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NIGERIA DEVELOPMENT UPDATE | DECEMBER 2020

Rising to the Challenge: Nigeria's COVID Response

Nigeria Development Update
December 2020

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Acknowledgements

The Nigeria Development Update (NDU) is a World Bank report series produced twice a year (Spring and Fall). The NDU assesses recent economic and social developments and prospects in Nigeria, and places these in a longer-term and global context. The NDU also provides an in-depth examination of selected economic and policy issues and an analysis of Nigeria's medium-term development challenges. It is intended for a wide audience, including policy makers, business leaders, financial market participants, and the community of analysts and professionals engaged in Nigeria's evolving economy.

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The team is grateful for valuable discussions with the Ministry of Finance, Budget and National Planning, the Central Bank of Nigeria, and the National Bureau of Statistics. The team would like to thank the International Monetary Fund's Mission Chief, Jesmin Rahman, and her team for invitations to participate in macro-monitoring missions and for their continual dialogue and collaboration.

Ifeoma Ikenye assisted the team. Budy Wirasmo aided in designing. The dissemination of the report and external and media relations are managed by Mansir Nasir.

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Abbreviations and Acronyms

bbl	Barrels
CAB	Current Account Balance
CBN	Central Bank of Nigeria
EU	European Union
FX	Foreign Exchange
GDP	Gross Domestic Product
GHS	General Household Survey
IEFX	Investors & Exporters Foreign Exchange
NBS	National Bureau of Statistics
NDU	Nigeria Development Update
NLPS	National Longitudinal Phone Survey
NNPC	Nigerian National Petroleum Corporation
NPL	Non-Performing Loans
SME	Small and Medium Enterprise
US$	United States Dollars
VAT	Value Added Tax
y-o-y	Year-on-Year

Overview

In 2020, Nigeria's economy is expected to experience its deepest recession since the 1980s due to the COVID-19-related disruptions, notably lower oil prices and remittances, enhanced risk aversion in global capital markets, and mobility restrictions. In our baseline scenario—which assumes further macroeconomic reforms and a gradual recovery in oil prices—Nigeria's gross domestic product (GDP) is projected to contract by about 4 percent in 2020, growing modestly by 1.1 percent in 2021, and then recovering gradually towards the estimated population growth rate of 2.6 percent. With the rate of economic growth remaining below the population growth rate, per-capita incomes would continue declining and better full-time jobs will be much harder to find. Below, we provide highlights on how the COVID-19 crisis has impacted Nigeria's economy.

- **Oil and government revenues:** Nigeria's oil sector represents over 80 percent of exports, 30 percent of banking-sector credit, and about 50 percent of consolidated government revenues. Also, the non-oil industrial and services sectors rely heavily on the economic activity and fiscal revenue generated by the oil industry. Thus, the performance of the oil sector has a direct effect on economic activity, jobs, government revenues, investment, and credit growth, all of which have been affected by the pandemic. Importantly, consolidated government revenues are projected to drop by US$10 billion or more in 2020 (over 2 percent of GDP) at a time when fiscal resources are urgently needed to contain the COVID-19 outbreak, intensify countercyclical stimulus policies to support the economic recovery, and implement pro-poor interventions to protect the lives and livelihoods of the over 80 million Nigerians in extreme poverty and millions of urban dwellers who depend on the informal economy.

- **Remittances:** Half of Nigerians live in a household that receives remittances, which contributed about 5 percent of GDP in 2019. Nigeria's diaspora is concentrated in North America and Europe, where incomes have fallen, and unemployment is rising, and the decline in remittances has slowed consumption and weakened aggregate demand.

- **Capital flows:** Increased risk aversion among global investors has led to a decline in foreign portfolio investments, which until recently was the main financing source for Nigeria's balance of payments. Investors redirected some of their funds away from Nigeria in search of safer investment options, putting pressure on Nigeria's external reserves and exchange rates.

- **Mobility restrictions:** Public-health measures helped slow the spread of COVID-19, but mobility restrictions combined with precautionary behavior among consumers adversely affected employment and reduced household labor income.

- **Prices:** Before COVID-19, rising food prices were already putting pressure on inflation due to insecurity in the north, conflicts between farmers and herders in the middle belt, and Nigeria's closure of land borders since August 2019. Then, on top of these, pandemic-related disruptions in value chains and production processes further increased inflation.

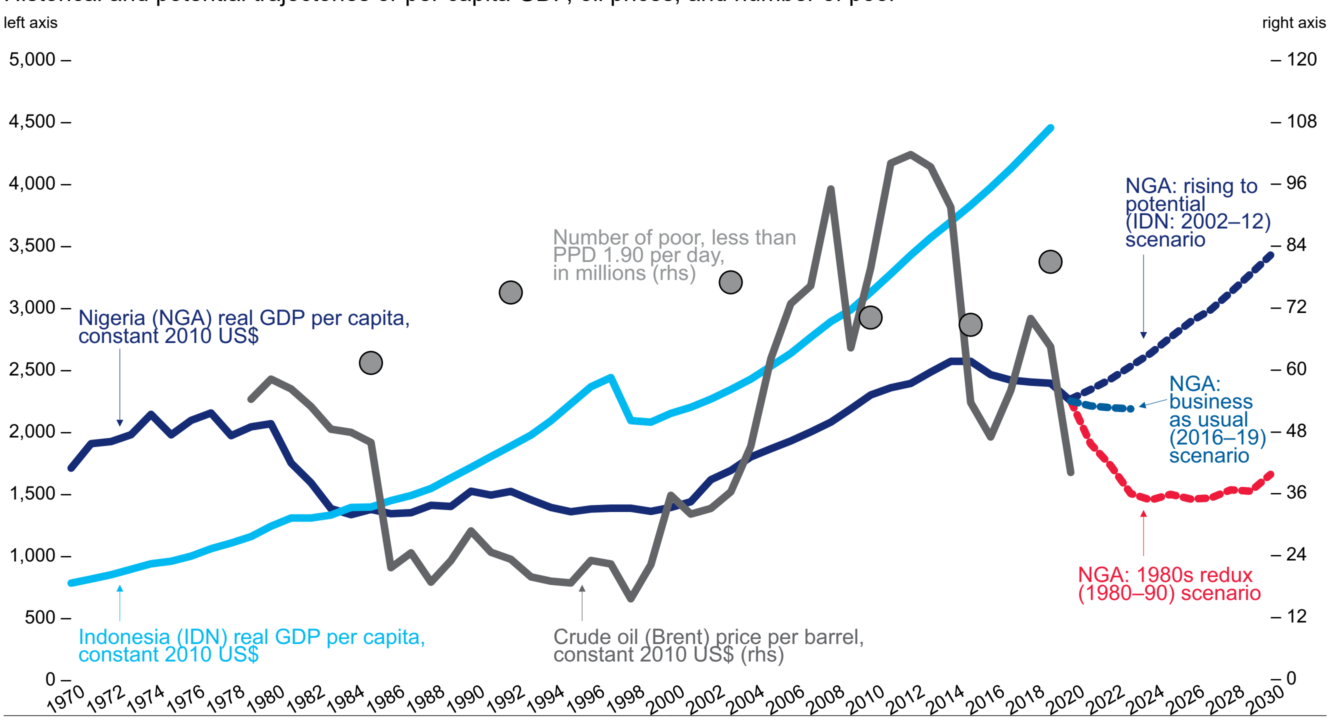
- **Jobs:** Workers have resorted to more tenuous, less productive economic activities, causing measures of economic precarity to spike. Data on a sample of household heads collected by the National Bureau of Statistics (NBS) through a high-frequency household telephone survey reveal that, between March and August, unemployed workers shifted to the agricultural sector, which has long served as Nigeria's employer of last resort. While employment levels have now rebounded to near pre-pandemic levels, many households in Nigeria have reported declines in income, consistent with evidence of rising economic precarity, and household food insecurity has significantly increased.

- **Poverty:** The extreme poverty rate is expected to rise, with the number of poor likely to increase by 15 to 20 million by 2022. The human and economic costs would be amplified if the global economic recovery is less robust or takes longer than hoped and if Nigeria fails to take the needed policy and fiscal measures to free up the space of a rapid private sector-led recovery.

