THE IMPACT OF THE COVID-19 PANDEMIC IN NIGERIA

A SOCIO-ECONOMIC ANALYSIS

Brief #1
March 24 2020

Many countries across the global community, are facing unprecedented challenges as a result of the COVID-19 pandemic. Nigeria and her people are no exception. It is now, more than ever, that leadership which can unite the spirit of Nigerians and rouse collective action is needed. Nigeria is tested today, as it has been in the past and, it has the ability and opportunity to mobilize its people to turn the tide against the coronavirus. But time is of the essence and immediate decisive action is imperative.

01

Current numbers and estimations

The coronavirus (COVID-19) has now spread to over 177 countries and territories as well as an international conveyance (Diamond Princess) since the virus first emerged in China in late 2019. As of 23 March 2020, the global death toll has risen to 17,147 while the number of confirmed cases has escalated to 392,336.

FIGURE 1 CURRENT NUMBER OF CONFIRMED CASES, FATALITIES (24 MARCH 2020)

	TOTAL CONFIRMED	TOTAL FATALITIES	DEATH RATE (%)
	392,336	17,147	4
	2047	59	3
	42	1	2

It is very likely that the number of true cases in Nigeria today is significantly higher than the 42 confirmed cases at the time of writing - either due to asymptomatic persons carrying the virus or simply because individuals have not shown symptoms yet.

When Hubei in China was put on lock down on 23 January 2020 there were 400 new cases confirmed that day. In reality the true number of cases stood at 2,500.[1]

It is unclear what the true magnitude of the spread and impact of the virus will look like in Nigeria – including how it will react with factors such as humidity, its densely populated cities and its young population. But if it is anything like the numbers other countries have seen so far, confirmed cases in Nigeria will rise - exponentially.

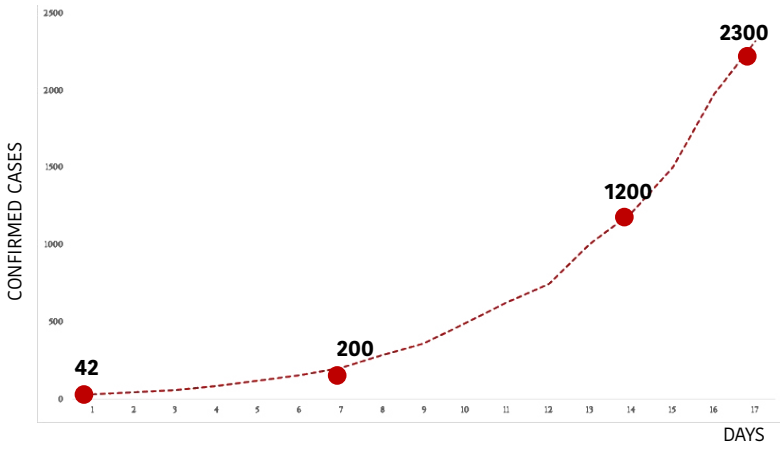
Applying the average growth rate in countries[2] from when confirmed cases exceeded 30, in the next 7 days, we could see as much as 200 confirmed cases in Nigeria (Figure 2). This could translate to as many as 1,400 true cases in the country, left undetected and doubling at an average of 6.5 days.[3] In the next 14 days, confirmed cases are projected to reach as high as 1,200, then 2,300 in 17 days - at which point the number of true cases could have reached as many as 16,400. As more data is gathered in the coming days, the impact of the virus will become clearer.

1 Tomas Pueyo.Characteristics of and Important Lessons From the Coronavirus Disease 2019 (COVID-19) Outbreak in China. 2020

2 Countries in the sample include high impacted countries: Italy, Iran, France, Germany South Korea, Spain, US (state level) and UK each with 20 or more data points. As data points become available, projections based on other regional experiences will also be conducted.

