US\$35.4 billion, 8.4 percent lower than its level a year earlier (US\$38.6 billion). In 2020, external reserves averaged US\$35.9 billion (2019: US\$43 billion).

Timelines of Key COVID-19 related events

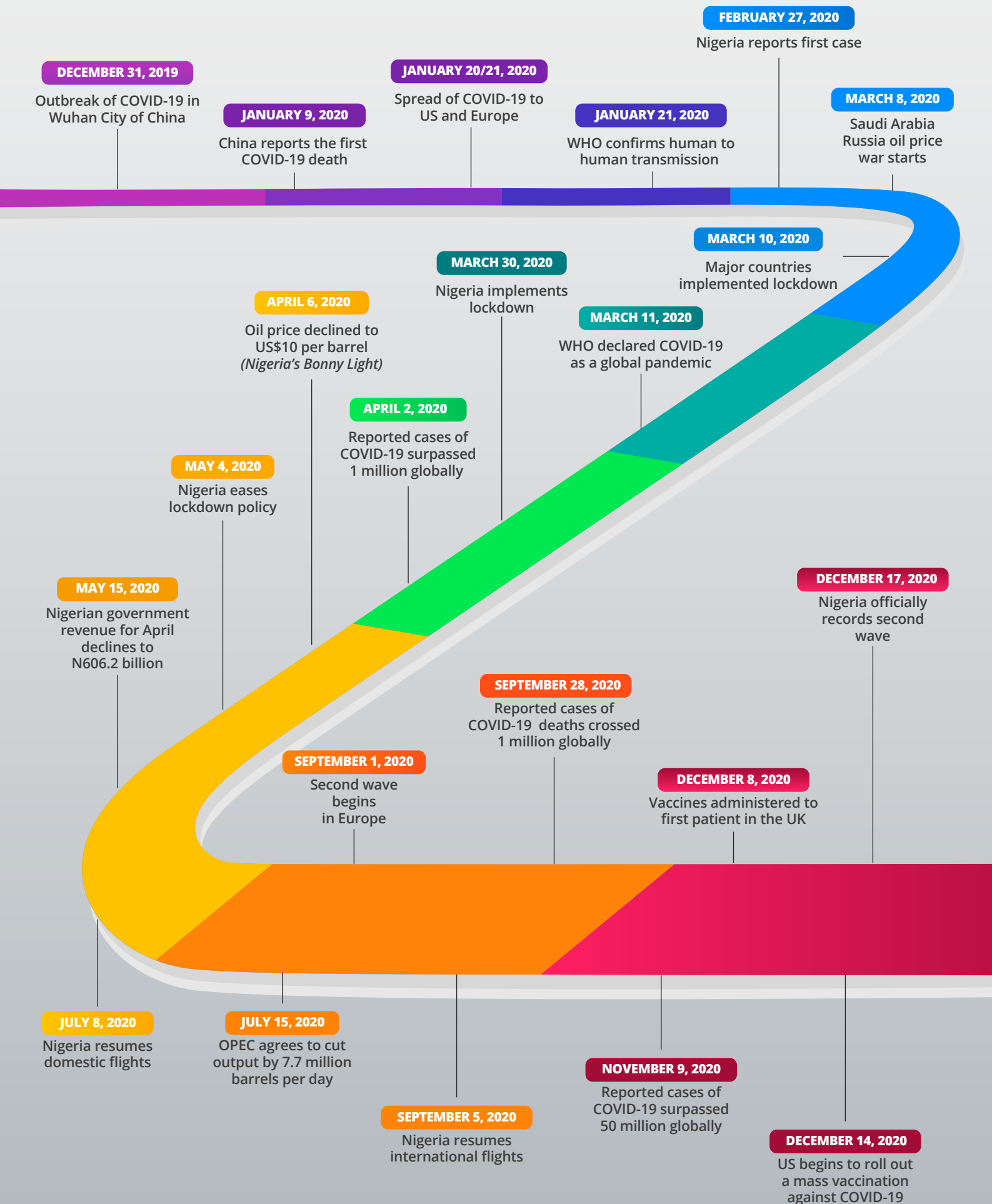
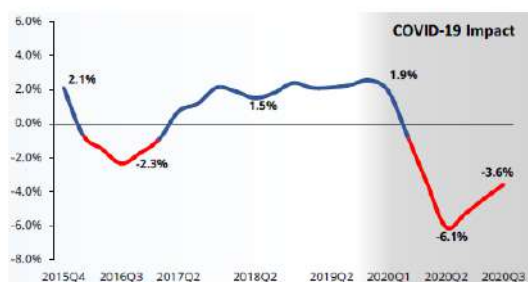
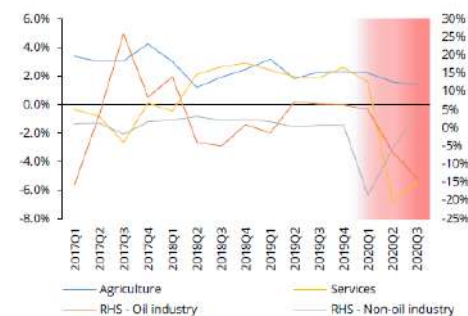
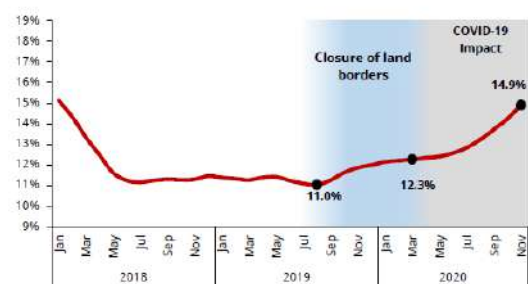
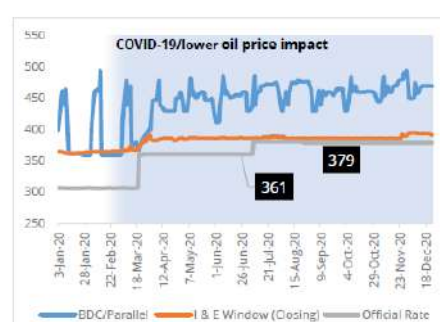


Figure 12: Impact of COVID-19 pandemic on the Nigerian Economy

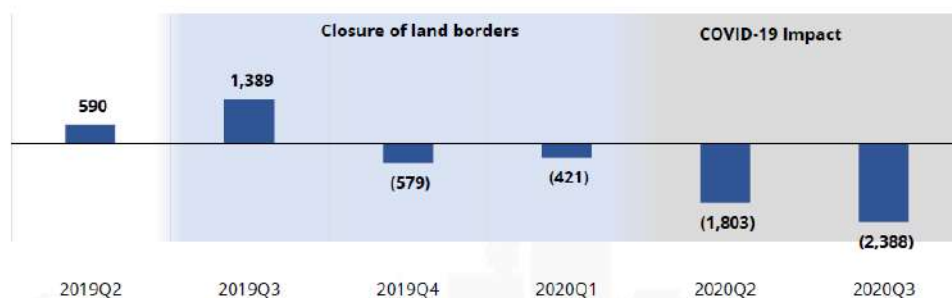
Real sector performance in Nigeria nosedived on the impact of COVID-19. However, the agricultural sector showed some level of resilience

Chart 1: Nigeria's Real GDP Growth**Chart 2: Sectors' Performance (Growth rate)**

Inflation rate consistently increased, Exchange rate became volatile in the parallel market

Chart 3: Inflation Rate (%)**Chart 4: Exchange rate Movement (US\$/N)**

Value of Imports has been higher than Exports since the full closure of land borders in 2019Q4

Chart 5: Trade Balance in Billion Naira

Interest rates continued its downward trend

Chart 6: Interest rate environment

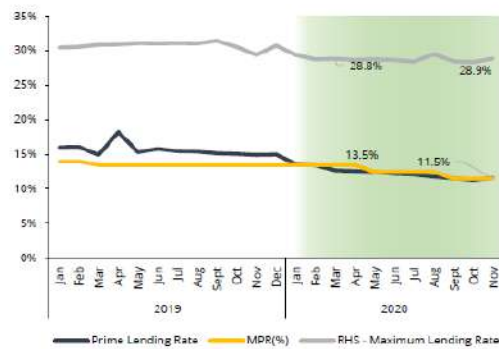
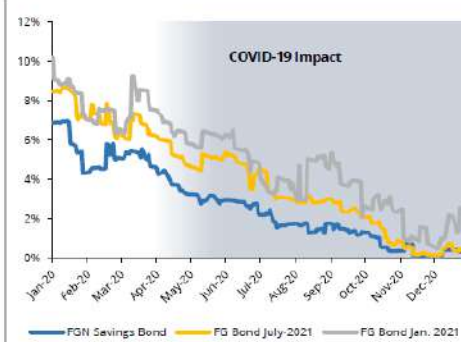


Chart 7: Yield Curve of Nigerian Bonds Market (%)



Foreign Investment inflows declined significantly. External Reserves faced severe pressure

Chart 8: Total Foreign Capital Inflows (US\$ Billion)



Chart 9: External Reserve Movement (US\$ Billion)

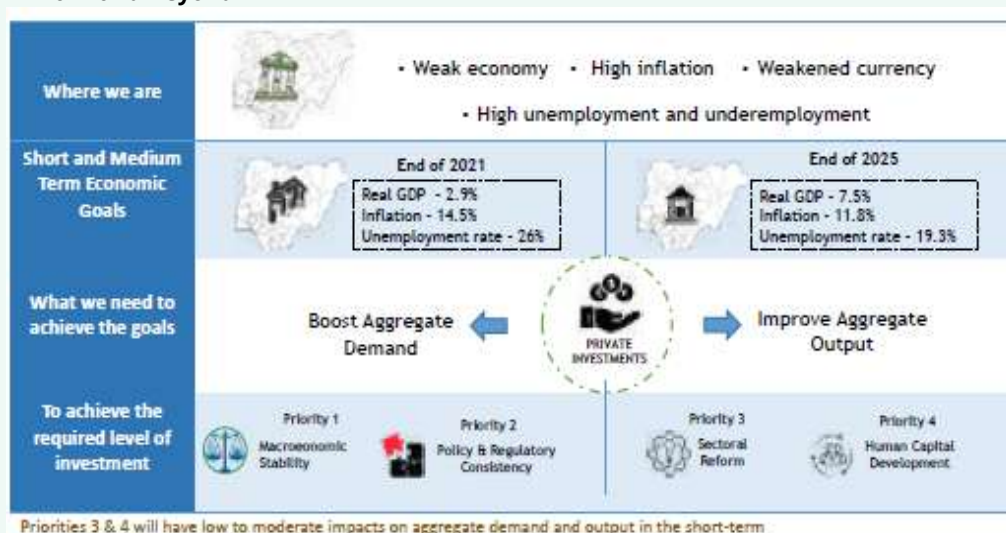


Source: Data: CBN, NBS, FMDQ; Chart: NESG Research

2. Four Key Priorities for the Nigerian Economy in 2021 And Beyond

In the 2021 Macroeconomic Outlook Report, the NESG proposed a theory of change that highlights four key priority areas that are important in attracting significant investments and in turn, improving Nigeria's socio-economic outcomes in the short and medium term. These priority areas are macroeconomic stability, policy and regulatory consistency, sector reforms and human capital development.

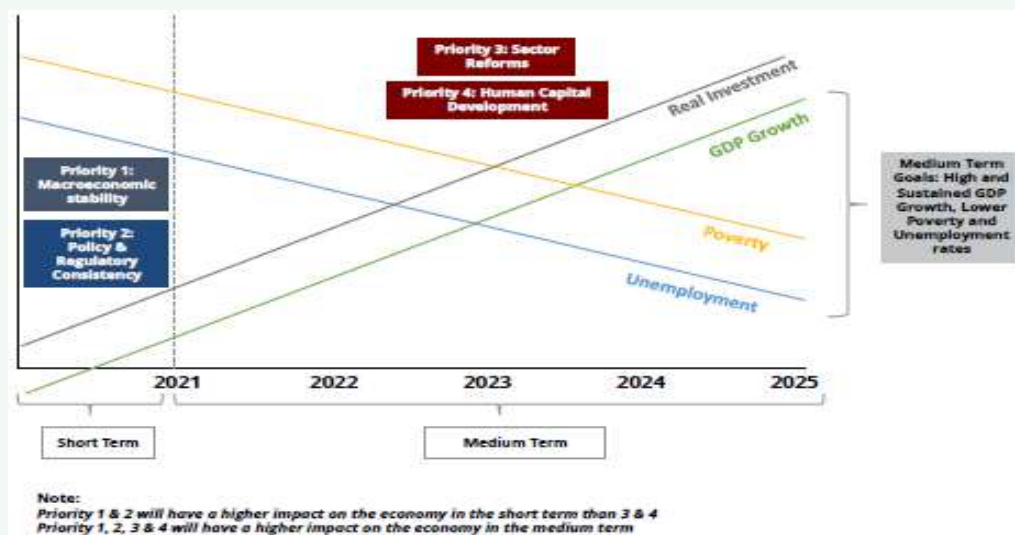
Figure 13: Theory of Change and 4 Priority Areas for Nigerian Economy in 2021 and Beyond



Source: NESG Research

From an impact perspective, although all the priorities will have significant effects on Nigeria's socio-economic landscape over the next five years, two of the four priorities – Macroeconomic Stability and Policy/Regulatory Consistency – if achieved, will deliver a much higher impact in the immediate and short term. Because COVID-19 induced shocks resulted in volatility and instability of macroeconomic indicators such as inflation rate, GDP growth, fiscal balance and exchange rate, among others, macroeconomic stabilization and policy coherence should be the first point of call towards economic recovery and also in achieving high and sustainable economic growth over the medium term.