Nigeria is at a critical historical juncture. While there is a lot of uncertainty about when the pandemic will end, it is clear that Nigeria faces an unprecedented crisis that requires an equally unprecedented policy response. Realizing the government's ambition of lifting 100 million Nigerians out of poverty by 2030 would be challenging even under normal circumstances. The onset of the COVID-19 crisis has made the task much more challenging and urgent because of the severity of the economic downturn and the decline in fiscal resources. Growth projections help illustrate this point. By 2023, in our baseline scenario, Nigeria's GDP per capita is expected to be roughly similar to that of 2010. This means that Nigeria would lose 14 years in per capita incomes. By contrast, if we compare Nigeria with the average of middle-income economies worldwide, we find that other countries are expected to lose around 7 years. In other words, while COVID-19 will hit incomes across all countries, Nigeria is expected to suffer twice as much. But that is not all. In fact, because Nigeria's growth has been uneven and volatile, once we adjust for inflation, we find that for Nigeria going back to 2010 is equivalent to going back to the 1980s.

Figure O.1. Nigeria is at a critical historical juncture, with a choice to make.

Historical and potential trajectories or per capita GDP, oil prices, and number of poor



Source: World Development Indicators (WDI) for GDP and oil prices. World Bank estimates from PovcalNet, 2018–2019 Nigerian Living Standards Survey (NLSS), and WDI for the number of poor.

The crisis has served as a wake-up call; since April, Nigeria has undertaken long-awaited reforms to enhance economic resilience. The government has moved, often in the face of vocal opposition, to:

- harmonize its two main exchange rates, ensuring that billions of additional naira will flow into the federation account,
- introduce a market-based pricing mechanism for gasoline and eliminating subsidies,
- adjust electricity tariffs towards more cost-reflective levels,
- cut back on non-essential expenditures and direct resources towards the COVID-19 response (at both federal and state levels), and
- increase the transparency of its debt and of its oil and gas sector.

Yet, much more remains to be done, and so Nigeria has a choice to make. Unprecedented times require unprecedented measures, and thus it is paramount that the pace of reforms in Nigeria is not only sustained but also deepened. Even if oil prices recover, a return to business-as-usual will mean that economic growth will continue to lag population growth, per-capita GDP will continue to fall, the number of poor will continue to rise, and Nigeria's aspirations will fail to be realized. Alternatively, if Nigeria can sustain the momentum of these reforms, the next few years could see the country rise to its potential and make progress towards lifting 100 million Nigerians out of poverty.

The cost of not advancing the reforms and deepening the measures already taken will weigh on Nigeria's growth prospects. Slowing the current pace of reforms implementation or abandoning them will be detrimental to achieve Nigeria's development goals. In a downside scenario where oil prices recover gradually but reforms stall, the GDP growth rate would barely recover in 2021 and would rise to just 0.3 percent in a context of high inflation, slow job creation, and rising levels of poverty and inequality. A high-risk scenario marked by an adverse global context where macroeconomic policies do not adjust would further prolong Nigeria's recession until 2022. Such a scenario would see levels of public spending fall, gaps in human and physical capital widen, and service delivery deteriorate. Collectively, these conditions could lead to social tensions becoming exacerbated. A deeper recession would also further strain the financial sector, already weakened by a 14 percent increase in nonperforming loans (NPLs) and over 33 percent of banking sector loans in need of restructuring in the first half of 2020.

This edition of the Nigeria Development Update takes stock of the recently implemented reforms and proposes policy options to both mitigate the impact of COVID-19 and foster a resilient, sustainable, and inclusive recovery. Managing the current crisis while strengthening the institutional and policy framework will require carefully sequenced reforms implemented over the immediate- and near-term. Robust mitigation and recovery policies would be based on five pillars (Figure O.2):

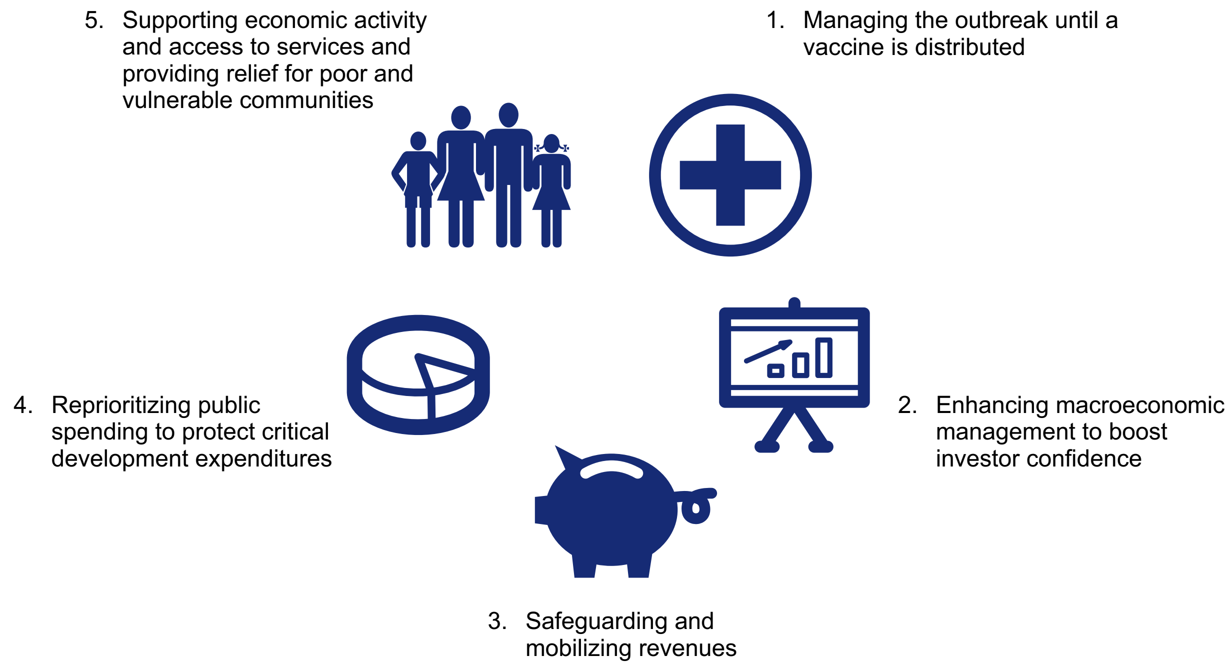
1. Managing the domestic spread of COVID-19 until a vaccine is distributed;
2. Enhancing macroeconomic management to boost investor confidence;
3. Safeguarding and mobilizing revenues;
4. Reprioritizing public spending to protect critical development expenditures; and
5. Supporting economic activity and access to services and providing relief for poor and vulnerable communities.

Within these pillars, our analysis has identified a set of 8 critical policy options for the short term. These measures are expected to have a significant impact on Nigeria's growth prospects while alleviating the disproportionate income loss of poor and vulnerable households:

- **Allowing the exchange rate to reflect market fundamentals,** which will preserve reserves, increase the naira value of external financing and dollar-

Figure O.2. Nigerian authorities can build on recent actions to deepen the reform agenda and lay foundations for a robust, inclusive, and sustainable recovery.

Pillars of robust mitigation and recovery policies



Source: World Bank.

denominated revenue proceeds, and help boost investor confidence and reduce inflation.

- **Reopening land borders and easing foreign-exchange restrictions** to limit inflationary pressures and increase the supply of food and staple goods.

- **Mobilizing tax revenues** in a way that does not negatively affect investment and growth, including a review of tax concessions, excise taxes, and measures to enhance tax administration.

- **Strengthen the management of monetary policy toward the primary objective of price stability,** with more transparent targets and liquidity management mechanisms (e.g., by reducing the use of discretionary Cash Reserve Ratio); and ensuring a clear distinction between public borrowing and liquidity management.

- **Continuing power sector reforms,** including bringing electricity tariffs from an 80 to 100 percent cost-reflective level, and implementing regulations to stop arbitrary estimated billing, accelerate mass metering, and enforce payment discipline of the distribution companies, all aimed at improving the financial sustainability of the sector while ensuring that the increases in average tariffs do not adversely impact low-income households.

- **Consolidating the gasoline subsidy reform** by publishing detailed guidelines for the market-based gasoline price adjustment mechanism approved in March 2020.

- **Extending the reach of social safety nets,** including targeted cash transfers and livelihoods grants for households, and expanding the provision of healthcare and other essential services for the poor and vulnerable.

- **Reducing food insecurity** for poor rural households through the distribution of seeds and fertilizers, the provision of agricultural extension services, the use of block grants for purchasing assets and equipment, the upgrading of sanitary infrastructure in markets, and the expanded availability of equipment for small-scale processing and packaging.

Taking a closer look at employment conditions, social protection, public health and education in Nigeria under COVID-19

Work and COVID-19 in Nigeria. Findings from a sample of household heads interviewed in successive rounds of the Nigeria COVID-19 National Longitudinal Phone Survey (NLPS) since March 2020 indicate that employment contracted sharply and job turnover increased significantly in April, but both appear to have stabilized by the end of August. Even though many Nigerians returned to work after the easing of strict lockdown measures in the early phase of the COVID-19 crisis, most households remain in an economically precarious situation. More than two in three households report lower incomes now than one year ago. Nigerian households are facing increased economic precarity: unemployed workers have migrated back to the low-productivity agricultural sector, and reports of food insecurity have increased substantially from the previous year. Additionally, it appears that women's working situation has been disrupted more than men's as the crisis has evolved.