3 Corona virus doubling rates by country: https://ourworldindata.org/coronavirus

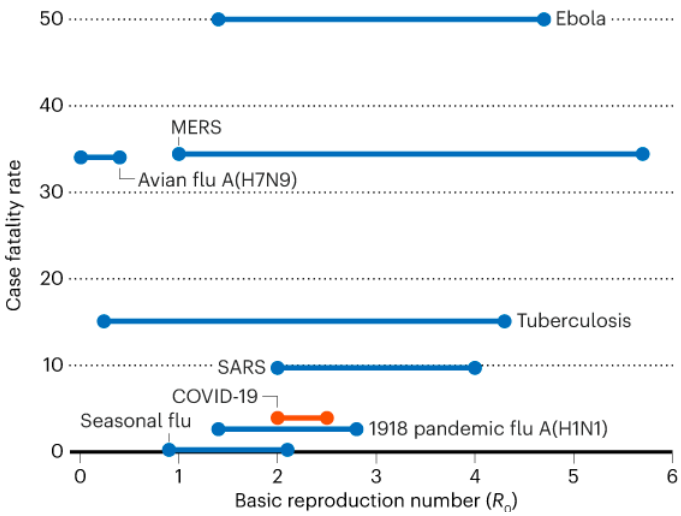
FIGURE 2 APPLYING AVERAGE GROWTH RATES IN CONFIRMED CASES TO CURRENT RATES IN NIGERIA



Estimates based on on average daily growth rate of confirmed cases one they are greater than 30 in high impacted countries outside China (Italy, Iran, France, Germany South Korea, Spain, US and UK.)

FIGURE 3 COVID-19 VS OTHER DISEASES [4]

Estimates suggest the COVID-19 coronavirus is less deadly than the related illnesses SARS or MERS, but more infectious (R_0) than seasonal influenza.



When South Korea recorded similar numbers of confirmed cases as we have in Nigeria today, within 30 days, it reached 6,593. In the case of the United States and Italy, it reached 19,000 and 47,021 within the same time interval, respectively.

The South Korean officials, having learned from their previous experience with the MERS outbreak, responded aggressively to rein in the outbreak with over 300,000 tests conducted so far. The United States and Italy were slower to respond. So, for Nigeria, we could see numbers in the thousands in the next month, or in the tens of thousands. It depends on how proactive the country's response is in detection and testing as well as in its capacity to manage the case load.

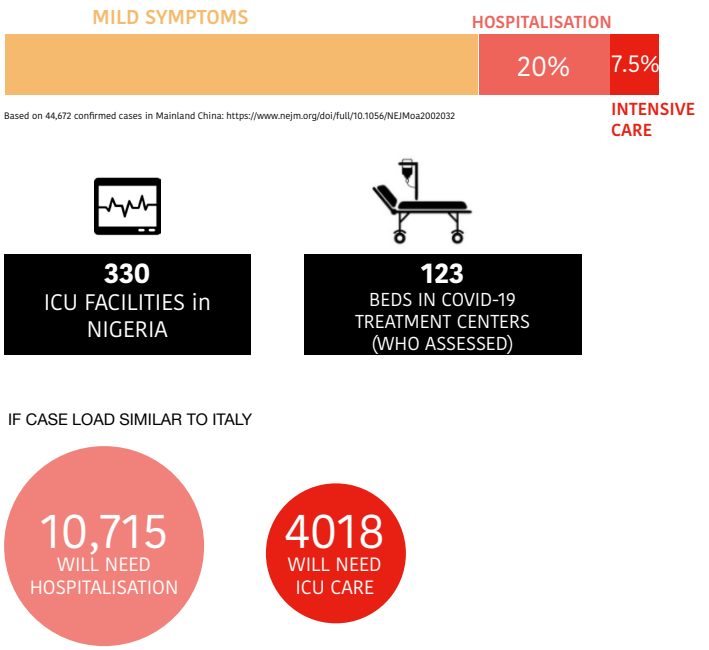
The window for Government intervention could however be limited. Unlike many of the built environment in cities currently experiencing the outbreak, Nigeria's urban centers host large pockets of overcrowded and populated informal settlements. The cumulative and peak rates of infectious diseases in such areas are found to be higher by 10 to 50 percent.[4] This accelerated rate could also apply to Nigeria's IDP camps where 1.8 million people currently reside. In essence, it could mean a higher transmission rate or reproductive (R_0) rate in the parts of the country - greater than the 2-2.5 range as seen elsewhere (Figure 3).