Figure 14: Priorities Impact overtime



Source: NESG Research

Priority 1: Macroeconomic Stability

Macroeconomic instability became evident in 2020. Nigeria's poorly diversified economy is reflected in its heavy reliance on the oil sector, which is fundamentally prone to shocks and fluctuations. On account of this, the country is subjected to many shocks that trigger macroeconomic instability and adverse socio-economic outcomes. Notwithstanding the country's extraordinary economic growth episode in the first decade of the 2000s, the unstable macroeconomic environment seems to have eroded the benefits achieved during the high growth era. Assessing Nigeria's performance using the Maastricht Indicators¹, the country can be said to have a volatile macroeconomic environment - steep economic growth, acute foreign exchange (forex) shortages and volatility, and deteriorating current account position (as shown by the graphs in previous sections). Inflation rate has exceeded the Monetary Policy Rate (MPR) since February 2016, thereby creating a suppressed yield environment and negative real returns on most of the country's investment instruments.

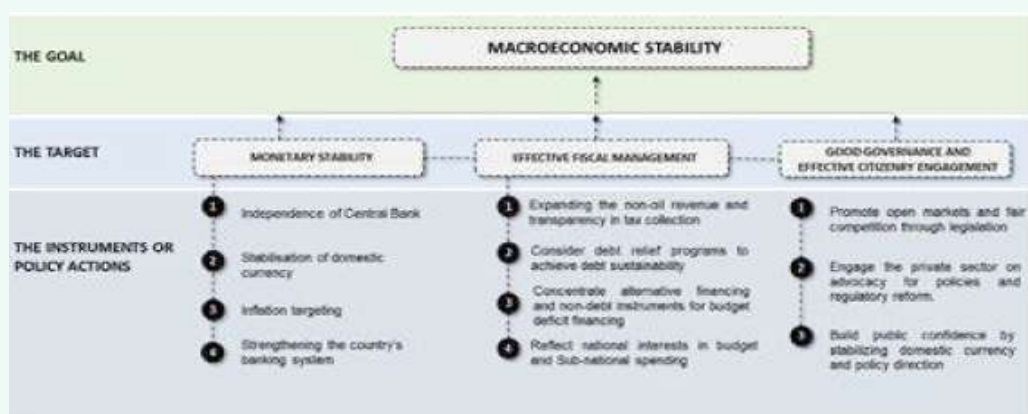
Some critical policies, such as forex restrictions on food items and land border closure also contributed to price volatility. On the government side, fiscal deficits remained high in 2020 and exceeded the 3 percent of GDP benchmark as the government increased total expenditure in the 2020 budget. While the country faced a stagnated revenue situation, the hope of a quick recovery is limited by COVID-19 outbreak, resulting in lower crude oil price and weakened global oil demand. Although the country's debt stock remains low, debt service is increasingly troubling the effective implementation of her annual budget. These, in total, have adversely impacted investments, human capital development and stalled economic growth potentials of Nigeria. The unstable macroeconomic environment has contorted some economic progress

¹ Maastricht indicators or Criteria are used to define Macroeconomic Stability in the European Union. These indicators are low and stable inflation; low long-term interest rates; low national debt relative to GDP; low fiscal deficits; and domestic currency stability.

and thrust many people into poverty and unemployment. While the economic structure in terms of shock transmissions via the oil price channel is the primary driver of macroeconomic instability in Nigeria, many other policy and non-policy factors contribute weighty shockwaves to the economy. Some of the policy factors include rigidity of FX management, the inertia to implement the needed pro-market reforms in crucial sectors such as liberalisation of downstream oil and gas sector, deregulation of the energy sector, and harmonisation of monetary and fiscal policy direction, among others. Other factors include insecurity, high level of corruption, high unemployment and under-employment rate, policy inconsistency and perceived limited capacity of the Nigerian government to properly implement many of the reforms initiated to drive the economy.

It is generally agreed that growth-promoting policies work effectively in a stable macroeconomic environment. Consequently, improving the country's macroeconomic environment should be the most vital priority for the Nigerian government - fiscal and monetary authorities. This is so because economic stabilisation is a prerequisite for higher levels of investments (domestic and foreign) and economic growth. These indicators' favourable performance positively correlates with job creation, reduction in violence, and a higher standard of living. With the initiation of the right reforms, Nigeria can attain a level of macroeconomic stability needed to attract considerable investments to trigger economic potentials, achieve accelerated growth, and bring many Nigerians out of poverty in the shortest possible time. Our approach for Nigeria to achieve a stable macroeconomic environment is through a three-pronged policy stratification: monetary stability, effective fiscal management; and good governance and effective citizenry management. These policy recommendations are segmented into short and long-term based on their impact.

Figure 15: Three-Pronged Policy Stratification for achieving Macroeconomic Stability in Nigeria



Source: NESG Research

² Arief, A. et al (2010) The Global Economic Crisis: Impact on Sub-Saharan Africa and Global Policy Responses. Congressional Research Service.

Priority 2: Policy and Regulatory Consistency

Nigeria has faced a series of challenges that have hindered economic prosperity and inclusive development. Some of these challenges include insecurity, deep-rooted corruption, deepening poverty & inequality, dwindling domestic & foreign investment and worsening socio-economic conditions. At the core is the issue of policy misfit and regulatory inconsistency or overlaps. Policy misfit is a situation where a strategy or policy designed to address a specific issue does not consider the dynamics of interactions economic agents and therefore worsens the existing condition or creates new challenges. In numerous circumstances, crucial decisions that affect businesses are made without proper consultation of stakeholders and without consideration of evidence and research. Impulse, rather than evidence, is a major factor that drives policy making in Nigeria. A clear example is the closure of the land border, which was swiftly implemented without a clear and documented analysis of the potential winners and losers; the duration of the closure as well as needed reforms to position local industries to take advantage of the closed borders.

Moreover, there is often a lack of a central vision, ideology and goals which are crucial in ensuring coherence of policies and reforms within and across the different levels of government. This challenge of lack of coherence has consistently resulted in economic and social losses. The recent reduction of tariffs on imported vehicles by the government despite efforts to support local vehicle production falls under this category. Even in some cases where plans, visions and agendas exist, such as the Economic Recovery and Growth Plan (ERGP), they are often not considered by different levels of government in their decision-making process. There are instances where policies are driven by good intentions and proper economic considerations but execution becomes a challenge. This speaks to the capacity of implementers and the capabilities of government institutions to ensure full compliance and monitor progress. In addition, issues relating to continuity of policies and programmes, monitoring, implementation, and evaluation are specific challenges that continue to limit the inflow of investments and, by extension, job creation in Nigeria.

Figure 17: Nigeria's Performance on Selected Indices on the Global Competitiveness Indicators

Figure 17a: Governance Effectiveness

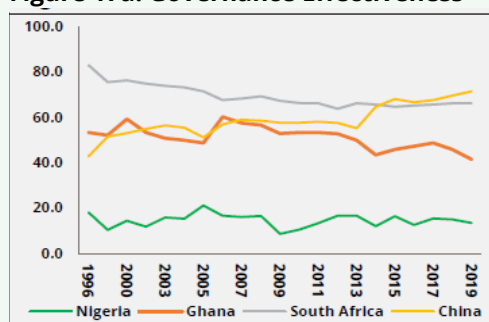
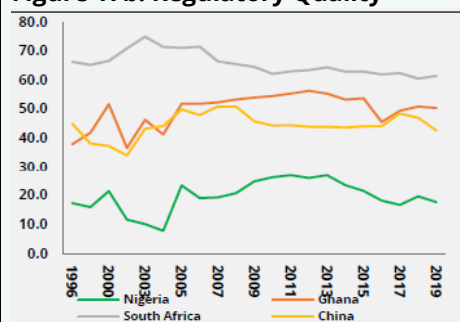


Figure 17b: Regulatory Quality



Source: Data: World Bank; Chart: NESG Research

Bad Policies result in social and economic losses

Bad policy decisions come at a cost to both citizens and businesses operating in the country. For instance, while the closure of land borders may have triggered an increase in rice production. This policy decision reversed the few gains – stable price level and positive trade balance, as discussed above. Meanwhile, in view of the African Continental Free Trade Area (AfCFTA) agreement, the Nigerian government ordered the reopening of the borders in December 2020. This raises several questions – what gains and losses has the country made since the borders were shut? Did the closure of the land borders improve productivity of rice farmers to enable them to withstand foreign competition? Since the borders were shut, have there been pronounced reforms to improve the efficacy of border and other security agencies such as Nigeria Customs Services, the Nigerian Police Force and the Nigerian Immigration Services? Has the government invested in border facilities by adopting modern technologies to ensure effective operations and detection of smuggled items? To this end, before crucial decisions are made, it is important for policymakers to engage in proper consultation, as well as, conduct evidence-based analyses on potential benefits and costs associated with the intended policy actions.

What needs to be done

The COVID-19 pandemic has heightened the need for the government to make better decisions and ameliorate the situation of citizens and businesses to earn trust. The pressure will be on the government to implement better policies that will attract new investments, result in job creation and improve the welfare of citizens. Policymaking, therefore, should be driven by the need to create public value, which is a combination of what the people value and what is of value to the people. From an economic perspective, there are immediate and long-term gains when policies and decisions are focused on delivering public value: (1) Trust deficit between the people and the Nigerian government would be narrowed and the government would be seen as acting in the best interest of the people; (2) Social vices would be reduced to the barest minimum, and (3) The first two points would result in a stable environment that can attract significant investment, which is crucial for job creation and poverty reduction. Policymakers must take into account that private investments, particularly Foreign Direct Investment (FDI), tend to move towards economies with stable policy environment. Policies and actions of key decision makers across all the levels of government must be driven by clear visions and goals that are consistent with improving the business environment. This will improve the confidence of investors on the economy over time.

For regulators, the motivation must be to support businesses and ensure compliance with relevant standards that have been agreed to, by all stakeholders. Government (at different levels) and its agencies must truly act as “enablers” in the business environment rather than creating hurdles for businesses through fierce regulations and numerous charges. The motivation and incentives for business and industry regulators such as Nigeria Customs Service (NCS), NAFDAC, SON, among others, need to be re-engineered to focus on efficient and effective service delivery to their immediate stakeholders, in a simplified and easily accessible manner. This proposition is based on the premise that quality, clear and business-friendly regulation, are key in removing business hurdles across sectors and are germane to the expansion of existing businesses as well as to the growth of new businesses across the country. To address the issue of continuity, the institutionalisation of public policy is important. Policy makers must be guided by clear rules, processes and practices that must be

followed before crucial policy decisions are made or altered. They must also be consciously aware that discontinuity is associated with huge costs which could have medium to long-term implications on the economy. To ensure continuity of long term plans, irrespective of political affiliations, some countries have established laws that ensure compliance with the existing development plan. This practice would be of significant benefit to Nigeria.

Priority 3: Sectoral Reforms

The poor performance across many sectors is a strong reflection of dwindling investment. Investment in Nigeria has remained below potential. All through the last decade, the country's real investment as a percentage of GDP was below 20 percent - this share is significantly low compared with those of fast-growing economies such as China (43 percent) and Indonesia (33 percent). In terms of foreign investments, FDIs have consistently fallen under US\$1.5 billion per annum since the year 2016, a meagre amount when compared with that of countries like Indonesia, Malaysia and Brazil. Principal factors contributing to this stunted investment growth include a harsh business environment, policy inconsistency and regulatory bottlenecks.

Figure 18: Challenges to Doing Business in Nigeria



Source: Nigerian Investment Promotion Commission

It is important to note that the disincentives for private investors (domestic and foreign) to commit to investing in sectors of the economy are somewhat similar. They are primarily demotivated by the persistence of structural challenges ranging from the inadequate power supply and infrastructure deficit to a volatile exchange rate, sectoral rigidity and the economy's

susceptibility to oil prices swings. Other challenges facing the sectors include regulatory bottleneck and corruption; inefficiency in the judicial system and an unreliable dispute resolution system; the multiplicity of taxes; limited financing (corporate and consumer) and high cost of borrowing; inefficiency of standardisation and quality control processes; poor implementation of government policies, projects and programmes; the dominance of SMEs; inadequately skilled workforce; and increasing insecurity level.

Private Investment in strategic sectors is what Nigeria needs, urgently. In Nigeria, given the constraints associated with government finances, private investment in key sectors is what will drive growth in output as firms will seek to innovate, leverage new opportunities that the pandemic offers and take advantage of new markets in view of the commencement of the AfCFTA agreement. Investment in crucial sectors is also what will get workers back to work in 2021. As much as Nigeria needs private capital in every sector of the economy, the government needs to prioritise sectors based on their linkages with economic growth; other sectors of the economy; employment and inclusion. In our Macroeconomic Outlook for 2020, we identified six crucial sectors that fit the above criteria. They include Manufacturing, Construction, Trade, Education, Health and Professional Services with ICT and Renewable energy sectors serving as enablers (See Figure 19).