Nigeria's Social Protection System During COVID-19 and Beyond. Before COVID-19, about 40 percent of Nigerians were living below the national poverty line, and millions more were vulnerable to falling into poverty. Simulations suggest that the crisis could push more than 10 million Nigerians below the poverty line unless adequate mitigation measures are implemented. Recognizing the extraordinary scope of this challenge, the government has launched important new initiatives through the National Social Investment Programs, but critical financing gaps and institutional challenges continue to undermine the effectiveness of the social protection system. Most safety nets are limited in scope, and social-protection programs cover only a small fraction of their target populations. While technological innovations can improve the effectiveness of social protection programs and enhance their ability to reach poor and vulnerable households, the government must establish a fiscally sustainable social protection system that integrates the disparate programs implemented at the federal, state, and local levels.

Nigeria's Health Response to the COVID-19 Pandemic. Nigeria ranks among the top ten countries heavily affected by COVID-19 in Africa. Nigeria's COVID-19 response focuses on strengthening laboratory systems and enhancing risk communication and surveillance. The available indicators—such as the total number of deaths, the case fatality rate, and the total number of confirmed cases—show that Nigeria has fared reasonably well in responding to the COVID-19 pandemic despite a significant decline in the delivery of essential health services. Yet, COVID-19 has had a substantial negative impact on service delivery for both disease control programs and essential health care services.

The Impact of COVID-19 on Education. In response to the pandemic, the government implemented multiple measures, both at the federal and state levels, including the adoption of a Contingency Plan to ensure that the school community was protected. The plan aimed to ensure the continuation of education, provide safe water and hygiene facilities in schools, and train and sensitize the school community on preventive measures. During the school closures, Nigeria strived for learning continuity despite the abrupt closure, with distance learning reaching approximately 60 percent of school children, a strong performance compared to other countries in the region. Nigeria will have to build on its efforts to mitigate the effects of COVID-19 on education and accelerate progress. States need to ensure that all kids go back to school under safe conditions. This will entail a rigorous identification of children that, after schools reopened, did not go back to school, and the development of targeted policies to bring them back and reduce dropout rates. Resources such as administrative data, the available phone surveys, and effective social mobilization would be important to identify not only children who did not return to school but also those at risk of dropping out.

Spotlights: Closing gender gaps and managing labor migration

Opening Development Opportunities in Nigeria by Closing Gender Gaps. Gender disparities in economic opportunities and earnings limit inclusive development and constrain growth. Data from the 2018–19 Nigerian household survey indicate that women earn significantly less than men for performing the same economic activities. For example, female plot managers produce 30 percent less per hectare than their male counterparts; female entrepreneurs earn 66 percent less in profit, and women who hold salaried positions received 22 percent less in wages. Further analysis of the household survey data reveals seven key constraints that could be driving lower earnings for women, including: choice of low-value crops, limited access to farm inputs, and access to less productive labor for women farmers; low levels of growth capital and subordinate position in the value chain for women entrepreneurs; sectoral segregation for female wage earners; and multiple non-work pressures on women's time. These constraints could reinforce one another, further limiting women from reaching their full potential. Closing gender gaps in key economic sectors could yield between US$9.3 and US$22.9 billion in additional GDP in Nigeria.

Making the most of young Nigerians' economic potential: The case for more and better managed international labor migration from Nigeria. Travel restrictions and border closures caused by COVID-19 have reduced international migration, including migration from Nigeria. However, economic and demographic pressures will continue to drive international migration over the medium term. Given the overwhelming evidence of the economic benefits of economic migration in the global context, Nigeria stands to benefit from creating new migration corridors as well as harnessing additional returns from existing corridors. Opening new, safe, and orderly channels for international labor migration could unlock unrealized gains for Nigeria's economy and help facilitate its recovery.

Part 1: Recent Economic Developments and Outlook for Nigeria

Economic Growth: Nigeria has plunged into a recession

Almost a year on and the economic shock of COVID-19 continues to take a high toll on the Nigerian economy. Following the twin shocks of the COVID-19 outbreak and related containment measures, plus the subsequent global oil price shock, economic activity in Nigeria shrunk by 6 percent in the second quarter of 2020 and by 3.1 percent in the third quarter of 2020, with a cumulative contraction of 2.5 during the first three quarters of 2020. As with almost all countries around the world, Nigeria has faced a barrage of daunting external factors. Chief among these is the lower foreign demand arising from the global recession, which, among other impacts, has led to a slump in oil exports. Private investors have also become more risk-averse, resulting in falling investment growth rates. Consumption figures are also down due to the pandemic's toll on private employment and government revenues, which have collectively hit people's disposable income hard. The depth of impact is seen in the performance figure for the second quarter. When adjusted seasonally, never before has Nigeria registered a quarterly collapse of such magnitude (Figure 1.1). Third-quarter data confirm that Nigeria is in a deep recession. Due to the recession, 67 percent of Nigerian households reported a decrease in income (see the section on Work and COVID-19 in Nigeria). As in other countries in the region with high levels of informality, lockdown measures have proved hard to sustain in Nigeria, and the knock-on effects of COVID-19 have disproportionately hit Nigeria's poorest and most vulnerable communities.

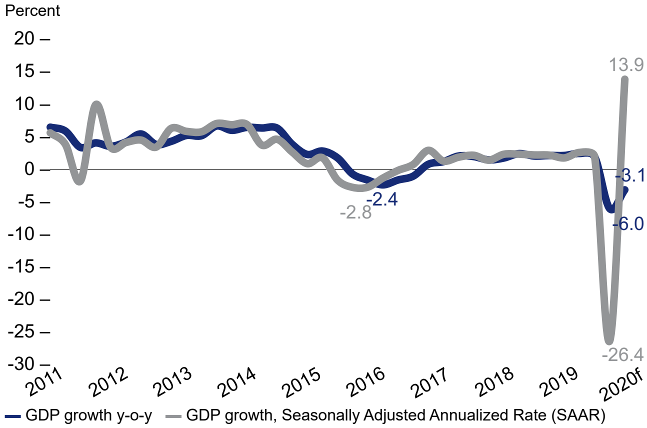
- **Agriculture** grew by 1.7 percent in Q1–Q3 2020, below the growth of 2.4 percent in the same period of 2019. The production of grains for domestic consumption such as millets, rice, and corn, and other produce as beans and cassava, drove the growth in crop production (90 percent of the sector). Agriculture activity proved to be more resilient than other sectors and is expected to recover in the third quarter as farmers have returned to work in July and August. Other sub-sectors have performed poorly, however. According to a recent survey, for example, livestock sales have been significantly impacted.

- The **oil industry** contracted by 6.5 percent in Q1–Q3 2020. Nigeria's economy is highly dependent on sales of crude oil. While it only represents about 10 percent of total GDP, the oil industry attracts around 50 percent of total foreign exchange and comprises more than 80 percent of exports. Its performance has a direct effect on the creation of jobs and revenues in related sectors through sectoral complementarity. It also impacts unrelated sectors, mainly through an income effect. Lower oil prices and lower production have translated into lower revenues for both the public and private sectors. This, in turn, has accelerated the decline in services output, investment, and credit growth.

- The **non-oil industry,** including manufacturing and construction, declined by 4.6 percent in Q1–Q3 2020, driven by a contraction in all the sub-industries (except for pharmaceutical products, motor vehicles, and water supply) as a result of lockdown measures (see Figure 1.3) and the subsequent contraction in domestic demand, which halted the industrial output between March and May. Every week that the non-oil industry was completely paralyzed was equivalent to a loss of GDP growth of 0.3 percent. Once industrial activity could resume operations, most of the sub-industries faced lower demand and excess inventories, which translated into lower utilization of installed

Figure 1.1. Nigeria's quarterly GDP decline in the second quarter is the worst ever recorded.

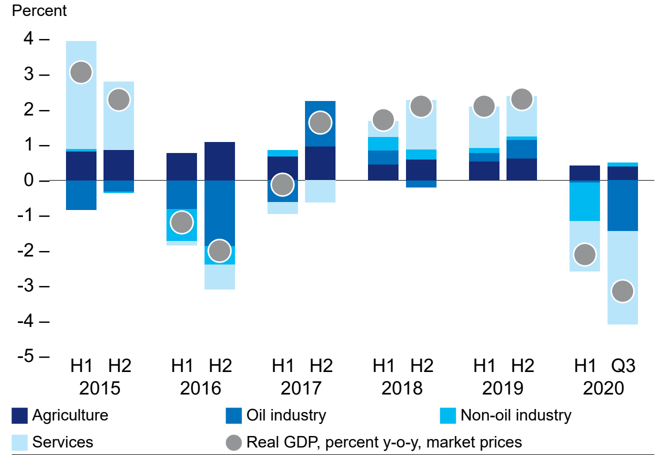
Quarterly real GDP growth



Source: NBS and World Bank estimates.