SIGNIFICANT PRESSURE ON THE HEALTH CARE SYSTEM

The pandemic is expected to place immense and unprecedented pressure on the country's underinvested healthcare system.

4 Chen J, Chu S, Chungbaek Y, et al. Effect of modelling slum populations on influenza spread in Delhi. BMJ Open 2016;6:e011699. doi:10.1136/bmjopen-2016- 011699
5 The coronavirus in five powerful charts. Nature. https://www.nature.com/articles/d41586-020-00758-2

FIGURE 4 ESTIMATING HEATHCARE NEEDS



Estimates indicate that around 20 percent of COVID-19 cases require hospitalization and another 7.5 percent require intensive care.[6]

In total there are 330 ICU facilities in the country, including 30 in Lagos. The Nigeria Center for Disease Control (NCDC) currently has five testing centers and treatment centers designated for COVID-19. An isolation facility in Lagos is equipped with 100 beds but the capacity outside Lagos is very limited. Based on the recent assessment of eight treatment centers by WHO, a majority are not well equipped and the capacity to respond is particularly weak in the North.

The Aminu Kano Teaching Hospital, designated as a treatment center, is still under construction currently with 2 makeshift beds. The spread of the virus, as patients are transferred to treatment centers, such as the one in Abuja, could be intensified putting more pressure on the already weakened healthcare infrastructure.

If confirmed cases reaches numbers similar to that in Italy – 53,578 at the time of writing– it is projected that almost 15,000 people would need to be hospitalized/require intensive care in Nigeria. Based on the trends experienced in Italy, in the first month after the first 30 confirmed cases, this could mean as much as 3,500 Nigerians requiring intensive care in the next 30 days.

It is not just the sheer number of cases that will need medical care over the course of the pandemic, vast amounts of people will need it at the same time- which will rattle the healthcare system. It is unclear how many treatment centers there are in the country but based on the above projections, within 3-5 days, critical bed care capacity in the WHO assessed designated treatment centers could be exceeded. This could be compounded by lack of supportive medical equipment such as surgical masks, gloves and ventilators in adequate quantities.

While the impact on the older population has been the greatest, especially in Italy where the average age in the fatal cases is 79, infection and hospitalization rates among the younger population are not trivial. Between 12 February – 16 March 2020, the United States Center for Disease Control reported that 20-44 years old accounted for 29 percent, 20 percent and 12 percent of confirmed cases, hospitalized and ICU admissions, respectively.

6 Based on 44,672 confirmed cases in Mainland China: https://www.nejm.org/doi/full/10.1056/NEJMoa2002032

Based on these proportions, as much as 2,600 young Nigerians could require hospitalization/intensive care.[7] And without the critical facilities, we may also see higher than average fatality rates among the young population.

Furthermore, added to the fact that in 2018, non-communicable diseases (NCDs) accounted for 29 percent of all deaths in Nigeria,[8] it would be naive to assume that the current estimates of convergence rates of ~1.4 percent global mortality rates would be also applicable to the country.

7 Proportions are used to estimate cases in Nigeria if caseloads were similar to that of Italy.
8 Nigeria WHO Nigeria profile: Risk of premature death due to non-communicable diseases. https://www.who.int/nmh/countries/nga_en.pdf

02

Socio-economic implications

What began as a health crisis - with grave impact on populations - will within days become an economic and fiscal crisis with a high risk of negative social implications.