Figure 19: Identification of Critical Sectors based on Potential to contribute to Growth, Job Creation and Economic Competitiveness of Nigeria

| | | | | | AVAILABLE OF MARKET OPPORTUNITIES | | | |
|-----------------------------------------------------------|-------------|--------------|-------------------|------------------------|-----------------------------------|---------------|--------------|---------------|
| | Growth Rate | Job Creation | Poverty Reduction | Inter-sectoral Linkage | Local Demand | Export Demand | Niche Market | Ease of Entry |
| Manufacturing | ● | ● | ● | ● | ● | ● | ● | ● |
| Construction | ● | ● | ● | ● | ● | ● | ● | ● |
| Trade | ● | ● | ● | ● | ● | ● | ● | ● |
| ICT | ● | ● | ● | ● | ● | ● | ● | ● |
| Health | ● | ● | ● | ● | ● | ● | ● | ● |
| Education | ● | ● | ● | ● | ● | ● | ● | ● |
| Professional Services | ● | ● | ● | ● | ● | ● | ● | ● |
| Key: ● Scores High ● Scores Moderately ● Scores Low | | | | | | | | |

Source: NESG Research

These sectors were selected based on the facts that: (1) they account for a sizeable share of employment; (2) there is strong potential for growth in output, but their contribution to overall GDP growth is low; (3) they have strong backward and forward linkages with other sectors and (4) they have strong linkage with inclusive growth (poverty reduction). The framework also includes the Information and Communication Technology (ICT) sector, which plays a crucial role in the outcome of other sectors. With the introduction of technology to create new opportunities within the sectoral framework, we believe these suggested reforms will help to open up the sectors for private investment. What is more comforting about investment is that the global economy is not short of capital; neither is the local economy. As at November 2020, there was about US\$17 trillion of capital invested in negative-yielding interest-bearing securities globally³. Thus, the negative real returns on investments in Nigeria does not constitute a major barrier in attracting and retaining investments into critical sectors. The country needs to provide a stable environment, where policies are relatively predictable, and uncertainties are reduced to the barest minimum.

Priority 4: Human Capital Development

Given the key goals of achieving economic recovery in 2021 and sustaining growth into the future in Nigeria, the imperative of investment in human capital development cannot be over-emphasized. The sudden outbreak and rapid spread of the coronavirus pandemic has not only overstretched the country's healthcare system but has also tested the resilience of the education sector. The pandemic has further highlighted the need for both health and education sectors to continuously adapt to a changing environment characterised by limited physical interactions.

Nigeria ranks low on health outcomes relative to the rest of Sub-Saharan Africa.

The UNDP's 2020 Global Human Development Report showed that Nigeria's human development performance has remained poor over time. The human development index (HDI) stayed constant at 0.5 from 2014 to 2019, with the country ranking 161st out of 189 countries surveyed in 2019. While having the same HDI as Sub-Saharan Africa's average, Nigeria underperformed the global average of 0.7. The country's unimpressive ranking over the years could be attributed to inadequate funding of education and health sectors, limited capacity to harness citizens' human capital potential – resulting in brain drain, high level of school drop-outs and child labour.

Nigeria's average life expectancy, currently at 54 years, underperforms sub-Saharan Africa's average of 61 years and other countries including Ghana (63 years) and South Africa (64 years). In 2018, the World Health Organization ranked Nigeria's healthcare system as 178th out of 192 countries. Similarly, the country has recorded unimpressive performance in some other health outcomes (incidence of malaria and under-five mortality rate) due to higher out-of-pocket spending on healthcare relative to the Sub-Saharan average and few other SSA countries including Ghana and South Africa. Specifically, while South Africa and Ghana are close to achieving the under-five mortality rate SDG target of 25 per 1,000 live births by 2030, Nigeria is still far away at 120 per 1,000 live births. The inadequacy of health workers – physicians and nurses & midwives relative to its peers – casts doubt about the capacity of Nigeria's health sector to meet the healthcare needs of the growing population.

³ See <https://www.bloomberg.com/graphics/negative-yield-bonds/>

Table 1: Health Care Financing and Personnel Adequacy Indicators

| | Nigeria | South Africa | Ghana | SSA |
|-----------------------------------------------------------------------|---------|--------------|-------|------|
| Government health expenditure (percent of current health expenditure) | 14.2 | 53.7 | 33.5 | 36.1 |
| Out-of-pocket expenditure (percent of current health expenditure) | 77.2 | 7.8 | 40.3 | 35.5 |
| Physicians (per 100,000 people) | 40 | 90 | 10 | 20 |
| Nurses and midwives (per 100,000 people) | 120 | 240 | 130 | 90 |

Table 2: Health Outcome Indicators

| | Nigeria | South Africa | Ghana | SSA |
|------------------------------------------------------|---------|--------------|-------|-------|
| Under-five mortality rate (per 1,000 live births) | 120 | 35.3 | 50 | 77.5 |
| Prevalence of HIV (percent of population ages 15-49) | 1.5 | 20.5 | 1.7 | 3.9 |
| Incidence of malaria (per 1,000 population at risk) | 291.9 | 3.9 | 212.6 | 219.1 |
| Life expectancy at birth (years) | 54 | 64 | 63 | 61 |

Data Source: World Development Indicators as at 2017 & Federal Ministry of Health

Poverty and unemployment are pervasive among segment of the population with no formal education. Statistics showed that Nigerians with no formal education are faced with the highest levels of poverty and unemployment. As individuals and households attain higher levels of education, poverty and unemployment rates tend to decline. This raises the question as to whether individuals are poor and unemployed because they have no formal education or whether they have no formal education because they are poor and unemployed. For poverty and education, the relationship tends to be bi-directional while a one-way relationship can be argued for unemployment and education. What is crucial to note, however, is the importance of human capital development in boosting the chances of being gainfully employed in the formal sector with less likelihood of falling into abject poverty. This also implies that while job creation is a necessary condition for poverty reduction, the quality of job matters as individuals with higher educational qualifications are more likely to obtain quality jobs. This is the more reason for huge investment in human development i.e. both health and education sectors.

Health insurance coverage in Nigeria is low. This reflects the predominance of out-of-pocket spending on healthcare delivery in Nigeria, which currently accounts for over 70 percent of total healthcare spending. It has also been estimated that over 90 percent of Nigerians are excluded from social and private health insurance cover. Estimates show that only federal workers, which account for less than 1 percent of the total workforce, are sufficiently enrolled under the National Health Insurance Scheme (NHIS) introduced in 2005,

with passive participation of state governments. Similarly, several private establishments have also keyed into enrolling their employees on Private Health Insurance; notwithstanding, the enrollees have been estimated to be less than 1 percent of Nigeria's population (see Medic West Africa, 2019).

Inadequacy of personnel arising from brain drain syndrome. Nigeria's health sector has long suffered from a huge deficit in modern health facilities and highly skilled personnel. The number of medical professionals, including doctors, nurses, and midwives, is insufficient to serve the growing population's health needs in Nigeria. The patient-to-doctor ratio remains abruptly high at 2,500: 1, which falls short of WHO's recommendation of 600: 1. The reason for this is not far-fetched as many health professionals and medical experts have sought asylum elsewhere, mainly to advanced countries in search of better working conditions. This challenge along with inadequate health infrastructure have resulted in a high level of outbound medical tourism. According to Pricewaterhouse Coopers (PwC), Nigeria loses about US\$1 billion to outbound medical tourism on an annual basis. Their estimates also showed that 60 percent of outbound medical tourism are related to vital medical specialties including oncology, orthopedics, nephrology and cardiology.

Existence of mismatch between educational qualification and job requirement. There is an increasing gap between the level of education and the actual industry needs. This suggests the poor state of technical and vocational education, in addition to, inadequate and, in some cases, unproductive internship schemes. The resulting gap in technological know-how stood at 59 percent, far above the global average of 38 percent (see WEF, 2017). The school curriculum is faulty to the extent that graduates remain unprepared to fulfil society's practical needs. This, therefore, imposes an additional burden on the employers of labour to invest in their employees through on-the-job training, among others. In Nigeria, technical and vocational education is widely perceived as an avenue for academically weak students and school drop-outs only. This has resulted in disinterest in acquiring technical and vocational skills among the youths, who end up as apprentices and casual workers in the informal sector. The low receptiveness and limited relevance of technical and vocational education is reflected in the high unemployment level among non-graduates, which stood at 76 percent of the total unemployed in the second quarter of 2020, according to NBS data.

Key Priorities for Human Capital Development in Nigeria

Human capital development is a medium to long-term priority. The NESG highlights the key policy reforms associated with the Health and Education sectors in terms of their respective timelines of implementation over the short-term, medium-term and long-term horizons (see Table 2).

Table 2: Key Reforms to the Health Sector

| Action Points | Timelines of Implementation | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-------------|-----------|
| | Short-term | Medium-term | Long-term |
| <i>Need to collate relevant health-related statistics regularly for adequate planning.</i> One of the reasons why intervention programmes and policy responses to health crisis fail to achieve desirable outcomes is the absence of data on the beneficiaries and vulnerable segments of the population, including women and children. Building a sustainable and robust health system requires decisive leadership, improved governance and continuous gathering of data. | ✓ | ✓ | |
| <i>Need for massive investment in the health sector through partnerships between the government and other stakeholders.</i> The growing population in Nigeria offers huge market opportunities for private sector investment. Therefore, private and non-profit organizations need to be incentivised to provide affordable and quality healthcare services. Achieving this would also require the collaboration of the government with local and international communities. | | ✓ | ✓ |
| <i>Need for adequate funding of the health sector.</i> The annual budgetary allocations to the health sector are quite sub-optimal. Several countries, including Nigeria, are yet to meet the 2001 Abuja's Declaration that mandated African countries to allocate 15 percent of their budgetary estimates to the health sector. The health sector accounts for only 4.4 percent of total expenditure in the approved 2021 budget. Improved public spending on healthcare would support efforts aimed at achieving universal health coverage. | ✓ | ✓ | ✓ |
| <i>Need for huge investment in research and development.</i> The limited funding of the healthcare sector is also reflected in low public investment in research and development, particularly, in the area of developing domestic value chain in the country's pharmaceutical industry. Many lessons could be drawn from the experiences of heavy-weight pharmaceutical companies including Pfizer, Moderna and BioNTech, which have received financial support from private and public entities, to develop an effective vaccine against COVID-19. | | ✓ | ✓ |
| <i>Need for digitization of healthcare services.</i> Digitalizing activities in hospitals would ensure that many patients enjoy seamless healthcare delivery and would guarantee timeliness in service delivery at public hospitals, most especially. | | ✓ | ✓ |
| <i>Better working conditions are needed to avert brain drain or human capital flight.</i> There is a need to make the environment more conducive for medical practitioners to optimize the opportunities available in the country to reduce the rate of human capital flight. The prospect of better pay and working conditions for health professionals in the developed world has led to a brain drain from Africa, including Nigeria. | ✓ | ✓ | ✓ |

Table 3: Key Reforms to the Education Sector

| Action Points | Timelines of Implementation | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-------------|-----------|
| | Short-term | Medium-term | Long-term |
| <i>Need to bridge regional disparity in school enrolment and education quality.</i> For Nigeria to achieve the SDG goal 4 – inclusive and equitable quality education – by 2030, there is need to promote universal access to affordable education across gender and regions. For instance, there is urgent need to address some known barriers to school enrolment such as poverty, insecurity and gender discrimination. This would become a matter of urgency given that children of school age accounts for half of the country's total population. | ✓ | ✓ | |
| complemented with organizing regular on-the-job training and seminar programmes for teachers so as to keep pace with global standards. | | | |
| <i>Need to embrace digitalized learning.</i> This would build and strengthen the resilience of the education sector in periods of crisis, such as, the COVID-19 induced lockdown restrictions. This is highly important to ensure that the population of out-of-school children are drastically reduced. | | ✓ | ✓ |
| <i>Need for a school curriculum reform to reflect specific and dynamic industry needs.</i> This calls for an effective synergy between the government, academic environment and the industry. There is a need for the existing internship schemes to be tied to specific skills to improve youths' employability potential. | ✓ | ✓ | |
| <i>Need to empower youths with productive skills development.</i> There is an urgent need to empower Nigerian youths through social investment in skills development. Achieving this would require the resuscitation of the country's technical and vocational education scheme. Nigeria could take a cue from the German technical and vocational education system, which embraces both schooling youths and drop-outs. Investment in skills development has helped close the country's skills gap among the youths (aged 15-24 years), which stood at 28 percent in 2017 ¹ | ✓ | ✓ | ✓ |
| <i>Need for improved funding of the education sector to prepare the youths for the Fourth Industrial Revolution.</i> In 2021, the budgetary share of expenditure on education (5.7 percent) falls short of UNESCO's benchmark of 26 percent. There is need for investment in specialized field areas, such as Science, Technology, Engineering, and Mathematics (STEM) to adequately prepare Nigerian youths for future jobs, that would be highly digitalized and automated. | ✓ | ✓ | ✓ |

Conclusion

Nigeria is indeed at a turning point! What needs to be done is not only about recovering from recession, it is also about holistically deploying appropriate measures to sustain the economy on a strong growth path accompanied by massive job creation and poverty reduction. On policy and economic management, a departure from the past practice is essential to move forward. The resurgence of COVID-19 has exposed the country's structural vulnerabilities and has revealed the need to achieve better outcomes by implementing evidence-based reforms. Therefore, the status quo cannot be maintained. As a way forward, the Nigerian government needs to reverse the current recessionary trend and build a more resilient economy. Working on the four key priorities – macroeconomic stability, human capital development; holistic sector reforms, and policy and regulatory consistencies, will boost private sector investment which is central to economic recovery efforts in 2021 and beyond. In addition to these priorities, exemplary leadership, alongside strong political will to implement tough reforms, is needed to yield desirable outcomes.