Figure 1.2. Services chiefly responsible for Q1–Q3 2020 contraction.

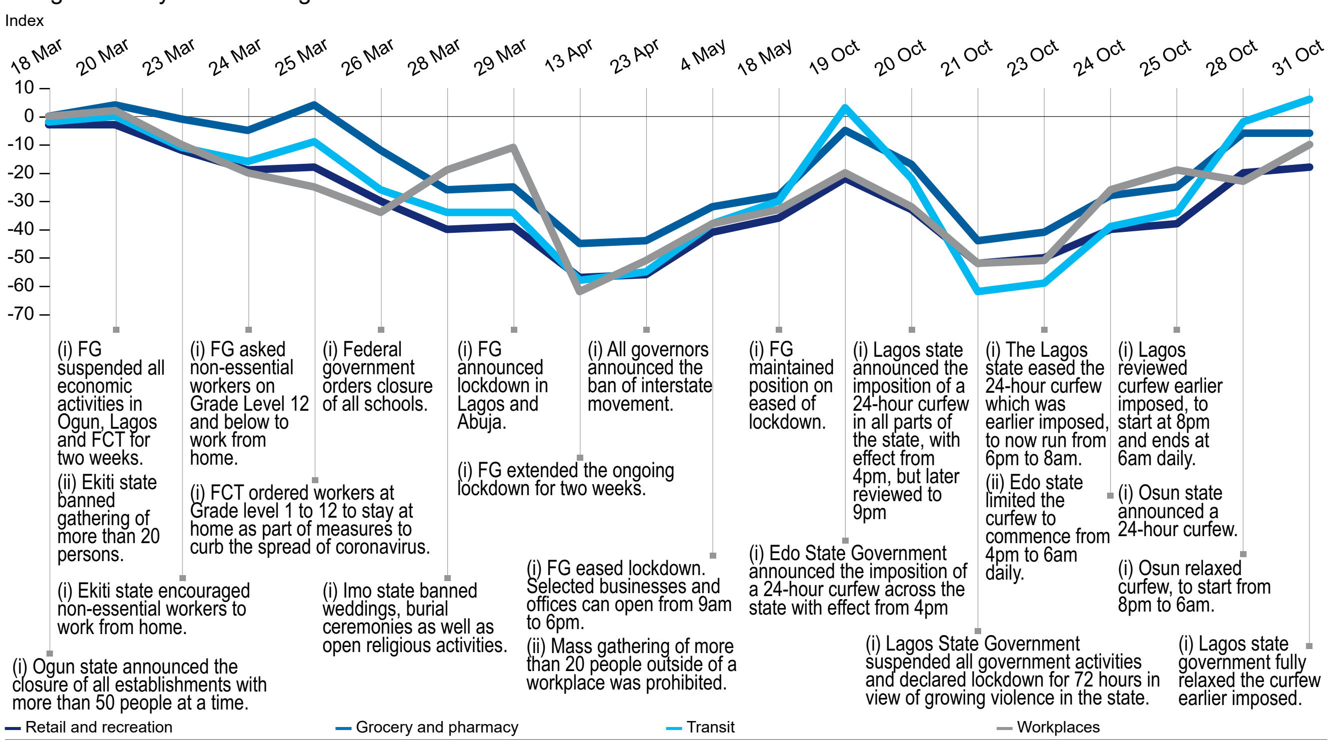
Contribution to GDP growth



Source: NBS and World Bank estimates.

Figure 1.3. Lockdown measures imposed by the government were effective in reducing mobility.

Google mobility index for Nigeria



Source: Nigerian authorities, various news sources.

capacity and production levels below those observed in the second quarter and third quarters of 2019. Only construction experienced a moderate recovery in the third quarter of 2020.

- **Services** declined by 3.6 percent in Q1–Q3 2020, but this figure masks significant disparities across subsectors. Information and communication services grew by 12.5 percent due to the consumption of more data and broadcasting services, as both sectors benefited from the curfew measures imposed by the government. Financial services grew by 14.7 percent, driven by the expansion of credit to the private sector as the result of the financing stimulus led by the Central Bank of Nigeria. Health services grew by 1.9 percent due to higher demand related to COVID-19. In contrast, all the other services fell—trade by 10.5 percent, accommodation, and food services by 18.9 percent, transportation and storage by 28.0 percent, and real estate by 13.9 percent. These sectors concentrate a large share of employment, mainly informal and urban, which was severely affected by the lockdown measures imposed by the government.

Nigeria's economy was vulnerable when COVID-19 hit. Before the pandemic, the economy was still recovering from the 2016 recession, and Nigeria's business environment had deteriorated due to the presence of multiple foreign exchange rates, trade restrictions, and financing of the public deficit by the Central Bank of Nigeria (CBN), on top of long-standing development challenges including low public revenues, slow human capital accumulation, infrastructure gaps, and weak governance.

The government proved agile and ambitious in response to COVID-19, undertaking bold reforms to improve the business environment and increase the economy's resilience. Reforms in times of crisis are not uncommon in Nigeria, with business-enabling reforms and low oil prices typically going hand in hand in the recent past. Yet, this time the authorities saw an opportunity to address several long unresolved issues. A cap on pump prices was removed and a market-based mechanism was established, for instance, allowing prices to adjust and reach a record price in November. Electricity tariffs are also in the process of being adjusted. Moreover, the government achieved a major milestone by harmonizing key exchange rates. It also took a major step towards improving transparency in the oil sector by publishing audited financial statements for the Nigerian National Petroleum Corporation (NNPC), the largest oil corporation in Africa. This marks a first for NNPC since its inception.

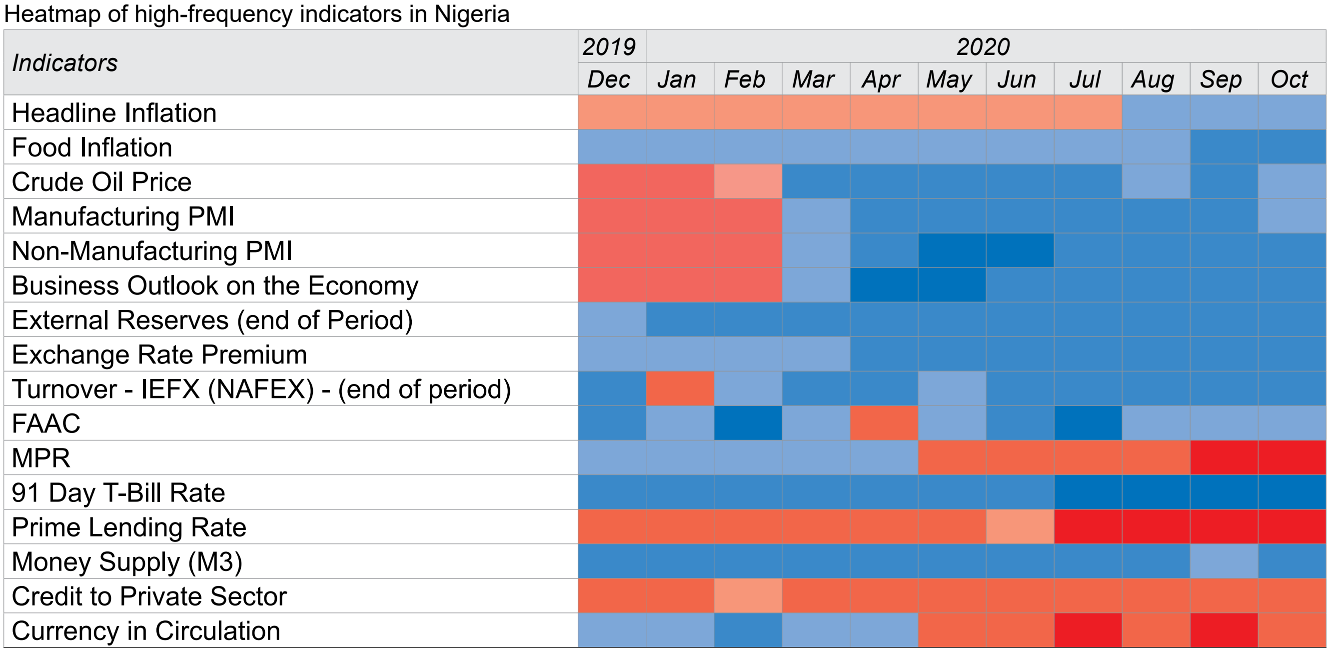
High-frequency indicators suggest a reduction in the pace of decline in the second half of the year, albeit with expected growth remaining negative overall. High-frequency indicators strongly correlated with GDP growth show that economic activity continues to underperform (Figure 1.4) but is slowly recovering in the second half of the year. While GDP growth is expected to be negative in the fourth quarter of 2020, this could indicate a moderate contraction relative to the second and third quarters of 2020. Nigeria Purchasing Manager's Index (PMI) is deemed by the private sector as a leading indicator of a potential rebound in the second half of the year. Although in November it has moved into positive territory and the gap has closed relative to the second quarter, the recovery has been slow and only for the manufacturing sector. Moreover, the Business Expectation Survey Report in October and the Q3 Consumer Expectations Survey conducted by the Central Bank of Nigeria both reveal a high level of uncertainty and risk aversion on the part of consumers and firms. Most firms continue to see the state of the economy through a pessimistic lens, particularly when it comes to access to credit. The majority of consumers, on the other hand, say they will wait before investing or purchasing durable goods this year or next.