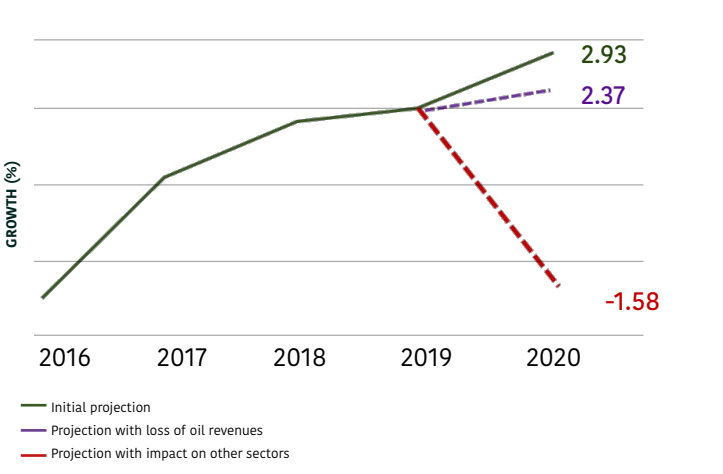
DECLINE IN GLOBAL OIL PRICES

The decline in oil prices by 55 percent between the end of 2019 to March 2020, is one of the most serious economic shocks that Nigeria has faced in its memory, especially as the oil sector contributes 65 percent and 90 percent to government and total export revenues, respectively.[9]

As of 18 March 2020, the price of crude oil dipped to US$29.62/barrel. Given that the Federal budget estimates for 2020 have pegged oil prices at US$57/barrel and production at 2.18 million barrels per day, if prices continue to remain at this level, it would translate to a decline in 48 percent of expected revenue from oil sales per month. This alone could reduce fiscal revenue by close to $10B and export earnings by $19B.[10] The decline in export revenues is projected to have a combined effect of 0.55 percentage points drop in GDP.
The lack of demand could also reduce domestic oil production (supply) in the short to medium term. As such, fiscal space could be narrowed significantly further limiting the Government's ability to cope with an emergency response.

These estimates, however, do not consider the adverse effects of the virus and related disturbances to other economic activities such as domestic trade and services which account for the bulk of GDP. The agricultural sector may not be seriously impacted immediately assuming that the virus does not spread to rural areas before the agricultural season starts next month.

FIGURE 5 GDP GROWTH RATE PROJECTIONS



9 Revenue contribution from EITI Nigeria country report, 2017 and export percentages calculated from UNCTADStats databased, 2019.
10 ECA – Economic Impact of the Covid-19 on Africa

Disruptions could occur to supply chain distributions, value addition and services in the event of restrictions to movement of people. In such an event, the Nigerian economy could fall back into a recession with a negative growth rate of 1.58 percent for 2020 (Figure 5 above).

NAIRA COULD COME UNDER SEVERE PRESSURE

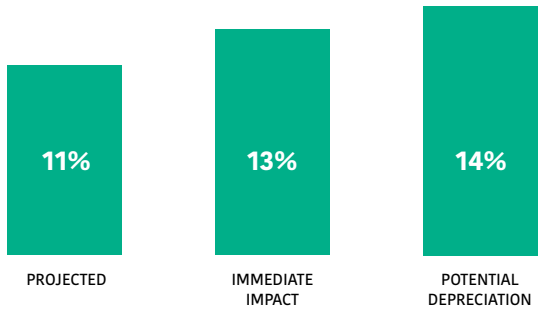
The impact is already partially felt in the exchange rate which has depreciated by 1 percent since mid-February 2020 but the informal market indicates an expectation of a larger depreciation of the Naira.

Amidst the pressure, on 20 March 2020, the Central Bank adjusted the currency to ₦ 380 per dollar. A week before the announcement, informal sources indicated that the Naira was trading at ₦ 380 per dollar in the parallel/black market.

The impact of the outbreak in the advanced economies on jobs and financial transactions could have further negative impact on remittances, which in 2018 was equivalent to 80 percent of the Federal budget. [11] This will affect livelihood and spending patterns, which in turn could have a negative impact on the economy and wellbeing of the people.