⁴A See WEF (2017)

References

- Adepoju, P. (2018). Nigeria's medical brain drain. Retrieved from: <https://www.devex.com/news/nigeria-s-medical-brain-drain-93837>
- Budget Office (2020). 2021 Appropriation Act. Retrieved from: <https://www.budgetoffice.gov.ng/index.php/2021-appropriation-act/2021-appropriation-act/download>
- Budget Office (2020). Budget Implementation Report for Second Quarter 2020. Retrieved from: <https://www.budgetoffice.gov.ng/index.php/2020-second-quarter-and-half-year-bir/2020-second-quarter-and-half-year-bir/download>
- Central Bank of Nigeria (2020). CBN Economic Report for Third Quarter 2020. Retrieved from: <https://www.cbn.gov.ng/Documents/quarterlyecoreports.asp>
- Central Bank of Nigeria (2020). Crude oil prices, crude oil production and exports data. Retrieved from: <https://www.cbn.gov.ng/rates/crudeoil.asp>
- Central Bank of Nigeria (2020). Gross external reserves data. Retrieved from: <https://www.cbn.gov.ng/IntOps/Reserve>
- Central Bank of Nigeria (2020), 2019 Statistical Bulletin. Retrieved from: <https://www.cbn.gov.ng/documents/Statbulletin.asp>
- Central Bank of Nigeria (2020). CBN Economic Report for Third Quarter 2020. Retrieved from: <https://www.cbn.gov.ng/Documents/quarterlyecoreports.asp>
- Central Bank of Nigeria (2020). Money and Credit Statistics. Retrieved from: <https://www.cbn.gov.ng/rates/mnymktind.asp>
- Debt Management Office (2020). Nigeria's Public Debt Stock as at September 30, 2020. Retrieved from: <https://www.dmo.gov.ng/debt-profile/total-public-debt>
- FMDQ (2020). Bond Prices for 2020. Retrieved from: <https://emarkets.fmdqgroup.com/Uploads/HistoricalOTCData/FGN percent20Bonds percent20Prices percent202020.xlsx>
- FMDQ (2020). Treasury Bill Historical Report. Retrieved from: <https://emarkets.fmdqgroup.com/Uploads/HistoricalOTCData/Treasury percent20Bills percent20Historical percent20Report percent202020.xlsx>
- FMDQ (2020). FX Closing Prices (Official and Investors and Exporters Exchange Rates). Retrieved from: <https://emarkets.fmdqgroup.com/>
- Medic West Africa (2019). Healthcare Market Insights: Nigeria. Retrieved from: <https://www.medicwestafrica.com/>
- National Bureau of Statistics (2020). Nigeria Capital Importation Report for Third Quarter 2020. Retrieved from: <https://nigerianstat.gov.ng/elibrary>
- National Bureau of Statistics (2020). Nigeria Foreign Trade Report for Third Quarter 2020. Retrieved from: <https://nigerianstat.gov.ng/elibrary>

- National Bureau of Statistics (2020). Poverty and Inequality Report for 2019. Retrieved from: <https://nigerianstat.gov.ng/elibrary>
- National Bureau of Statistics (2020). Unemployment Report for Second Quarter 2020. Retrieved from: <https://nigerianstat.gov.ng/elibrary>
- NBS (2016). The Human Development Report. Retrieved from: <https://nigerianstat.gov.ng/elibrary>
- National Bureau of Statistics (2020). Covid-19 Impact Monitoring May 2020. Retrieved from: <https://nigerianstat.gov.ng/elibrary>
- National Bureau of Statistics (2020). CPI and Inflation Reports. Retrieved from: <https://nigerianstat.gov.ng/elibrary>
- National Bureau of Statistics (2020). Nigerian Gross Domestic Product Report for Third Quarter 2020. Retrieved from: <https://nigerianstat.gov.ng/elibrary>
- Nigeria's Federal Ministry of Health website: <https://www.health.gov.ng/#>
- Our World in Data (2020). University of Oxford's Sustainable Development Goals Tracker. Retrieved from: <https://ourworldindata.org/charts>
- UNDP (2020). The Human Development Report for 2020. ISBN: 978-92-1-126442-5. Retrieved from: <http://hdr.undp.org/en/content/health-index>
- WEF (2017). The Global Human Capital Report for 2017. A Publication of the World Economic Forum. ISBN 978-1-944835-10-1. Retrieved from: <http://www3.weforum.org/docs>
- World Bank (2020). World Bank Data Bank. Retrieved from: <https://tcdata360.worldbank.org/indicators/inv.all.pct>
- World Economic Forum (2020). A Long and Difficult Ascent. Retrieved from: <https://www.imf.org/-/media/Files/Publications/WEO/2020/October/English/text.ashx>
- World Development Indicators (2019). World Bank Database. Retrieved from: <https://databank.worldbank.org>
- Weiping T. (2018). China's Approach to Reduce Poverty: Taking Targeted Measures to Lift People out of Poverty. Retrieved from <https://www.un.org/development/desa/dspd/wp-content/uploads/sites/22/2018/05/31.pdf>



**Analysis of the COVID-19 Impact:
Need to Harness Opportunities
in the Resilient Sectors for
Sustainable Growth in Nigeria**

ACIOE Research Team

Abstract

There is an urgent need to implement critical macroeconomic policies which will directly support Nigeria's economic landscape, protect its vulnerable population, and set its economy on a pathway towards economic recovery. There should be a focus on sectors with the highest growth potential that showed remarkable resilience through the peak of the Covid-19 pandemic in 2020. In line with the focus of this policy paper, we recommend that the Federal Government carry out the following actions to achieve stable markets, promote economic prosperity through diversification, ensure business development, and reduce poverty in Nigeria.

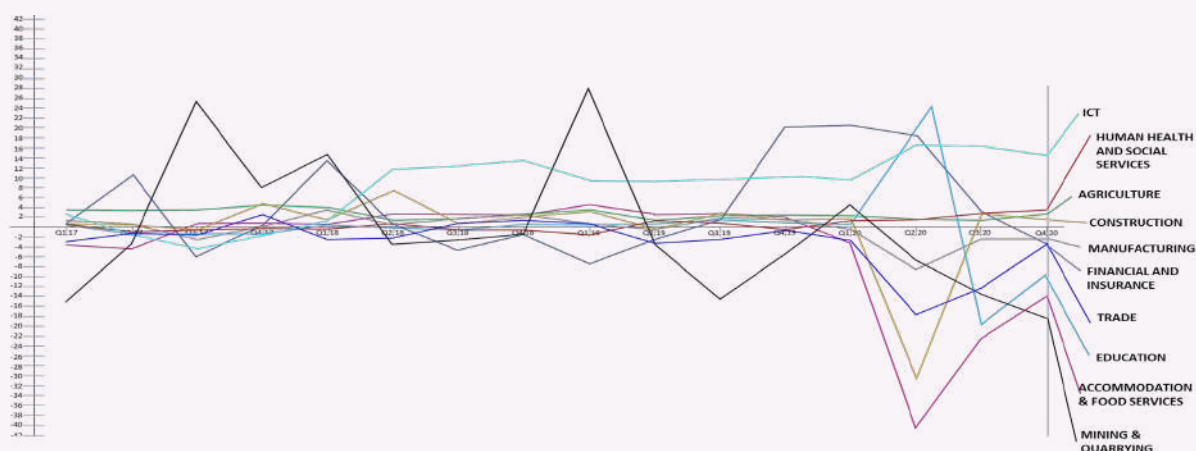
- Agricultural policies should aim at supporting the development and availability of high yield seeds in Nigeria. In addition, measures should be taken to boost the availability of irrigation facilities to aid all-year-round farming in Nigeria. These two measures would increase crop production in Nigeria and help curtail low agricultural productivity, a significant reason for the high prevalence and persistence of high food inflation, by keeping the rural population trapped in a vicious cycle of poverty.
- Strong focus to leverage Information and Communication Technology to address socio-economic issues and utilize its positive macroeconomic potential. A report by World Economic Forum shows that a 10 percent digitization increase of a country would result in a 0.75 percent increase in GDP per capita with a 1.02 percent drop in the unemployment rate. The pandemic has accelerated the pace of digitization globally. Better enabling conditions for remote work to support activities in other parts of the globe could help enable skills transfer, job creation, and improved forex inflows from exporting services from Nigeria.
- The monetary authority should review and maintain policies to boost access to credit. These measures include providing credit bureaus with more data to assess the creditworthiness of borrowers and driving financial inclusion to enable financial institutions to mobilize more deposits. This would increase the availability of funds available for lending, and banks will be more aware of borrowers likely to default. It would also reduce the cost of borrowing by manufacturers in the country. Currently, Nigeria has one of the highest lending rates in sub-Saharan Africa, pegged at a double-digit of 11.5 percent, compared to Kenya, Ethiopia, Namibia, whose MPR is pegged at a single digit.
- The apex bank should support policy measures that would increase the supply of forex into the country. Accessing new channels such as diaspora remittances and export of services from Nigeria could help in addressing the challenge around accessibility and affordability of forex. This would facilitate the importation of raw materials and other vital resources not locally available.
- The federal government should address the insecurity challenges in the northern and eastern parts of the country, endowed with natural minerals. This would attract both domestic and foreign investors to leverage the underutilized mining and quarrying sector.

1. Introduction

The 2019 Coronavirus disease (COVID-19) created a public health and economic crisis in Nigeria. Its adverse effects led to the adoption of several measures to curtail the spread of the virus. However, containment measures led to disruptions in Nigeria's overall macroeconomic activities, which resulted in a GDP contraction of 6.1 percent and 3.62 percent in the second and third quarters of 2020, respectively. Additionally, crude oil prices fell to \$22 per barrel, and low production volumes decreased to 1.5million barrels per day in July 2021 from 2.08million barrels per day in September 2019. According to the Nigerian Bureau of Statistics (NBS), the fall in oil prices and low production rate of its crude oil impacted government revenues and foreign exchange inflows, as sales from crude constitute close to 60 percent of government revenues and 80 percent of our foreign exchange earnings. (Afaha et al., 2020). In response to the adverse effects of the pandemic, the government intervened with robust monetary and fiscal measures to curtail the negative impact of the pandemic, notably, the Nigeria Economic Sustainability Plan (NESP), an 18-month plan, which the Federal Executive Council approved on June 24, 2020. The NESP, an N2.37 trillion Naira transition plan, was developed as a successive plan to the Economic Recovery and Growth Plan (ERGP) to respond robustly and appropriately to the challenges posed by the COVID-19 pandemic. However, the coronavirus pandemic revealed many weaknesses in the Nigerian economy. Its effects were visible across ten major economic sectors: information and communication, human health and social services, agriculture, construction, manufacturing, finance and insurance, Trade, education, accommodation and food services, mining, and quarrying (NBS,2020). The impact across these sectors highlights the urgent need to implement measures to cushion the pandemic's macroeconomic consequences, harness opportunities, protect the vulnerable population, and set the economy on a pathway of sustained economic recovery. This is possible by improving the gains from sectors that exhibited strong growth at the peak of the COVID-19 pandemic in 2020 and supporting the recovery in sectors constrained by the pandemic's impact.

2. Framework

The COVID-19 pandemic is a new global challenge that's testing the world economy's resilience across all areas of development. Resilience, in general terms, is the ability of a system to absorb disruptions and restructure while retaining its essential functions, structure, identity, and feedbacks (Prayag, 2018; Sisneros-Kidd et al., 2019). Resilience is prompted by change (Hall et al., 2018) which could be sudden or gradual. Compared to crisis management, resilience thinking offers a better perspective on how systems survive in the wake of the COVID-19. This paper employed a trend analysis to analyze, track, monitor, and compare the sectorial growth per quarter before and amid the peak of the Covid-19 pandemic to conclude on resilient sectors amid the height of the pandemic and sectors that grew consistently before the pandemic. Data was gotten from the Nigerian Bureau of Statistics (NBS) quarterly reports of major economic sectors from Q1 2017 to Q4 2020. The figure below shows the growth trend of ten sectors from 2017 (prior to Covid-19) to 2020 (amid the pandemic) to give a more detailed analysis of sectors that grew consistently before the pandemic and those that showed resilience at the peak of the pandemic.

Figure 1: Trend Analysis of Sectors Growth per Quarter from 2017 to 2020

Source: Nigerian Bureau of Statistics Reports and ACIOE Research

The trend analysis depicts that prior to the pandemic, all sectors grew at almost the same pace with insignificant variations, from Q1 2017 to Q1 2020. However, the Information and Communication sector grew exponentially from Q1 2018 to Q4 2020, compared to other sectors that grew below 10 percent. The Finance and Insurance sector had similar growth characteristics until the last two quarters of 2020. The change of average growth rate over these periods shows that Accommodation and Food Services declined by 4.32 percent, construction dropped by 0.24 percent, education fell by 0.45 percent, manufacturing declined by 0.10 percent, and Trade declined by 2.70 percent. These declines are attributed to the adverse effects of the pandemic between Q2 and Q4 2020. Nevertheless, Information and Communication grew by 8.14 percent, finance and insurance grew at 3.98 percent, agriculture grew by 2.52 percent, mining and quarrying grew at 0.04 percent, and human health and social services sectors grew at 0.48 percent. From these results, sectors that showed resilience and consistent growth amid the pandemic's peak are; Information and communication, finance and insurance, agriculture, human health, social services, and mining and quarrying.