The Nigerian economy is expected to shrink by about 4 percent in 2020. All sectors are expected to contribute to this result, with services showing the largest contribution to the difference between GDP growth in 2019 and 2020—half of the 6.4 percentage points of contraction in this period. One outcome of the low oil price is the tighter ceiling on Nigeria's production imposed by the Organization of Petroleum Exporting Countries (OPEC), and oil production is expected to remain subdued and average 1.8 million barrels per day, below the average of 1.9 million barrels per day observed between 2016 and 2019. Thus, lower exports explain a significant expected decline in GDP, reflecting the dependence of Nigeria on the oil industry, followed by public and private consumption. Even supposing private consumption, public consumption, and imports could escape the impacts of the pandemic, the decline in exports alone would drag GDP growth below -4.1 percent (Figure 1.6).

A modest recovery is projected for 2021, but Nigeria's outlook is subject to a high degree of uncertainty. The pace of economic recovery next year is expected to be slow. Indeed, among global oil-producer economies, Nigeria is among the three least likely to post positive GDP growth in 2021. GDP per capita is also projected to continue declining with productivity's contribution to growth negative throughout this period. By the end

Figure 1.4. A "heat map" of high-frequency indicators suggests that Nigeria's economy could continue experiencing negative growth in the fourth quarter.

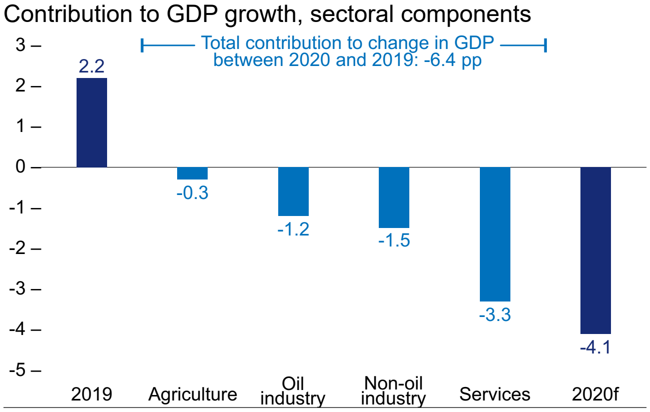
Heatmap of high-frequency indicators in Nigeria



Source: CBN, NBS, Financial Markets Dealers Quotation (FMDQ), Aboki FX, and World Bank estimates.
Notes: Color coding is based on the deviations of standardized values of each indicator relative to a 5-years mean. Red represents growth above the mean (the indicator is heating), with darker shades of red representing stronger potential for recovery. Blue represents the opposite.

Figure 1.5. The decline in services and the non-oil industry is driving the reduction in GDP growth.

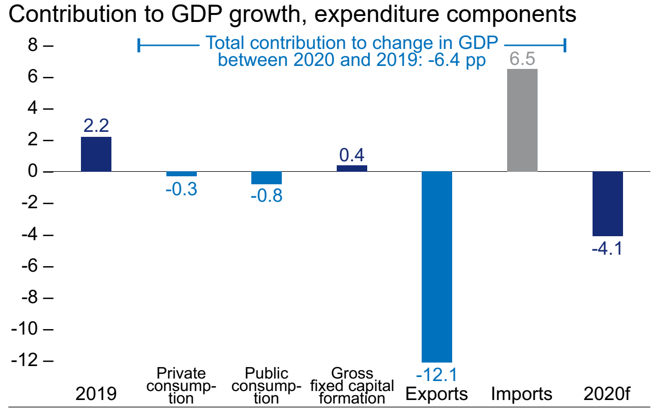
Contribution to GDP growth, sectoral components



Source: NBS and World Bank estimates.

Figure 1.6. The contraction of exports is equivalent to almost three times the fall in GDP growth.

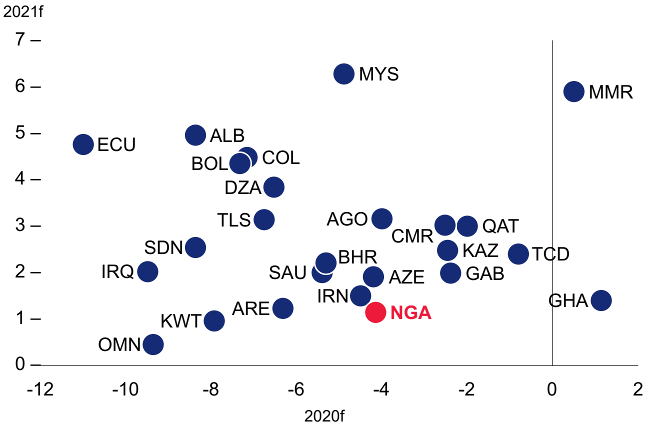
Contribution to GDP growth, expenditure components



Source: NBS and World Bank estimates.

Figure 1.7. Nigeria's GDP Growth in 2021 is expected to be one of the lowest among oil producers.

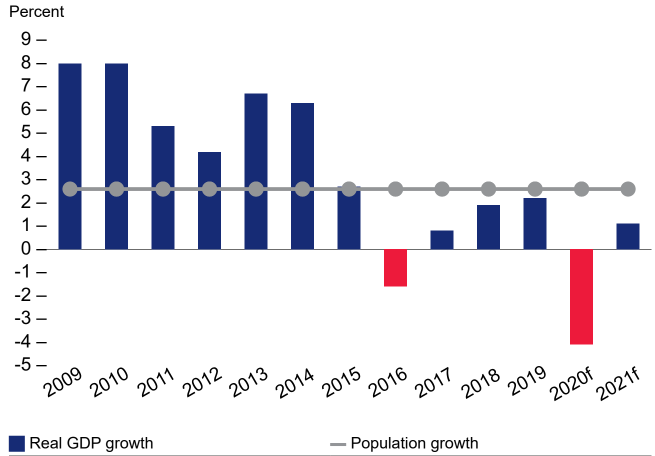
Real GDP growth in oil-producer countries



Source: Source: NBS and World Bank estimates.

Figure 1.8. GDP per capita is expected to continue declining beyond 2021.

GDP and Population Growth



Source: NBS and World Bank estimates.

of 2021, it is likely to have reached similar levels to those of 2009, thus reversing a decade of growth (Figure 1.8). Nigeria requires strong measures to attract private investment, diversify its economy, and create adequate jobs. Failure on these fronts could see the country becoming trapped in an extended cycle of low growth (see the Economic Outlook section).

Prices: Higher inflation is driven by food price spikes

Inflation was already increasing since mid-2019, and it is projected to rise further in 2020. This year, inflationary pressures related to the COVID-19 pandemic, such as disruptions in value chains and production processes, exacerbated the double-digit increase in prices that has been chronic in the Nigerian economy since 2016. Inflation was already high in 2019 (11.4 percent) due to insecurity and conflict issues in the Middle Belt area and because of Nigeria's border closure policy. These problems have continued to fuel inflation throughout 2020. Monetization by the CBN of the fiscal deficit, a key driver of inflation in the past, has decreased significantly and has not contributed to the acceleration of inflation this year. This is partly due to a significant decline in Open Market Operations (OMO) bills sales and partly due to the Central Bank's ongoing practice of mopping up excess liquidity through additional cash reserve requirements.