The changes made to the policy rate and exchange rate depreciation (assuming the official exchange rate will follow the black-market rate with a time lag) alone could raise the inflation rate to 14% against the projected 11% for 2020 (Figure 6). The inflation rate could be significantly affected by a shortage in consumer goods in the event of disruptions to imports and local supply, particularly as Nigeria is a net importer of basic foodstuff.

FIGURE 6 PROJECTED IMPACT OF INTEREST RATE POLICY AND EXCHANGE RATE ON INFLATION RATE (%)



Currently, prices and supply of goods remain unaffected indicating the resilience of the domestic production and market. However, this could change rapidly if panic buying sets in resulting in shortages of essential goods leading to civil unrest as seen elsewhere. This could also result in discontent and evolve into social and political unrest, as we see emerging in Bolivia today.

SIGNIFICANT JOB LOSSES COULD AMPLIFY THE CRISIS

As the outbreak intensifies, Nigeria's services, trade and financial sectors would suffer significant disruptions. Together, the three sectors contribute over 30 percent to GDP. Contraction in these sectors could result in significant job losses both in the formal and informal job markets. This could be a severe blow and could be a threat to instability as youth unemployment/underemployment is already high at 55 percent.

IMPLICATIONS ON PEACE & SOCIAL COHESION

The implications of the economic impact of the pandemic could cultivate conditions for disgruntlement and social unrest.

11 PricewaterCoopers: The Economic Power of Nigeria's Diaspora (2018)

Pandemics have a bearing on the social fabric of society - stress initiated by economic losses often result in visible cracks where incidences of once socially unacceptable norms become more frequent. Evidence suggests that health related pandemics have the potential to increase the risks of: domestic violence – with police reports in China showing that domestic violence tripled during the epidemic; violence against health workers due serious stress levels that the pandemic places on patients; and abuse and exploitation of women and girls – especially care givers.[12] Futhermore, frustrations resulting from economic loss could also play into existing regional fault lines within Nigeria.

Restrictive non-pharmaceutical measures, such as isolation, social distancing and quarantine implemented in contexts already characterized by fragility – in conflict and humanitarian situations - will remain a key policy challenge. In such contexts, social connectedness is the currency that nurtures the much-needed resilience for communities to persevere in the face of crisis. As such, social networks and systems which provide support and regulate well-being are often weakened through restrictive non-pharmaceutical measures. Implementing isolation measures without taking cognisance of the local context can further exacerbate the situation, lead to stress and mental health disorders, and in some cases protracted violence.

Moreover, in a country that is overwhelmingly tied to the informal sector, the combination of limited access to social safety nets and livelihood opportunities could pose real risks to peace and security, especially in urban centers, where incidences of looting, home banditry and armed robbery could rise.

12 DFID. Impact of COVID-19 Pandemic on Violence against Women and Girls

03

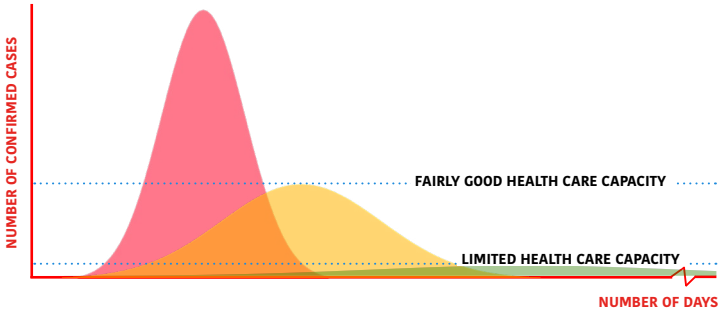
Contextualising current approaches

Across the world, governments are employing two fundamental Non-pharmaceutical Interventions (NPI) to respond to the COVID-19 outbreak: suppression and mitigation. In the case of suppression, the objective is to reduce the reproductive rate, or R_0, to less than 1 whereas in the case of mitigation, the objective is to get the number of cases to decline or slow its speed. Population wide social distancing combined with home isolation of cases and closure of schools and universities are minimum policy requirements for effective suppression.[13]

In the case of South Korea, it is effectively employing a pharmaceutical approach with rapid and aggressive testing of its population.