3. Economic Sectors

This section shows two categories of sectors;

- a. Resilient sectors amid the pandemic's peak.
- b. Sectors that were adversely affected by the pandemic but showed consistent growth before the peak of the pandemic.

3.1 Resilient Sectors

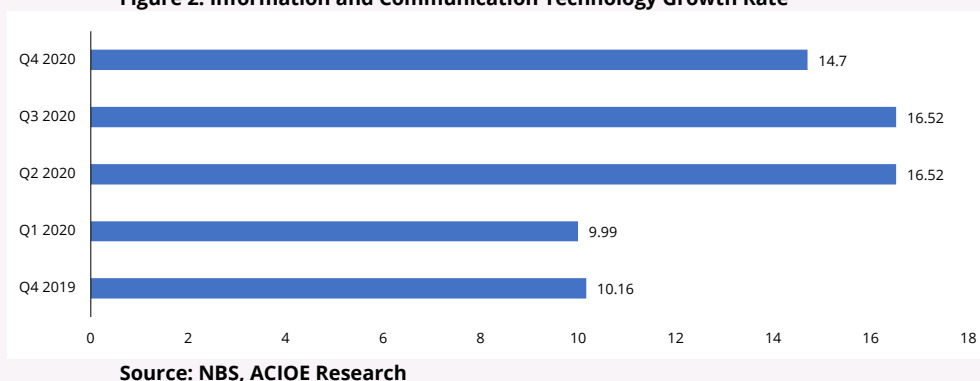
Information and Communication

Information and Communications Technology emerged as a critical means of resolving challenges caused by the pandemic and responding to the new reality of communication in these challenging times. In 2020, the COVID-19 pandemic affected every sector, including the Telecommunications, Media, and Technology (TMT) sector. However, telecommunications services saw an increase in mobile and broadband penetration. As a result, the ICT sector accounted for about 17.83 percent of the total real GDP in Q2 2020, 20.54 percent higher than its contribution in the previous year's quarter, which accounted for 14.07 percent (NBS, 2020). This increase was attributed to an upsurge in demand for data and voice-related services

during lockdowns in Nigeria. Consumers had to depend on ICT services to work from home, maintain social ties, participate in training, carry out financial transactions, among others.

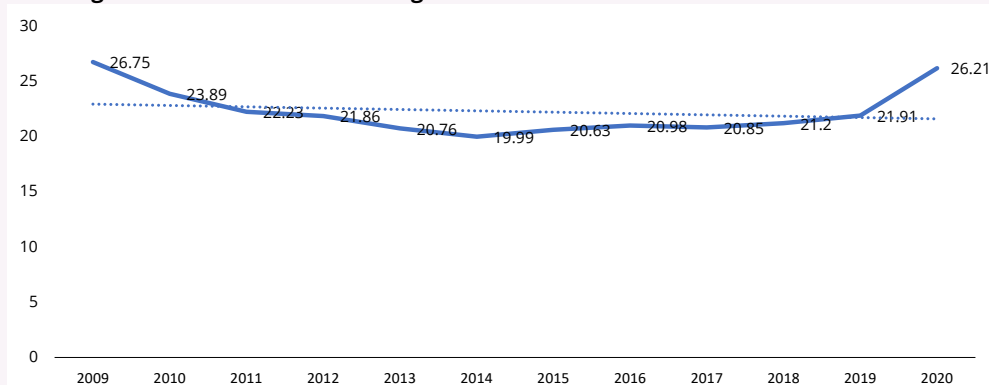
The pandemic encouraged innovations in the sector through services, products, learning, activities, and more job opportunities. ICT has played an essential role in bolstering long-term resiliency against future pandemics and solving the challenges within a socially distanced environment. As the global economy continued to suffer from the ongoing COVID-19 pandemic, the ICT sector has positively impacted and helped drive economic growth. Nigeria also witnessed investments in the fintech landscape based on an increase in trends of innovative payment solutions. Creative business ideas, programs, and Digital revolution through ICT can be a pathway to sustainable development in the post - COVID-19 era.

Figure 2: Information and Communication Technology Growth Rate



Agricultural Sector

The agricultural sector grew by 3.42 percent in Q4 2020 from 1.39 percent in Q3 2020 to 2.31 percent in Q4 2019. This shows the sector's resilience amid the COVID-19 pandemic, which crippled most sectors of the Nigerian economy, resulting in a contraction of annual growth of real GDP at – 1.92 percent in 2020, which is a decline of –4.20 percent points when compared to the 2.27 percent recorded in 2019 (NBS, 2021). The sector would have seen more robust growth if not for additional challenges such as the lockdown effect, climate change, clashes with herders in parts of the farm belt areas, and slow repayment obligations with the Anchors borrower's programme. The agricultural sector has four dominant segments: crop production, fishing, livestock, and forestry. Crop production remains the most significant segment, accounting for about 87.6 percent of the sector's total output. Livestock, fishing, and forestry stand at 8.1 percent, 3.2 percent, and 1.1 percent, respectively. Between 2013 and 2019, Agriculture remains the largest sector in Nigeria, contributing 24 percent to the nation's GDP. The industry also employs more than 36 percent of the country's labour force, reinforcing the sector as the largest employer of labor (Oyaniran, 2020). The graph below shows the contribution of the agriculture sector from 2009 to 2019. The agricultural sector contributes to GDP with an average growth rate of 21.91 percent from 2009 to 2019 (ACIOE Research).

Figure 3: GDP Contribution of Agricultural Sector from 2009 – 2019

Source: NBS, ACIOE Research

The annual 2020 contribution stood at 26.21 percent. Crop production remained the primary driver of the sector, as it accounts for 89.67 percent of the overall nominal growth of the industry in Q4 2020 and 91.44 percent share in 2020 (NBS, 2021).

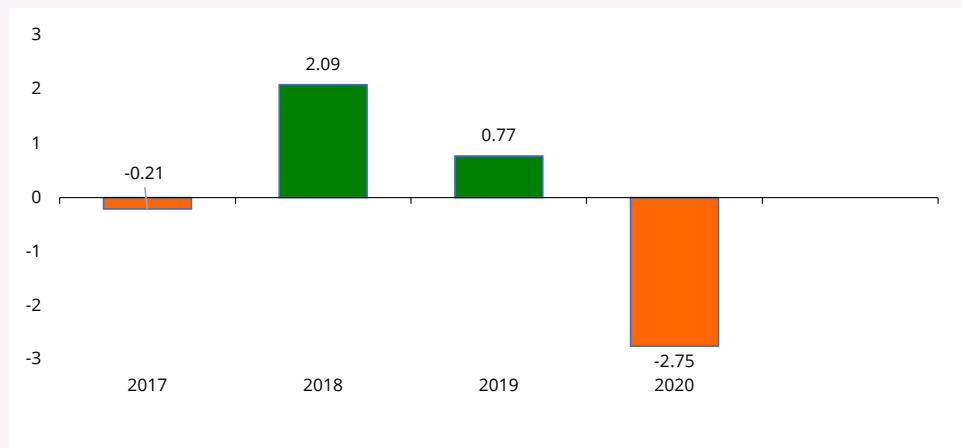
3.2 Sectors with underutilized potential

Mining and Quarrying

Mining and quarrying are some sectors with the potential to build economic resilience if necessary policies are implemented to set it on the right footing. It is the process of extracting natural occurring stone minerals such as ores, coals, crude petroleum, and natural gas from the earth. As a result of the significance of petroleum and natural gas to the economy, it is discussed separately from solid minerals, especially the oil boom of the 1970s that saw attention rapidly turned away from these traditional sources of revenue and towards extraction of crude. However, the oil price volatility and cut in production necessitated a radical change in policy, such as the 1994 private sector-led economic revival programme in solid minerals, agriculture, and manufacturing as a means of diversifying the economy.

According to NBS Report, 2021, quarrying and other minerals exhibited the highest rate of all the sub-activities at 117.48 percent, followed by metal ore activity at 2.73 percent. Also, the annual contribution of real GDP stood at 8.31 percent in 2020. The figure above shows mining and quarrying grew at an average of 5.71 percent in two quarters. Furthermore, it was affected negatively due to the shallow nature of the sector amid the height of the pandemic. The optimal utilization of this sector would open opportunities in the areas of;

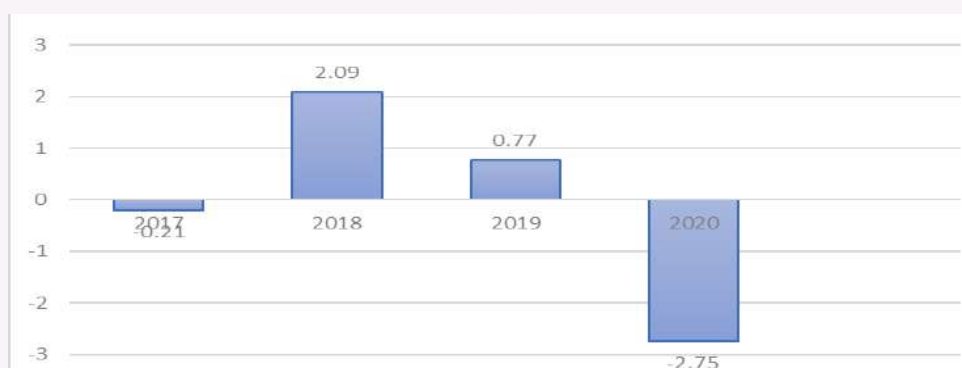
- Revenue generation through export and taxation
- The emergence of new industries and downstream products
- Increase employment of Nigerians, especially those in the host (rural) communities
- Use of local industries for manufacturing of finished products
- Development in rural areas.

Figure 4: Quarrying & Mining Potential Before and Amid COVID-19

Source: NBS, ACIOE Research

Manufacturing

The manufacturing sector of any economy is the engine of growth and a catalyst for sustainable transformation and national development. Nigeria's manufacturing sector was doing reasonably well before the pandemic erupted. The sector over a decade contributed less than 10 percent of the GDP of the Nigerian economy (NBS, Report). To a large extent, the sector was adversely affected by deficiency in physical infrastructure, difficulty in accessing forex, and high cost of raw materials.

Figure 5: Manufacturing Growth Trend from 2017 to 2020

Source: NBS, ACIOE Research

Amid the pandemic, manufacturers suffered a decline in aggregate demand by consumers due to shrinking disposable income and lockdowns across the country, which resulted in an increased inventory of unsold goods amidst a rise in production and operation costs. A business day report showed that the unsold inventory of manufactured goods increased to N577.61 billion in 2020 from N402.42 billion in 2019. Addressing the key challenges undermining the growth of this sector is vital if Nigeria is to reap the benefits of supporting the needs of its local markets and the export market. Efforts should also be made to attract foreign direct investment in the sector to take advantage of the African Continental Free Trade Area (AfCFTA).

| S/no | RECOMMENDATION | IMPLEMENTATION STRATEGY |
|------|-----------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Enhance Crop Production | <ul style="list-style-type: none"> Agricultural policies should aim at supporting the development and availability of high yield seeds in Nigeria. In addition, measures should be taken to boost the availability of irrigation facilities to aid all-year-round farming in Nigeria. These two measures would boost crop production in Nigeria and help curtail low productivity in agriculture, a significant reason for the high prevalence and persistence of high food inflation, by keeping the rural population trapped in a vicious cycle of poverty. Through the Ministry of Agriculture, the Federal Government should work with the private sector down to the LGA level to receive prompt feedback on the outcomes of the current policies in the agricultural sector. The Federal Government of Nigeria should develop an incorporated policy similar to the United States Agricultural Improvement Act of 2018 (2018 Farm Bill) that guarantees crop insurance, farm credit, and agricultural research. The policy should also protect farmers from price fluctuations by ensuring a price ceiling for their products in shortfalls due to a fall in crop prices. |
| 2 | Resource-based industrialization | <ul style="list-style-type: none"> The federal government should develop robust fiscal policies that facilitate industrialization efficiently and pragmatically. There should be a strategic policy mix carried out in sequences and phased manner with collective responsibilities at all levels of government. The federal government should have a strong synergy with the private sectors to achieve optimal utilization of the extractive and manufacturing sectors in the country. This will boost local production, strengthen infant industries, increase exportation of value-added products, and reduce importation of raw materials. |
| 3 | Prioritize the development of the Information and Communications Technology (ICT) sector in Nigeria | <ul style="list-style-type: none"> Strong focus to leverage Information and Communication Technology to address socio-economic issues and utilize its positive macroeconomic potentials. A report by World Economic Forum shows that a 10 percent digitization increase of a country would result in a 0.75 percent increase in GDP per capita with a 1.02 percent drop in the unemployment rate. Covid has accelerated the pace of digitization globally. Better enabling conditions for remote work to support activities in other parts of the globe could help allow skills to transfer, job creation, and improved forex inflows from exporting services from Nigeria. |
| 4. | Financial Stability | <ul style="list-style-type: none"> The monetary authority should review and maintain policies to boost access to credit. These measures include providing credit bureaus with more data to assess the creditworthiness of borrowers and driving financial inclusion to enable financial institutions to mobilize more deposits. This would increase the availability of funds available for lending, and banks will be more aware of borrowers likely to default. It would also reduce the cost of borrowing by manufacturers in the country. Currently, Nigeria has one of the highest lending rates in sub-Saharan Africa, pegged at a double-digit of 11.5 percent, compared to Kenya, Ethiopia, Namibia, whose MPR is pegged at a single digit. The apex bank should support policy measures that would increase the supply of forex into the country. Accessing new channels such as diaspora remittances and export of services from Nigeria could help in addressing the challenge around accessibility and affordability of forex. This would facilitate the importation of raw materials and other vital resources not locally available. |
| 5. | Create a robust Business Environment for domestic and foreign direct investment | <ul style="list-style-type: none"> The federal government should address the insecurity in the northern and eastern parts of the country, endowed with natural minerals. This would attract both domestic and foreign investors to leverage the underutilized sector. |

5. Conclusion

In conclusion, the policy implications of this study's outcome recommend that the government should prioritize and implement favorable policies that facilitate the growth of the Information and Communication Technological (ICT), Agriculture, Mining and Quarrying, and Manufacturing sectors to achieve a long-run positive economic transformation in Nigeria. Furthermore, these policies should consider sustainable solutions to position Nigeria as a stronger player in the global supply chain and build the human capacity of its citizens, especially the rural poor.