The surge in food prices has been the key driver of inflation. In October, the Consumer's Price Index increased by 14.2 percent y-o-y, and both urban inflation (14.8 percent) and rural inflation (13.7 percent) accelerated. The composite food index reached 17.4 percent, a 30-month high, due to increases in prices of bread and cereals, potatoes, yam, and other tubers, meat, fish, fruits, and oils and fats. The hike in the cost of staple food was driven by supply and distribution constraints. These include low yields associated with restrictions that prevented seasonal migration during harvest season, security issues in the country, border closures, and limited access to markets. But inflation was not exclusively supply-led. In October, for instance, core inflation stood at 11.1 percent, driven by increases in prices of medical services, hospital services, pharmaceutical products, passenger transport by air and by road, and motor cars.

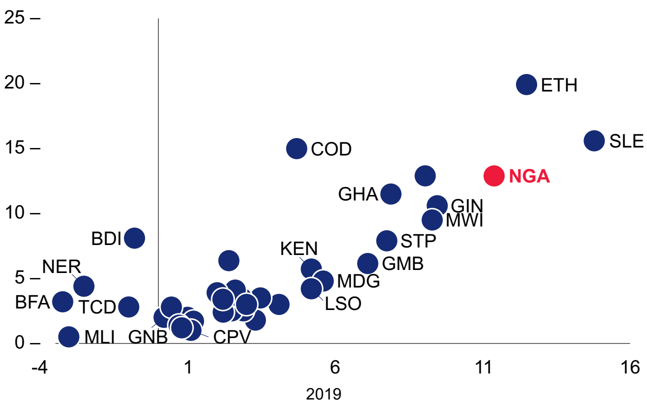
The government has implemented important and much-needed policy reforms that in the short term are expected to contribute to inflation, albeit moderately. Since the last quarter of 2019, the authorities have implemented a series of bold reforms that were expected to mobilize additional revenues, support business growth, and reduce pressures on public finances. While these measures have translated into higher prices for some products, their impact on headline inflation has been moderate:

- **Increase in the Value Added Tax (VAT) rate:** Nigeria's 2019 Finance Bill, passed in November 2019, aimed at raising additional revenues for the Federal Government of Nigeria to meet is 2020 budget targets and to align them with international standard practices, support small businesses and encourage investments in infrastructure. As part of this package of reforms, the rate for VAT was increased from 5 percent (a remarkably low rate) to 7.5 percent. As of October 2020, this has had a limited impact on prices as most of the goods in the consumer's basket were exempt from VAT and there is a new threshold for Small and Medium Enterprise (SMEs) that reduces their tax burden.

- **Adjustment of electricity tariffs towards more cost-reflective levels and introduction of a market-based gasoline pricing mechanism:** Since November, an adjustment of electricity tariffs towards more cost-reflective levels has reduced the expensive subsidy that characterized the sector for the last years and that failed to increase access to

Figure 1.9. Projected levels of inflation in Nigeria for 2020 are among the highest in Sub-Saharan Africa.

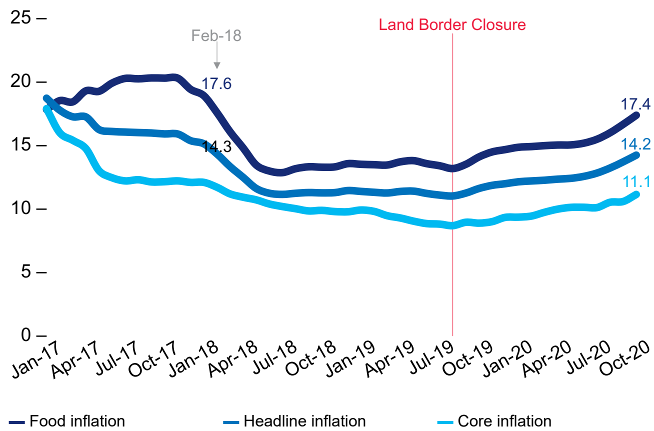
Average annual inflation in SSA



Source: World Bank estimates.

Figure 1.10. Headline inflation hit levels not seen since February 2018.

Consumer price index, y-o-y percent change



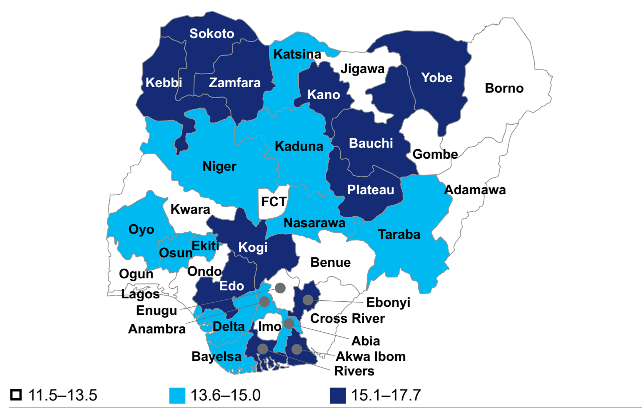
Source: NBS and World Bank estimates.

electricity. Electricity tariffs have been adjusted based on different bands, and while this is expected to contribute to higher inflation in the short-term, the full effect will be observed in the first quarter of 2021. The steep decline in oil prices offered an opportunity to eliminate gasoline subsidies and to adjust gasoline pricing to reflect international prices. In the next few months, the gasoline market-pricing reform is not expected to have a significant impact on inflation given the current oil price outlook, but it is expected to contribute to higher inflation once oil prices rise. Nonetheless, it is worth mentioning that even with the elimination of the gasoline subsidy, Nigeria continues to have one of the lowest gasoline prices in the world.

Figure 1.11. Prices are rising faster in the northern states.

Inflation rate across Nigerian states

October headline inflation, percent



Source: NBS and World Bank estimates.

High inflation could dampen growth in 2020–21. CBN's expansionary monetary policy in a context of limited capital inflows and exchange rate control could fail to control inflation. Expectations of inflation are not anchored, with firms and consumers both anticipating it to rise in the next 12 months. This reduces the effectiveness of monetary policy even under a monetary-targeting framework. Further fueling inflation during 2021 are import restrictions, on the one hand, and the ongoing conflict in the Middle Belt, on the other. High inflation will constrain attempts to improve business sentiment (and thus consumption and investment). It is also likely to diminish real purchasing power amid low productivity and high unemployment.

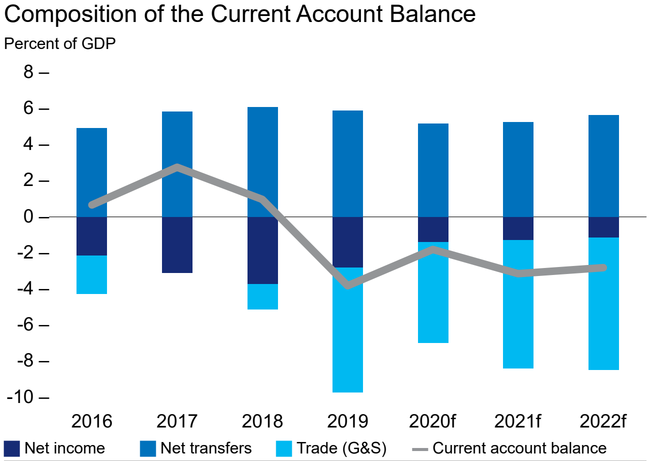
The External Sector: The COVID-19 shocks have put Nigeria's external sector to the test

Nigeria's current account is expected to remain in deficit in 2020 due to the sharp drop in oil exports and remittances caused by COVID-19. The external position had weakened since 2019, when the current account balance (CAB) recorded a deficit for the first since 2015. In 2020, the CAB deficit is expected to be 1.8 percent of GDP, albeit lower than the deficit of 3.8 percent of 2019. The country's trade balance is predicted to reach -5.6 percent of GDP in 2020, a drop largely explained by the significant decline in oil exports. Net transfers are expected to fall from 5.9 percent of GDP in 2019 to an estimated 5.2 percent in 2020 due to the fall in diaspora remittances (over 80 percent of all current transfers). However, Nigeria's CAB deficit is not expected to be as severe as that of other oil-exporting countries such as Libya, Iraq, Kuwait, and Sudan due to Nigeria greater contraction in imports (Figure 1.13).

Imports are projected to decline by around 36 percent this year, softening the pressures on the current account. The value of oil exports is projected to decline by 41 percent due to lower exported volume arising from shrinking oil production, as well as lower oil prices. At the same time, Nigeria's imports have fallen because of disruptions with its trade partners (China being the largest) arising from COVID-19-linked lockdown measures and a decline in domestic demand for consumption and capital goods. Moreover, even after lockdown measures were lifted and trade relations normalized, businesses still struggled to place orders for required imports. This was partly the result of foreign exchange supply shortages, occasioned by limited supply to the IEFX window by the CBN, which is the main supplier of FX to the economy. The trade balance is projected to deteriorate further in 2021 and 2022 as imports are expected to pick up faster than oil exports.