Many of the NPI strategies employed are aimed to *flatten the curve* thereby lowering the number of cases per day (pink distribution in Figure 7 highlights the curve if no action taken) and buy time so the health care system is able to respond (yellow distribution in Figure 7). As Nigeria is still in its early state of the spread, this argument is still valid.

FIGURE 7 FLATTENING THE CURVE UNDER DIFFERENT HEALTHCARE CAPACITIES



A push to *flatten the curve* could also serve as a PR tool to reduce fear and panic and buy time until a vaccine is developed. However, with a weak healthcare system, as confirmed cases become rampant, flattening the curve, in the case of Nigeria, may become much more complex and will require much more time (green distribution in Figure 7). While it may be a viable strategy in other countries, realistically, in Nigeria *flattening the curve* strategy may be complicated because of its poor healthcare infrastructure.

13 Impact of non-pharmaceutical interventions (NPIs) to reduce COVID-19 mortality and healthcare demand. Imperial College COVID-19 Response Team.

The suppression strategy comes with significant economic and social implications. In a country where the informal sector makes up 65 percent of its GDP[14], with a significant proportion of its population relying on the sector for day-to-day economic survival, individuals will be confronted with a choice between survival **today** and observance to social distancing measures put in place for their survival **tomorrow**.

Social distancing also assumes a certain level of spatial freedom. In densely populated pockets in Nigeria's urban centers – this assumption may not hold. Similarly, it will be difficult to enforce social distancing in congested IDP camps. There is also a risk of further fragmenting the social values – and the very safety nets required for healing and recovery.

Restrictive suppression response interventions, including shut-downs, disproportionately impact the poor and their livelihoods. Compounded by governance deficiency in the country, abrupt cuts in means of livelihood, could result in social unrest. The feasibility and implications of current responses therefore need to be urgently tailored to the Nigerian context ensuring that those at the bottom of the pyramid are not unduly burdened while at the same time, critically needed suppression and mitigation measures are implemented.

14 Economic development through the Nigerian Informal Sector: A BOI Perspective. Bank of Industry, 2017. https://www.boi.ng/wp-content/uploads/2018/05/BOI-Working-Paper-Series-No2_Economic-Development-through-the-Nigerian-Informal-Sector-A-BOI-perspective.pdf

04

Key policy options

There is need to draw lessons from other contexts and rapidly design homegrown responses. In this regard, the central question is not just how to reduce the spread of the disease, but also how to implement these mitigation and suppression measures in a manner that is culturally and economically palatable. Incentives for solidarity and not stigmatization - while enhancing trust, social accountability, and promoting peer to peer support after the crisis - are urgently needed.

However, the window of opportunity is narrowing due to the rapid escalation of confirmed cases. The Government urgently needs to intensify efforts to reach out to its people, to inspire and mobilise them as the nation faces a collective threat. Policy options are dictated by several parameters including: an existing weak health care system, a large section of the population with pre-existing conditions and governance deficits that have strained public trust.

Below are some of the proposed policy options to address these issues:

COORINATE ACTION ON HEALTH EMERGENCY PREPARDNESS

A more proactive approach is essential in this regard. In coordination with the UN, it is recommended that the Government speedily mobilize procurement of adequate essential health equipment needed for testing, quarantine and medical care. Temporary hospitals/quarantine centers could also be equipped and designated as emergency centers. These need to be complemented by the enforcement of directives issued by government at all levels.

ENSURE PRO POOR SHUT DOWN STRATEGIES

The most important immediate actions in terms of containing the spread of the virus are the control of borders (as the virus is an imported one), detection of cases, isolation and social distancing. It is important that the Government act now and act fast. The spread of the virus follows an exponential distribution – which also means that avoiding one case today has positive implications on the number of cases in the future.