Appendix

| SECTORS | 2017 | | | | 2018 | | | | 2019 | | | | 2020 | | | | Avg |
|----------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|-------|-------|--------|--------|-------|--------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | |
| Accommodation and Food Services | -3.96 | -4.05 | 0.18 | 0.78 | 0.29 | 2.43 | 2.66 | 2.05 | 4.15 | 2.92 | 2.28 | 2.02 | -2.99 | -40.19 | -22.61 | - | - 4.32 |
| Agriculture | 3.39 | 3.01 | 3.06 | 4.23 | 3.00 | 1.19 | 1.91 | 2.46 | 3.17 | 1.79 | 2.28 | 2.31 | 2.20 | 1.58 | 1.39 | 3.42 | 2.52 |
| Construction | 0.15 | 0.13 | -0.46 | 4.40 | 1.54 | 7.66 | 0.54 | 2.05 | 3.18 | -0.67 | 2.37 | 1.31 | 1.69 | -31.77 | 2.84 | 1.21 | - 0.24 |
| Education | 0.86 | -1.34 | -1.22 | -1.04 | 0.45 | -0.67 | -0.42 | 0.35 | 0.18 | 0.96 | 1.20 | 0.84 | 0.69 | 24.12 | -20.74 | - | - 0.45 |
| Financial and Insurance Sector | 0.67 | 10.45 | -5.96 | 0.22 | 13.30 | 1.28 | -4.81 | -1.76 | -7.60 | -2.24 | 1.07 | 20.18 | 20.79 | 18.49 | 3.21 | -3.63 | 3.98 |
| Human Health and Social Services | 1.07 | -0.96 | -0.85 | -0.38 | -0.37 | 0.41 | -0.68 | -0.64 | -0.16 | 1.13 | 0.86 | -0.56 | 1.06 | 1.89 | 2.82 | 3.05 | 0.48 |
| Information and Communication | 2.73 | -1.15 | -4.48 | -1.46 | 1.58 | 11.81 | 12.09 | 13.20 | 9.48 | 9.01 | 9.88 | 10.16 | 9.99 | 16.52 | 16.13 | 14.70 | 8.14 |
| Manufacturing | 1.36 | 0.64 | -2.85 | 0.14 | 3.39 | 0.68 | 1.92 | 2.35 | 0.81 | -0.13 | 1.10 | 1.24 | -0.43 | -8.78 | -1.51 | -1.51 | - 0.10 |
| Mining and Quarrying | - | 3.51 | 25.44 | 7.96 | 14.85 | -3.84 | -2.81 | -1.23 | 29.00 | -3.48 | -14.02 | -5.63 | 4.58 | -6.60 | -13.22 | - | 0.04 |
| Trade | -3.08 | -1.62 | -1.74 | 2.07 | -2.57 | -2.14 | 0.98 | 1.02 | 0.85 | -0.25 | -1.45 | -0.58 | -2.82 | -16.59 | -12.12 | -3.20 | - 2.70 |

References

- AfDB, 2020. Nigeria Economic Outlook [Online] Available at: <https://www.afdb.org/en/countries-west-africa-nigeria/nigeria-economic-outlook#:~:text=The%20current%20account%20position%20was, and %20weak%20external%20financial%20flows. &text=The%20economy%20is%20projected%20to, crude%20oil%20prices%20and%20production.>
- Afaha et al. 2020. Effect of COVID-19 on the Nigerian Oil and Gas Industry and Impact on the Economy [Online] Available: https://www.researchgate.net/publication/349732971_effect_of_covid-19_on_the_nigerian_oil_and_gas_industry_and_impact_on_the_economy
- NBS, 2020. Nigerian Gross Domestic Product Report Q4 & full Year 2020 Report [Online]. Available at: file:///C:/Users/ACIOE101/Downloads/GDP_Report_Q4%20&%20FULL%20YEAR%202020.pdf
- Ozili and Arun, 2020. Spillover of COVID-19: Impact on the Global Economy [Online]. Available at: [SSRN-id3562570.pdf](https://ssrn.com/abstract=3562570)
- Proshare, 2021. Outlook 2021: How Sectors of the Economy Fared in 2020 - Agriculture Sector [Online]. Available at: <https://www.proshareng.com/news/Reviews%20&%20Outlooks/Outlook-2021--How-Sectors-of-the-Economy-Fared-in-2020---Agriculture-Sector/55817>
- PwC, 2020. Responding to the Impact of COVID-19 on Food Security and Agriculture in Nigeria [Online]. Available at: <https://www.pwc.com/ng/en/assets/pdf/impact-covid19-food-security-nigeria.pdf>
- Quadri, 2020. African Governments Reliance on Imported Welfare: A Case of COVID-19 [Online]. Available at: [IJCRT2007216%20\(1\)](https://www.researchgate.net/publication/3562570)



Securing Nigeria's Future: Urgent Economic Recovery and Resilience Strategies

Opeoluwa O. Runsewe

Executive Director, Ojar Foundation, Lagos, Nigeria

Abstract

COVID-19 has shown and exacerbated health, social and economic vulnerabilities in Nigeria, just like in most other emerging nations of the world. With long-standing economic issues that predate the pandemic in Nigeria, this paper examines ways by which opportunities brought about by the pandemic in the form of social, technological, and environmental benefits could be adapted for reversing shocks and building resilience for a post-pandemic environment. The impact of the pandemic and the recommendations that follow in this paper were developed around key economic agents such as the individual (household), firms, institutions and the government.

1. Introduction

Since its emergence in Wuhan, China, the COVID-19 crisis has led to a dramatic loss of human lives and livelihoods worldwide and presents an unprecedented disruption to public health, global and local supply chain systems and the world of work. In Nigeria, the social and economic impact of the pandemic has been devastating as the total number of confirmed cases rose to 165,110 by the end of April 2021 (NCDC, 2021). In the extractive sector, where oil counts for 90 percent of foreign exchange and half of the government revenue, there has been a major decline in both price and demand for oil over the past year (White, 2021).

Notwithstanding the disruption brought about by the spread and containment measures for the pandemic in Nigeria, it has also brought into focus opportunities for rebuilding and facilitating economic transformation and catch-up with the rest of the world. For example, information technologies (IT) and related innovations have been of key importance in ensuring business continuity and productivity among firms that quickly re-designed their work processes. Some COVID-19 induced opportunities have been highlighted in telecommunications and payment systems. It has also been highlighted in the e-commerce sub-sector where Jumia reported a 50 percent jump in transactions during the first half of 2020 (UNCTAD, 2021). Such ambitious trends, amongst others, require assessments especially in relation to building resilience, and what can be done going forward, to harness these opportunities for growth and long-term economic development.

2. Background

The COVID-19 pandemic, according to the International Monetary Fund (2021), has placed Nigeria at a critical juncture for some reasons: First, trends of de-carbonisation and the green economy and the subdued global recovery are expected to keep prices of oil at low rates; and secondly because of expected sluggish growth of non-oil sectors. While the Nigerian economy is diversified in terms of production, it is far from diversified in terms of earnings and revenue generation (Proshare, 2020). The export structure of the country, over the past decades, has fundamentally remained the same as 90 percent of the country's exports are still accounted for by hydrocarbon products (IMF, 2021). With fragmented exchange rates and loss in value of the naira relative to the US dollar, the current system creates uncertainties not just for the government but also for the other major agents that facilitate the economy. These are households, the private sector and the apex institution (Inegbedion, 2021). The extent to which these agents can efficiently and effectively carry out their roles has implications on the Nigerian economy (Inegbedion, 2021).

One of the implications of the COVID-19 crisis in Nigeria is that it unraveled longstanding unsustainable practices, economic deprivation and inequalities in our societies that pre-date the outbreak of the virus and have intensified its impact. Consequently, the major economic agents, including the government and the private sector institutions all have important roles to play in facilitating economic recovery in the country. With respect to the government, interventions meant to protect small businesses and households have been prioritized with the launch of the Nigerian Economic Sustainability Plan in July 2020 with a number of recovery plans, including palliatives for MSMEs, discounts and waivers for small scale industries and artisans, among others (PWC, 2020; World Resources Institute, 2021). The recovery plans also include investments in infrastructure, public works, agriculture, and the clean energy sub-sector where about \$619 million is committed to the Solar Homes Systems Project, which is aimed at serving about 25 million individual Nigerians and up to 5 million households (WRI, 2021).

At the level of the household, unemployment rates are higher for Nigerian youths. Without the means to earn an income in some sectors of the economy during the lockdown, many have fallen into extreme poverty (World Health Organisation, 2020). Although this has triggered temporary relief packages from the government and the easing of certain business regulations and laws, it also should lead to a review of other policies that undermine the friendliness of the business environment and ease of doing business factors. Such policies should aim at improving the formalization and standardization of MSMEs and consumer protection in Nigeria. Reforms should also consider policies that encourage public-private sector collaborations and social innovations.

Many of the current policies are aimed at absorbing the shocks induced by the pandemic. However, an economy that seeks to recover and build resilience should be one that puts innovation and creativity at the centre of its goal. As vaccine rollout is gradually gaining pace in Nigeria, issues around cost, availability and vaccine distribution, especially where cold storage is needed, give the impression that full national coverage is unlikely in the country in the next few years. This will ultimately delay the complete lifting of certain restrictions related to the pandemic (World Bank Group, 2021). Recovering better from these challenges will require innovation and solidarity (UN, 2021). This means improving the lives of the most marginalized and making the right fiscal and macroeconomic choices that will help close the inequality gap and place people's hard work and their creative and innovative abilities at the centre of recovery.

While the pandemic has helped to fast track the transition to the fourth industrial revolution innovations (Urama, 2020), issues still exist as regards the extent of investment and adoption of digital technology. The potential for novel technologies and digital health innovations have already been seen in many parts of the world (UN, 2021) but in other parts of the world, including Nigeria, many businesses and consumers have not fully capitalized on pandemic-induced IT opportunities in commerce, education, agriculture, and other priority sectors owing to prevalent barriers. Some of these barriers include the government's constrained attention to e-commerce, poor digital skills among the population, lack of consumers' trust and online fraud, over-reliance on cash, electricity issues, poor network coverage, high cost of broadband services, and other long-standing issues. Currently, many of the solutions used for cloud computing are provided by a relatively small number of organisations, mainly in the U.S. and China (UNCTAD, 2021). Much is happening in the Nigerian digital space and engagement

and incentives for smaller players within the country to improve their market presence have become necessary. By prioritizing investments in digital infrastructure, organisations can begin to learn how collaborations in the digital space can help in building resilience for future shocks. While encouraging investment in the digital space, it is equally important to put the appropriate regulations in place for data privacy and security.

Further, investments in promising digital and technological innovations will improve flexible working schedules while delivering cost-saving benefits at the level of the organisation. Telecommuting and other variants of flexible work arrangements as seen during the peak of the pandemic in Nigeria and the rest of the world is a case in point. Beyond economic benefits, this work arrangement, if sustained, can yield both environmental and social sustainability benefits in a post-COVID-19 environment. Such work arrangements, however, call for a greater focus on the electricity sector and closer coordination with the telecommunication sector. Not only will an investment in the electricity sector benefit the corporate world, but it would also speed up the diversification agenda in both agricultural and non-agricultural activities. For example, investments in cold storage facilities in Nigeria suffered huge losses during the nationwide lockdown as a result of unreliable electricity and supply chain limitations. Therefore, investments in the electricity sector will ensure the preservation of agricultural produce and prevent losses to farmers. Rural incomes could also rise as improved rural electricity is essential to raising the incomes of the rural population.