Figure 1.12. A negative trade balance and declining remittances are contributing to a negative CAB.

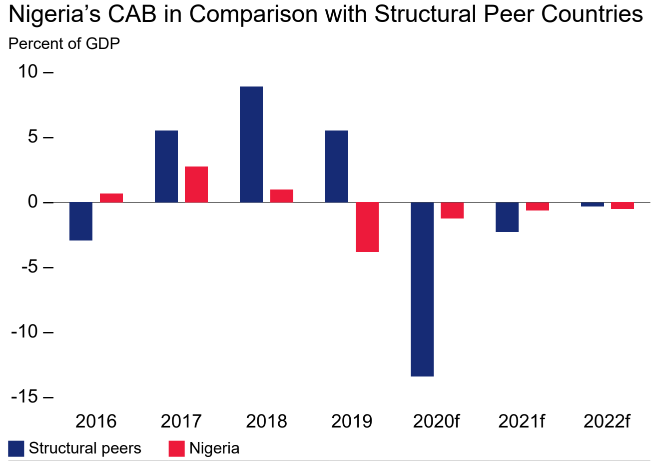
Composition of the Current Account Balance



Source: CBN and World Bank estimates

Figure 1.13. Nigeria's negative CAB in 2020 will be less severe than that of structural peer countries.[1]

Nigeria's CAB in Comparison with Structural Peer Countries



Source: CBN and World Bank estimates.

1 The structural peer countries in this context are countries that are similar to Nigeria in terms of composition of exports—predominantly crude oil; exceeding 85 percent of total merchandise exports. These countries include Azerbaijan, Iraq, Kuwait, Libya, Qatar and Sudan.

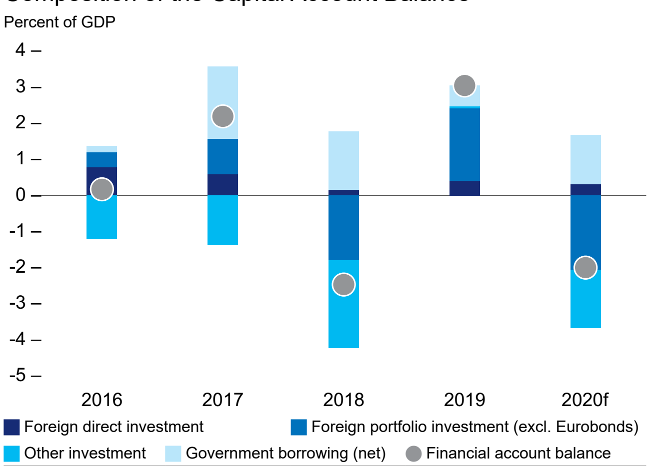
Remittances to Nigeria dropped sharply in 2020 due to rising unemployment in advanced economies where the Nigerian diaspora resides. Most of Nigeria's diaspora populations are located in advanced economies, most notably the United States and the United Kingdom. The pandemic has led to increased unemployment in these countries, causing remittances to contract. As of June 2020, when international lockdowns were widespread, remittances had declined by 42 percent year-on-year. Historically, remittances had proven less volatile than other international capital flows. When oil prices crashed in 2015, for example, remittances remained largely unaffected. As highlighted in the June 2020 edition of the Nigeria Development Update, COVID-19's shock to oil prices and remittances comprises a unique feature of the pandemic. The global outlook for remittances is uncertain and will depend on COVID-19's impact on global growth, which, in turn, depends on success at containing the pandemic. Going forward, remittances to low and middle-income countries (LMICs) are expected to stay low, dropping by an estimated 7.5 percent in 2021. This is due to the continuation of a trend witnessed after the COVID-19 outbreak when migrants began returning to LMICs in large numbers (especially as lockdowns eased) and fewer workers in these countries looked to migrate. An additional driver of this reversal in migration trends is currency values in remittance-source countries, which are expected to depreciate against the US dollar.

Nigeria's external position has faced additional pressures in 2020 due to the triple hit on capital inflows caused by high levels of global risk aversion, uncertainty around foreign exchange policies, and a prevailing low-interest rate regime. The financial account balance shifted into negative territory in the second quarter of the year, as a result of significant net portfolio outflows. Net Foreign Portfolio Investment (FPI) is projected to hit -2.1 percent of GDP in 2020. As highlighted in earlier NDU editions, persistently low levels of Foreign Direct Investment (FDI) have put Nigeria at risk of relying unduly on portfolio capital ("hot money") to keep the financial account afloat. This risk materialized in 2020 with Nigeria now experiencing a negative financial account balance.

The CBN's exchange rate management strategy has tempered the decline in external reserves. Faced with lower external reserves, the CBN cut off FX supply to the country's bureau de change (BDCs) in March and subsequently to some of the other market windows (e.g. the SME window and the window for "invisibles",

Figure 1.14. Negative net portfolio outflows and low foreign direct investment will lead to a negative financial account balance in 2020.

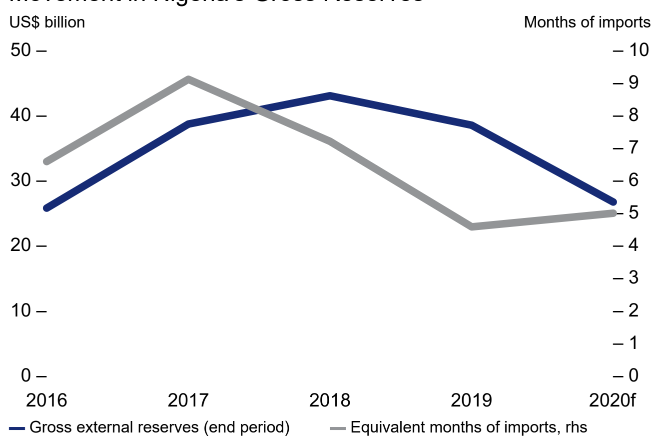
Composition of the Capital Account Balance



Source: CBN and World Bank estimates.

Figure 1.15. The CBN has maintained tight controls to preserve its FX reserves.

Movement in Nigeria's Gross Reserves



Source: CBN and World Bank estimates.

such as foreign school fees). It also significantly reduced its supply to the IEFX window. Even when it resumed sales on the IEFX window, it barred commercial banks from processing FX purchases for transactions routed through buying agents or other third parties. This inevitably prevented many importers from accessing FX through the IEFX window as few of them purchase their merchandise directly from the ultimate producers or suppliers. Gross external reserves declined from US$39 billion at the end of 2019 (4.6 months of import cover) to US$35.7 billion at the end of October 2020, covering an equivalent of about 5 months of imports.

Monetary and Exchange Rate Policies: Continuing with the policy adjustments sparked by COVID-19 is critical

Following the economic contraction caused by the COVID-19 shock, the CBN's monetary policy focused more on promoting economic growth than stabilizing prices. Despite an acceleration in inflation throughout the year (led by food prices), the CBN lowered the Monetary Policy Rate (MPR) in May and September. On each occasion, it cited the need to support a return to economic growth.[2] CBN also deepened and expanded its development policy interventions to mitigate COVID-19 impacts on households and businesses. This included moves to lower interest rates on all its subsidized interventions, as well as the introduction of a moratorium on interest payments for these facilities. Presented below is a timeline of the monetary and other policy actions by the CBN between June and October 2020 (Figure 1.16), updating the timeline presented in the previous edition of this report for March and May 2020.

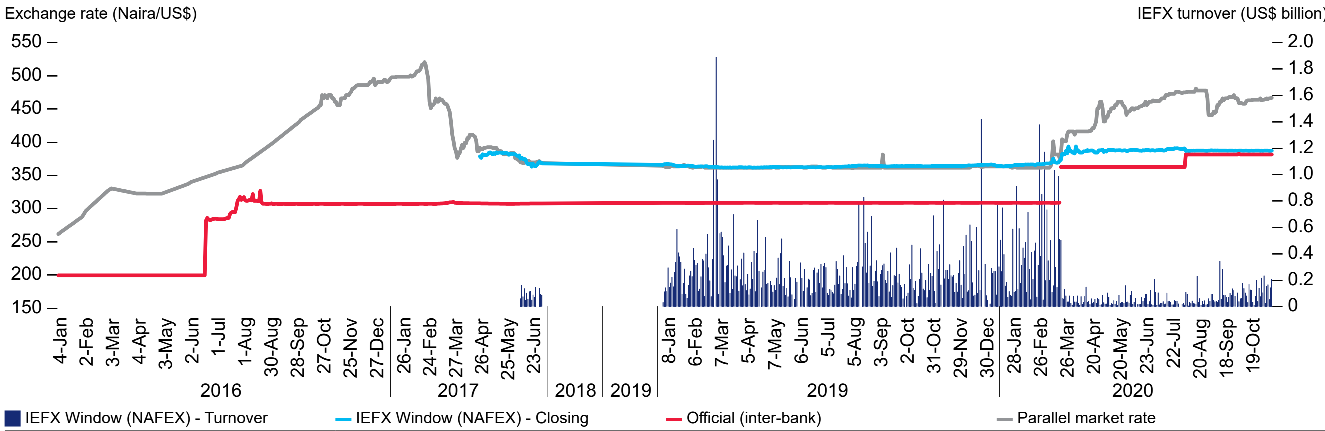
The CBN simultaneously continued to moderate banking sector liquidity. The CBN imposes an additional Cash Reserve Requirement (CRR) on banks that do not comply with a minimum loans-to-deposit ratio (LDR) of 65 percent since 2019. While the CBN has relaxed the compliance of this indicators based on a case basis, a more symmetric application of the CRR, with liquidity released back to the banks once they comply with CBN requirements, could help banks to mobilize additional deposits. This in turn could increase the effectiveness of monetary policy and boost private sector credit growth.