Averting one case today could mean as much as averting four times as many cases in the next month.[15]

However, complete shutdowns would need to be coupled with social protection mechanisms such as temporary or one-off cash transfers, food and wage subsidies, subsidised sick leave and unemployment benefits. These would cushion the resulting loss to livelihood opportunities to those who are most vulnerable.

A pro-poor shut down is recommended - one that enables continuation of essential businesses and livelihoods, but prevents mass gatherings, could help the Government in leveraging the limited health care resources for those who need it the most while limiting panic buying at the time.

BE READY FOR A FISCAL STIMULUS

Nigeria's total debt to GDP ratio is relatively low giving some space for the Government to use a flexible fiscal policy in case the need arises. Reduction in taxes (VAT) on essential commodities including medicine and food, temporary salary advances and salary top ups and enhanced social security payments could be considered if the situation warrants such action.

Incentives for business continuity could also be provided to private firms in sectors such as the financial system, shipping, local businesses and agriculture as they are essential for keeping the economy running.

The Central Bank of Nigeria's recent announcement of a ₦3.5 trillion stimulus package to weather the economic impact on the current pandemic, including a credit line of ₦1T to boost manufacturing and import substitution; ₦50B package for impacted households and SMEs; ₦100B for healthcare loans; ₦ 1.5T for building critical infrastructure (InfraCo Project), among others, is a welcomed move and could be extended to the above mentioned businesses as well. Similarly, the significant cut in the interest rate of its intervention programmes from 9 percent to 5 percent despite having a high inflation rate of 12.2 percent (February 2020), is a welcomed policy initiative to boost the economy.

MOBILISE ADDITIONAL RESOURCES

The Government in partnership with the UN, donors and the private sector should make concerted efforts in mobilizing internal and external resources including from the International Monetary Fund and the World Bank. Establishment of a **Nigeria COVID-19 Response Trust Fund** should be considered immediately. These could help accelerate the coordination and implementation of the preparedness, mitigation and response measures outlined in the NCDC Incident Action Plan and also act as a buffer to other social and economic shocks.

RISK COMMUNICATION TO THE PUBLIC

Miscommunication has the potential to hamper the fight against COVID-19. The perception poll by NOIPolls (See Figure 8) demonstrates that progress has been made as far as sensitizing citizens is concerned. However, there is need to scale up public awareness and sensitisaton to properly educate citizens on the gravity of the disease, implications on

15 The Exponential Power of Now; https://www.nytimes.com/2020/03/13/science/coronavirus-math-mitigation-distancing.html

different age groups and people with compromising health conditions. Proactive communications measures may be required to take these messages to the rural communities whose response may not be as effective as one would expect in this critical time.

Given the cultural values that undergird social connectedness as a currency for building resilience, there might be a need to ensure context-specific approaches in communicating the mitigation measures. In this regard, collective engagement and messaging through community influencers, custodians of faith and traditions is critical.

PLANNING FOR POST-COVID-19

The question in the minds of national and global leaders in the midst of the evolving pandemic is how affected communities will bounce back and in a sustainable manner recover from the crisis. The economic distress associated with the pandemic, health implications to those affected especially the most vulnerable in the community, strain on service delivery infrastructure and the societal cost in terms of well-being could be enormous.

Any post-COVID-19 recovery strategy will need to re-establish the conditions for a quick return to a path of economic growth, improved social contract, and overall human development that can foster more inclusive societies in the future. The survivors and others directly affected by the disease must be assisted to regain their dignity and the affected communities supported to recover their livelihoods. This will require investment in innovative approaches for restoration of health systems; co-creation of culturally sensitive protection and community, peace and cohesion building measures that integrate recovery of lost livelihoods.

A conflict-sensitive approach in such a case will be critical in the identification of risk and opportunities to ensure strategies do not worsen existing (latent) fragility, but rather help strengthen social cohesion if possible.

FIGURE 8 NOI NATIONAL COVID-19 POLL