Finally, institutions such as the Apex bank can scale up the adoption of clean energy to fast-track a sustainable economic recovery process. As the population of Lagos state, for example, is predicted to increase by 77 people every hour and 1848 people daily till 2030 (World Economic Forum, 2016), it has become extremely important to attract the population to sustainable public transport alternatives. The government can achieve this by expanding road connectivity to both commercial and residential centres and other similar measures that will discourage the use of vehicles for non-essential activities in congested cities. This would be essential to reduce the pressure on the road transport network and air pollution as seen during the nationwide lockdown. Such measures will also be important to prevent economic losses due to traffic congestion. A study by Business Day suggests that Lagos state loses about N4 trillion annually to traffic congestion. The report also revealed that medium-sized businesses in the state lose as much as N14.94 million every month to traffic (Ojewale, 2021). In part, promoting measures that facilitate technological innovation and clean energy can help individuals, businesses, and the government in mitigating practices that sabotage the economy and help in building adaptive measures for competitiveness in a 'new normal'.

3. Conclusion

The impact of the pandemic, as depicted in this paper, has unraveled longstanding unsustainable practices, economic deprivation and other issues that are reversible with reforms that are aimed at fostering greater inclusion of key economic agents. Whilst there is no one-size-fits-all policy for harnessing COVID-19-induced opportunities, this paper has identified certain measures that are critical to building resilience and boosting an economic recovery plan. This means that to build resilience for present and future pandemic-related shocks, it is crucial to take into consideration the impact of the pandemic on each of the economic agents identified in this study and what context-specific policies might help deliver significant gains to building resilience in Nigeria.

References

- Inegbedion, H. (2021). Impact of COVID-19 on economic growth in Nigeria: opinions and attitudes. *Heliyon*, 7(5).
- International Monetary Fund (2021). Five questions about Nigeria's road to recovery. Available at: <https://www.imf.org/en/News/Articles/2021/02/02/na020821-nigerias-road-to-recovery#:~:text=What%20is%20the%20economic%20outlook,pandemic%20level%20only%20in%202022>. (Accessed: 22 May 2021).
- NCDC (2021). 129 new cases of #COVID19Nigeria (Twitter). 30 April. Available at: <https://twitter.com/NCDCgov/status/1388270773064945665> (Accessed 22 May 2021).
- Ojewale, C. (2021). Lagos loses about N4trn to traffic every year. Available at: <https://www.businessday.ng/article/lagos-loses-about-%25E2%2582%25A64trn-to-traffic-every-year/amp/> (Accessed: 23 May 2021).
- Proshare (2020). Performance review of the economic recovery and growth plan – PFI capital. Available at: [https://www.proshareng.com/news/NIGERIA%20ECONOMY/Performance-Review-of-the-Economic-Recovery-and-Growth-Plan---PFI-Capital/51615#:~:text=The%20Economic%20Recovery%20and%20Growth%20Plan%20\(ERGP\)%20is%20a%20medium,ingenuity%20of%20the%20Nigerian%20citizens.&text=To%20restore%20growth%20through%20macroeconomic%20stability%20and%20economic%20diversification](https://www.proshareng.com/news/NIGERIA%20ECONOMY/Performance-Review-of-the-Economic-Recovery-and-Growth-Plan---PFI-Capital/51615#:~:text=The%20Economic%20Recovery%20and%20Growth%20Plan%20(ERGP)%20is%20a%20medium,ingenuity%20of%20the%20Nigerian%20citizens.&text=To%20restore%20growth%20through%20macroeconomic%20stability%20and%20economic%20diversification) (Accessed: 23 May 2021).
- PWC (2020). Government's COVID-19 response measures. Available at: <https://www.pwc.com/ng/en/covid-19/government-covid-19-response-measures.html> (Accessed: 22 May 2021).
- UNCTAD (2021). How COVID-19 triggered the digital and e-commerce turning point. Available at: <https://unctad.org/news/how-covid-19-triggered-digital-and-e-commerce-turning-point> (Accessed: 23 May 2021).
- United Nations (2021). UN Research roadmap for the COVID-19 recovery: Leveraging the power of science for a more equitable, resilient and sustainable future. Available at: <https://www.un.org/en/pdfs/UNCOVID19ResearchRoadmap.pdf> (Accessed: 24 May 2021).
- Urama, K.C. (2020). Building back better: Policies for building resilient economies in post-COVID-19 Africa. Available at: https://www.afdb.org/sites/default/files/building_back_better_in_post_covid-19_africa-kcu_31-08-20-final-1sept.pdf (Accessed: 23 May 2021).
- White, T. (2021). Figure of the week: COVID's impacts on the Nigerian extractive sector | Brookings. Available online at: <https://www.brookings.edu/blog/africa-in-focus/2021/04/16/figure-of-the-week-covids-impacts-on-the-nigerian-extractive-sector/>

- World Bank Group (2021). COVID-19 and the future of work in Africa: Emerging trends in digital technology adoption. Available online at: <https://openknowledge.worldbank.org/bitstream/handle/10986/35342/9781464817144.pdf> (Accessed: 23 May 2021).
- World Economic Forum (2016). These are Africa's fastest-growing cities. Available at: <https://www.weforum.org/agenda/2016/05/these-are-africa-s-fastest-growing-cities/> (Accessed: 22 May 2021).
- World Health Organisation (2020). Impact of COVID-19 on people's livelihoods, their health and our food systems. Available online at: <https://www.who.int/news/item/13-10-2020-impact-of-covid-19-on-people-s-livelihoods-their-health-and-our-food-systems> (Accessed: 23 May 2021).
- World Resources Institute (2021). Nigeria moves toward a sustainable COVID-19 recovery. Available at: <https://www.wri.org/insights/nigeria-moves-toward-sustainable-covid-19-recovery> (Accessed: 23 May 2021).



Reskilling the Nigerian Labour Force for Effective Productivity: Prosilience as the New Normal

Muhammed A. Akanji & Ruqayyah A. Baderinwa
Lagos Business School, Lagos, Nigeria

Abstract

Accelerating trends in remote work, e-commerce and automation mean that more Nigerian employees will need to change jobs and learn new skills. The fundamental question is whether the employees are ready to shift gears and the employers ready to guide the shift? This article aimed to explore how Nigerian employers (both in the public and private sectors) can strategize talent development, and identify the most effective options to ensure a competitive workforce.

1. Introduction

"During the pandemic, we learn to cope and with the post-pandemic on the horizon, our effort should be geared towards how we would thrive."

- McKinsey Report, 2020

Companies emerging from the pandemic are coming to the stark reality of the need to re-tool and re-skill their workforce to ensure optimal productivity and harness the pandemic-induced economic potentials of the new norm. Even before the current crisis, changing technologies and new norms of working were disrupting the extant job models and the skills employees need to do them (Agrawal, De Smet, Lacroix & Reich, 2020). According to the McKinsey Report (2020), it was estimated that about 375 million workers- or about 14 percent of the global workforce would have to switch occupations or acquire new skills to remain relevant by 2030 because of the meteoric rise of artificial intelligence (AI) and automation.

To flourish during and after the pandemic, companies and their workers need new skills to burgeon in the era of the next normal. These new skill sets include refined social and emotional intelligence, advanced cognitive abilities and digital acumen (See exhibit 1). The emergence of the pandemic has made the question of reskilling and up-skilling more expedient. Workers across industries must explore how they can adapt and fit into the rapidly changing job environment. Organisations must also learn how to match these workers to the newly emerging roles and activities. The government at large must also provide the enabling environment for new ideas to thrive.

We submit that the new work dynamic is not only about remote working- or just the role of automation and AI- but more importantly, about how businesses and elected leaders can re-skill, up-skill and re-tool the labour force to deliver new business models post-pandemic. In today's climate, preparing for never-ending changes has been the fact of everyday life. As a result, individuals and businesses needed to reinvent themselves to weather the storm by continuing to develop, adapt and thrive. Indeed, the events of the past year forced accelerated digitization processes. However, much still needs to be done! Teams must be built not only for resilience but also to be able to cope with the divergent facets of uncertainties- Prosilience.

Against this background, we seek to explore how Nigerian employers (both in public and private sectors) can strategize talent development and identify the most effective options to ensure a competitive workforce. To achieve this, we discuss the myriad of issues in sections. In addition to this introductory section, Section 2 examines what the future of work would be in the next normal. In Section 3, we focus on the economic case for reskilling and up-skilling and finally, we give our conclusions and policy recommendations in the last section.

2. Future of Work in the next Normal: Current trends necessitating enhanced skills

"You must manage human capital as wisely as you manage financial capital."
(Charan, Barton & Carey, 2018)

Change is a constant! This maxim was crystal clear even in the prelapsarian days right before the emergence of the pandemic (Bryan & Bill, 2020). But we did not know how fast that change would come. Remote working was gaining traction even before the crisis, but the pandemic shows that telecommuting is here for good (Agrawal et al, 2020). The changes will keep coming - artificial intelligence, automation and augmented reality. All of these will be new realities!

What the future of work might hold is a concern that resonates broadly across the rank and file and one that has fuelled extensive discussions amongst stakeholders (AfDB, 2018). The debates have included what the future might look like, how it can be productively shaped for the benefit of societies and its implications for individuals, their livelihoods, especially younger generations aiming to enter the labour force (Balleister & Elsheiki, 2018).

The emerging contours of the new world of work post-pandemic are becoming a reality for millions of workers and companies globally. Across the globe, leaders and employers reported that capacity building has increased dramatically since the start of the pandemic and nearly 80 percent concurred that improved capability building is important to their organisation's long-term growth (Capozzi, Deitch, Pachtod & Park, 2020). The inherent opportunities for economic prosperity and individual flourishing in this new world of work are huge yet depend crucially on the ability of concerned stakeholders to initiate reforms in the education and training system; labour market policies; employment contracts; and approaches to developing job skills and competence.

As technological breakthroughs are rapidly shifting the frontiers of work, Nigerian leaders need to key into the ongoing transformation. These transformations, if managed wisely, could lead to a new age of work, good jobs, and improved quality of life for all. Conversely, if managed poorly, can pose the risk of widening skill gaps, greater inequality and broader polarization. As the workforce transformations accelerate, we opine that the window of opportunity for proactive management of this change is widening rapidly, and Nigerian labour leaders must implement new visions to be relevant and useful in the new global market.

Certain factors will play key roles in driving this change. The first is the drivers of change, which include ubiquitous high-speed mobile internet, AI, widespread adoption of big data and cloud technology (WEF, 2018). Next is accelerated technology adoption; the next few years is likely to see the expansion in technological adoption by employers in Nigeria (See exhibit 2). The third is changing geography of production, distribution and exchange and value chain; the WEF 2018 report indicated that by 2022, about 60 percent of employers will have significantly modified their modes of operation by changing the composition of their value chain as well as the geographical base of their operation.

In Nigeria, most organizations will have less need to be in major cities. This brings us to the fourth factor, changing employment types; automation and robotic processes will lead to some reduction in full-time employment by 2022 based on job profiles of employees today (WEF,

2018). Employers must therefore extend their workers' role to one of productivity-enhancing. Similarly, arising from the above trend, a range of established roles that are significantly based on and enhance the use of technology are likely to experience increasing demand, some of which are data analysts and scientists, software and application developers, e-commerce specialists and others.

These trends will also result in Growing skills instability; by 2025, most of the skills required to perform specific jobs will have shifted significantly (WEF 2018; ILO, 2016). The global average skill stability is 40 percent, meaning that 60 percent of jobs would witness a remarkable shift over the next few years (ILO, 2020). The above factors point to the need for proactiveness by Nigerian employers and the labour force. Catalysing future outcomes and a solid future of work for all will require bold leadership and an enterprising spirit from both the business and government as well as an agile mindset of lifelong learning from employees.

3. Economic Case for Reskilling and Upskilling: How the Economy can thrive by Boosting Employees' Skill Sets

Reskilling has gotten a considerable amount of attention in the media - especially in the wake of the pandemic - spurred by talks of automation and augmented reality (Allas, et al, 2020). The thought-provoking question on the minds of many is whether automation and other robotic processes would usurp people at workplaces? Historically, we have seen this at play in many large-scale manufacturing roles but it is now being seen in professions that were erstwhile thought to be unassailable such as legal and medical professions. Now, the question is how can we ensure that we have a group of employees who remain relevant?

We submit that the answer falls into three categories: "Redeploying" or moving the employees elsewhere within the organisation; "Upskilling " or taking the core of what the employees do and improving on them - helping them become advanced and agile; And third is "Reskilling" or training them in something new. This last option is quite apt particularly in the wake of the Covid-19 pandemic as it touches on purpose, social responsibility, employer obligations and employees' rights. Extant literature has shown that companies struggle to train people to do something completely different (Bryan & Bill, 2020). It is critical to think of the nexus of what the person is doing today and what the person could be good at in the future. For instance, the computer can do pretty much what the insurance-claims adjuster does. From the picture of an auto accident, the computer processing can figure out using artificial intelligence the damage to the car and how much it would cost to repair and then feed it back to the insurer what it thinks the insurer should charge on the policy. Hence, such an insurance claim adjuster will need to upscale going into the future. How? He could make a good sales rep.- projecting and pre-empting losses before they occur. So, thinking about the nexus is what makes a big reskilling and upskilling leap successful.

Research in the UK showed that reskilling yields positive economic returns in about three-quarters of cases (Allas, Foote & Fairbairn, 2020). They submitted that reskilling would uplift labour productivity by 6-12 percent. A larger chunk (about 30-40 million) of the Nigerian working population lacked the full suite of skill-sets required to perform during the pandemic (UNIDO, 2017). Among these workers, a significant number would benefit from reskilling and others would need retraining. One might ask, however, why reskilling long-standing or new

workers rather than hiring or contracting people who have the required skills? We opine that reskilling offers the following powerful benefits over hiring for new skills:

- 1. Controlling remuneration cost:** Employers entering the labour market for new hires are competing with other organisations for scarce new skills. Eight out of ten Nigerian employers are struggling to recruit the skills they require (UNIDO, 2017) and the sought after skills could attract higher premiums on average than the re-skilled workers.
- 2. Avoiding onboarding requirements:** New employees require integration and inculcation into the workplace ranging from regulatory requirements to familiarization with the work procedures and culture. This consumes time and effort and employee's effectiveness can be limited for a long period (Allas et al, 2020): on average, new hires perform at a lower level for their first two years on the job (K@W, 2012). Conversely, reskilling current employees side-steps this challenge, as they already have significant knowledge and network of the workplace.
- 3. Tapping into a new cesspool of diverse talents:** Reskilling also allows employers to increase workplace diversity for certain roles (Allas, et al, 2020). When companies are fishing for new talent pools, reskilling their employees who are in other roles or taking on promising ones who are ready to be upskilled can bring a lot of cooperative and competitive advantages to an organization.
- 4. Boosting Morale:** We also submit that employees learning new relevant skills can serve as a strong morale booster for them. Skills training and retraining is a number one choice of many prospective employees when choosing what makes a great employer and a significant number of them said they would stay longer in organisations that invested heavily in their career development (LinkedIn Report, 2018). Such consideration could bring a lot of benefits to the employers, including high engagement and productivity in new roles, and contribution to workplace morale.

In sum, all these can help promote a virtuous cycle - when a workplace values its talent, it attracts more talent. Moreover, if employees' skills are becoming obsolete, reskilling can help to reduce the need for retrenchment and avoid dampening workplace morale.

4. Policy Recommendation: Towards Economic Recovery- Prosilience as Priorities For Nigerian Employers

Humans are wired with resilience - the innate ability to bounce back from negative shocks and experiences. While this is an important skill for individuals and the society, we recommend that the Nigerian economy be built for 'prosilience' - not merely being able to cope in tough times, but actively preparing for uncertainties. Employers must include this in their growth strategy and continuously prepare for the next crisis, disruption, and the demands of the future. As such, we recommend that the spotlight of employers and employees' drive must be on projecting outward or thinking ahead of economic shocks and we suggest the following steps in ensuring prosilience of the Nigerian economy:

- 1. Innovative & Relevant Training:** Studies show that in the new world of work, employers and employees will emphasize skills over credentials (Maxwell & Gallagher, 2020). This necessitates new forms of learning to upskill the workforce. For instance, augmented

reality is emerging as a novel and effective way of learning. Similarly, current trends have shown that many people prefer blended modes of learning (Gallagher & Palmer, 2020). As such, it is imperative that this preference is considered when formulating education policies for the future.

2. Use Data to Pre-empt Talent Needs: Employers need to tap into the use of big data and IoT to ensure proactiveness in sourcing talents for emerging roles. Information obtained can be harnessed to help forecast talent needs, thus mitigating skill gaps even before they occur.

3. Ensure access to opportunities: By 2030, a quarter of the world's youth will be Africans (Perlottos, 2019), of which many will be Nigerians. In the new world of work, there will be an increased demand for remote skilled labour – Nigeria can harness its youthful population to meet this demand. However, this will only occur if the youths have these skills - software development, AI, cybersecurity, robotics, data analytics to mention a few. It is imperative that government and educational institutions position the country's teeming youthful population for the projected global opportunities.

4. Public/Private Partnerships: To successfully achieve the goal of upskilling the workforce, the government should partner with organizations that are already pioneering efforts towards achieving this. For example, Jobberman has embarked on a mission to upskill 5 million Nigerians over the next five years and has made great leaps towards achieving this. This will ensure complementary efforts, mitigate wastage, and ensure prudence.

References

- African Development Bank (2018). Future of Work: Regional perspectives. AfDB, ADB, EBRD, IDB (African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank). Washington, DC.
- Agrawal, S., De Smet, A., Lacroix, S., & Reich, A. (2020, May 7). To emerge stronger from the COVID-19 crisis, companies should start reskilling their workforces now. McKinsey and Company. <https://www.mckinsey.com/business-functions/organization/our-insights/to-emerge-stronger-from-the-covid-19-crisis-companies-should-start-reskilling-their-workforces-now>
- Allas, T., Foote E., Fairbairn, W. (2020, November 16). The economic case of reskilling in the UK: How employers can thrive by boosting workers' skills. McKinsey & Company. <https://www.mckinsey.com/business-functions/organization/our-insights/the-economic-case-for-reskilling-in-the-uk-how-employers-can-thrive-by-boosting-workers-skills>
- Bryan, H., & Bill, S. (2020, Oct. 30). Today's skills, tomorrow's jobs: How will your team fare in the future of work? Organization Practice. McKinsey & Company. <https://www.mckinsey.com/business-functions/organization/our-insights/todays-skills-tomorrows-jobs-how-will-your-team-fare-in-the-future-of-work>
- Balliester, T., & Elsheikhi, A. (2018, April 17). The future of work: A literature review. ILO Research Department Working Paper No. 29, International Labour Organization. https://www.ilo.org/global/research/publications/working-papers/WCMS_625866/lang-en/index.htm
- Capozzi, M. M., Dietsch, S., Pacthod, D., & Michael P. (2020). Rethink capabilities to emerge stronger from COVID-19. McKinsey Accelerate. <https://www.mckinsey.com/business-functions/mckinsey-accelerate/our-insights/rethink-capabilities-to-emerge-stronger-from-covid-19>
- Charan, R., Barton, D., & Carey, D. (2018). Talent wins: The new playbook for putting people first. Harvard Business Press.
- Gallagher, S. & Palmer, J. (2020). The pandemic pushed universities online. The change was long overdue. Harvard Business Review. <https://hbr.org/2020/09/the-pandemic-pushed-universities-online-the-change-was-long-overdue>
- Hoopes, L. (2017). Prosilience- Boosting Your Resilience for a turbulent World. Dara Press, England.
- International Labour Organization (2016). World Employment and Social Outlook Report-Trend 2016. https://www.ilo.org/global/research/global-reports/weso/2016/WCMS_443480/lang-en/index.html
- International Labour Organization (2020). World Employment and Social Outlook Report-Trend 2020. <https://www.ilo.org/global/research/global-reports/weso/2020/lang-en/index.html>
- McKinsey & Company (2020). The Path to Next Normal. Leading with resolve through the coronavirus pandemic. McKinsey Publishing

- K@W, (2012, March 28). Why external hires get paid more, and perform worse, than internal staff. Wharton.<https://knowledge.wharton.upenn.edu/article/why-external-hires-get-paid-more-and-perform-worse-than-internal-staff/>
- LinkedIn, (2018). Workplace Learning and Development Report. LinkedIn. <https://learning.linkedin.com/resources/workplace-learning-report-2018>
- Maxwell, N. and Gallagher, S. (2020). Drivers for Change in Higher Education. Credentials for a New Era of Work and Learning, 189, 9-22. <https://doi.org/10.1002/cc.20394>
- OECD (2016). OECD Employment Outlook 2016. OECD Publishing, Paris
- Perlotto, S. (2019, December 4) Africa's Future: Youth and the data defining their lives. African Union. <https://www.prb.org/resources/africas-future-youth-and-the-data-defining-their-lives/>
- UNIDO (2017). Skills gap assessment in six priority sectors of Nigeria Economy. UNIDO. [https://open.unido.org/api/documents/6055563/download/Skills percent20Gap percent20Assessment percent20in percent20Nigeria percent20- percent20Final percent20Report.pdf](https://open.unido.org/api/documents/6055563/download/Skills%20Gap%20Assessment%20in%20Nigeria%20-%20Final%20Report.pdf)
- World Economic Forum (2018). The Future of Jobs Report 2018. World Economic Forum, Geneva, Switzerland.

Exhibit 1

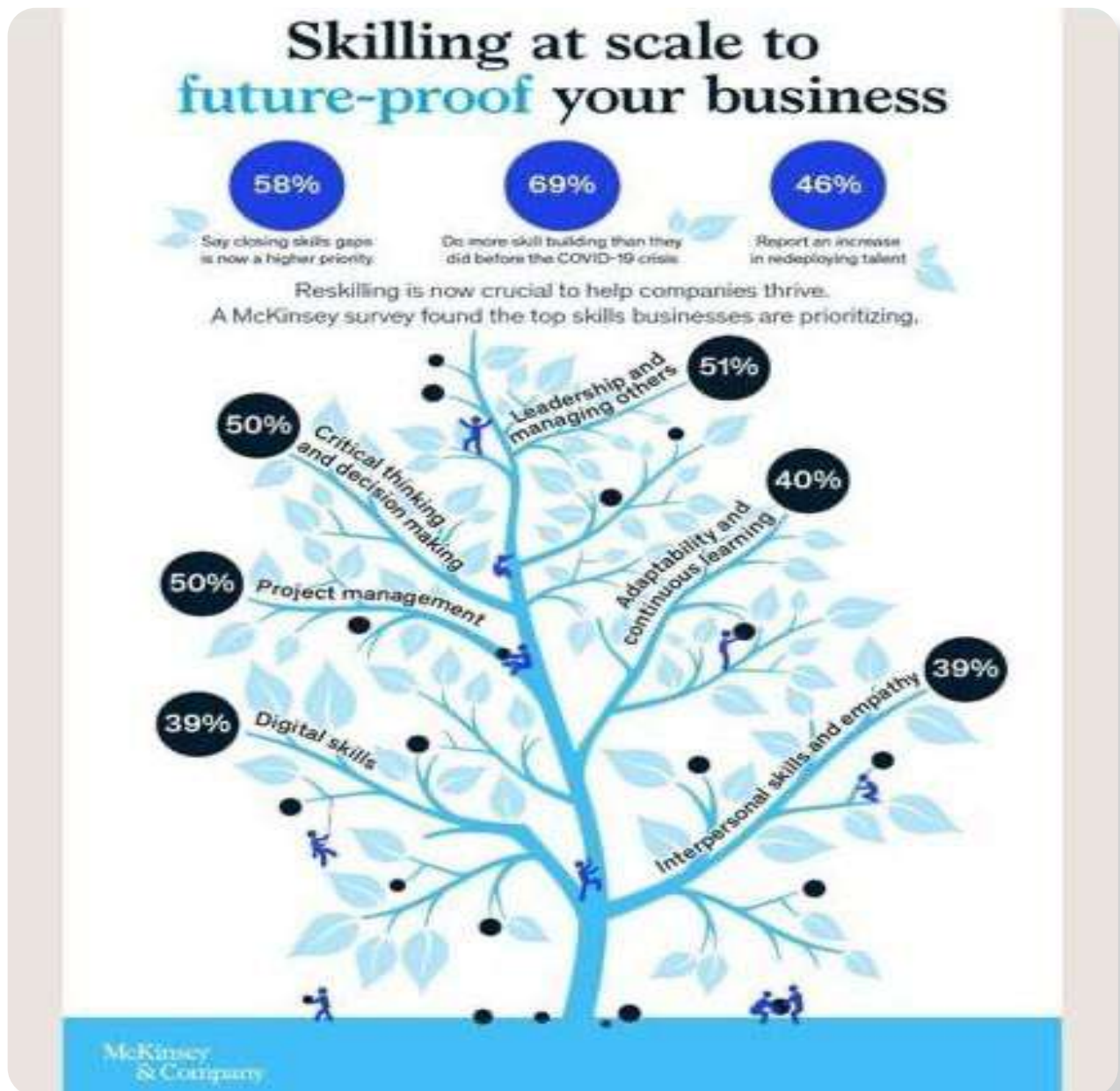


Exhibit 2

INTERNET STATISTICS 2021

| TOTAL POPULATION | INTERNET USERS | MOBILE PHONE CONNECTIONS | SOCIAL MEDIA USERS |
|--------------------------|-------------------------|--------------------------|---------------------------|
| 208.8 Million | 104.4 Million | 187.9 Million | 33.0 Million |
| Urban Population – 52.3% | 50% of Total Population | 90% of Total Population | 15.8% of Total Population |
| Rural Population – 47.7% | | | |

Source: Digital, 2021

ABOUT THE NESG

The NESG is an independent, non-partisan, non-sectarian organization, committed to fostering open and continuous dialogue on Nigeria's economic development. The NESG strives to forge a mutual understanding between leaders of thought so as to explore, discover and support initiatives directed at improving Nigeria's economic policies, institutions, and management.

📍 THE SUMMIT HOUSE

6 Oba Elegushi Street,
Off Oba Adeyinka Oyekan Avenue,
Ikoyi, Lagos.
P.M.B 71347, Victoria Island, Lagos.

📍 ABUJA LIAISON OFFICE:

4th Floor, Unity Bank Tower,
Beside Reinsurance building
Plot 785, Herbert Macaulay Way,
Central Business District, Abuja

🌐 www.nesgroup.org

✉ info@nesgroup.org

☎ +234-01-295 2849 | +234-01-295 2003

     officialNESG