It is critical to continue working towards full yet managed and sequenced exchange rate adjustments with options available to mitigate the associated costs. This plan will achieve its goal if it is carried out in line with a credible communicated plan on not only maintaining the unified exchange rates, ideally merged in a single window, but also showcasing more flexibility—still with monetary authorities' oversight and interventions. Moreover, the potential adverse impacts of any exchange rate adjustment can be mitigated through social protection measures targeted to poor and low-income Nigerians. The government's Economic Sustainability Plan (ESP), which was developed in response to the COVID-19 crisis and which was finalized for implementation in June 2020 highlights monetary policy reforms aimed at: (i) unifying exchange rates to maximize naira returns to the federation account from FX inflows; and (ii) managing the exchange rate "in a sustainable manner". This highlights the importance for Nigeria to institute a unified and flexible exchange rate regime, operating in a more market-determined manner with the ability to respond to shocks, with CBN's oversight and power to intervene to smooth large and disruptive FX fluctuations as necessary.

2 In May, the MPR was reduced from 13.5 percent to 12.5 percent and it retained the spread of +200/-500 basis points around the MPR, effectively reducing the rate charged to banks for borrowing from CBN from 15.5 percent to 14.5 percent. In September, it further reduced the MPR to 11.5 percent, but adjusted the spread of +200/-500 basis points around the MPR to +100/-700 basis points; effectively reducing the rate at which CBN lends to banks from 14.5 percent to 12.5 percent.

Figure 1.16. IEFX turnover remains very low and there is a sizeable premium between the IEFX rate and the BDC (parallel) rate.

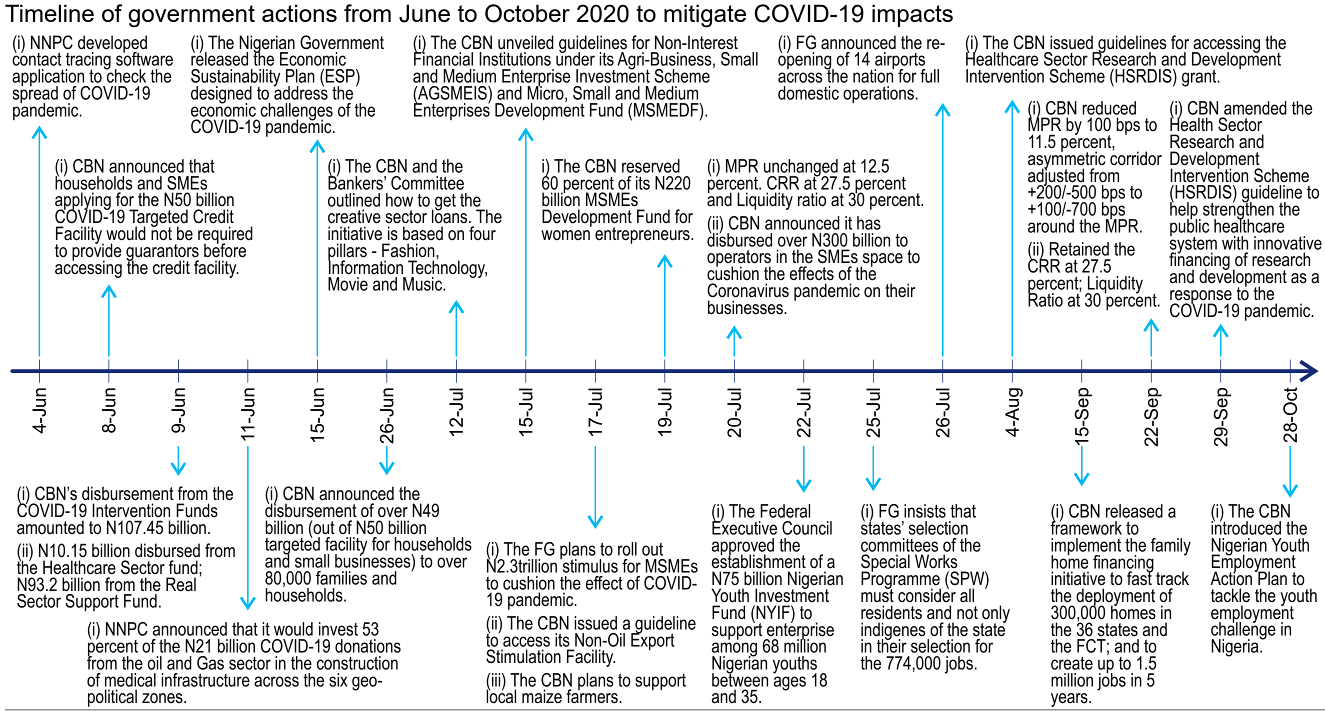
FX Market in Nigeria



Source: CBN, FMDQ, Aboki FX.

Figure 1.17. The CBN continues to adapt monetary policy in response to the COVID-19 crisis.

Timeline of government actions from June to October 2020 to mitigate COVID-19 impacts



Source: CBN and Nairametrics.

Box 1.1. A single, market-driven exchange rate would promote growth in Nigeria.

One positive development to have emerged from the current economic crisis is the opportunity to harmonize Nigeria's exchange rates. The previous system of differentiated rates was highly inefficient and jeopardized CBN's balance sheet, and the overall performance of firms linked to the external sector through exports, investment, or debt. COVID-19's negative effect on foreign portfolio inflows, a key driver of International Reserves, exacerbated pressures on the external sector. In April, the official exchange rate was devalued from N305/US$ to N360/$. Also, foreign exchange windows were converged into the Investors and Exporters Foreign Exchange (IEFX) window at a single rate (Nigeria Autonomous Foreign Exchange Rate, NAFEX) different from the official rate. At the time of the harmonization, CBN promised to allow this rate to reflect market forces. Later, in August, the official rate was further depreciated to N380/US$, within 2 percent of the NAFEX.

Fully unifying exchange rates into a single, market-driven window would boost investor confidence. One of the key components of the exchange rate reform was to let market forces determine the optimal price, i.e., a price that adjusts to reflect the relative scarcity or abundance of foreign currency (FX). Yet, the prevailing exchange rate in the IEFX window has remained stable since April, a development unlikely to occur in a well-functioning FX market. As in any market where the price is fixed, the result has been a shortage of FX, with purchase orders accumulating (the so-called FX backlog). While a share of these orders corresponds to Foreign Portfolio Inflows (estimated at around US$ 2 billion), the total demand also includes purchases to service foreign debt and finance Capital Expenditure (CAPEX), to import raw materials and capital goods, and the maintenance component of Foreign Direct Investment (FDI). Moreover, this excess of demand has contributed to the increase in the premium with the parallel market. Had the NAFEX moved according to force markets, the purchasers' opportunity cost would have been adequately reflected in the price of foreign currency, thus clearing the outstanding demand.

The current exchange rate regime and its convertibility restrictions have aggravated the management of reserves and have significantly deteriorated the appetite to invest in the country. The exchange rate management reform remains incomplete and the unparalleled steps that CBN took toward the unification of exchange rates are not enough. In September, CBN resumed its supply of foreign exchange through spot and forward transactions to clear the backlog in an orderly manner. In reality, firms of all sizes and sectors continue to face difficulties when trying to access foreign currency and it is not clear when the backlog will be completely cleared. In practice, the current currency regime has become a capital controls regime. This is having a detrimental effect on investor's confidence and is limiting the opportunity to bring FDI, which has been chronically low relative to regional comparators. This is further complicated by a ban on purchasing FX to import 45 goods—it constrains FDI in sectors where investment is most needed.

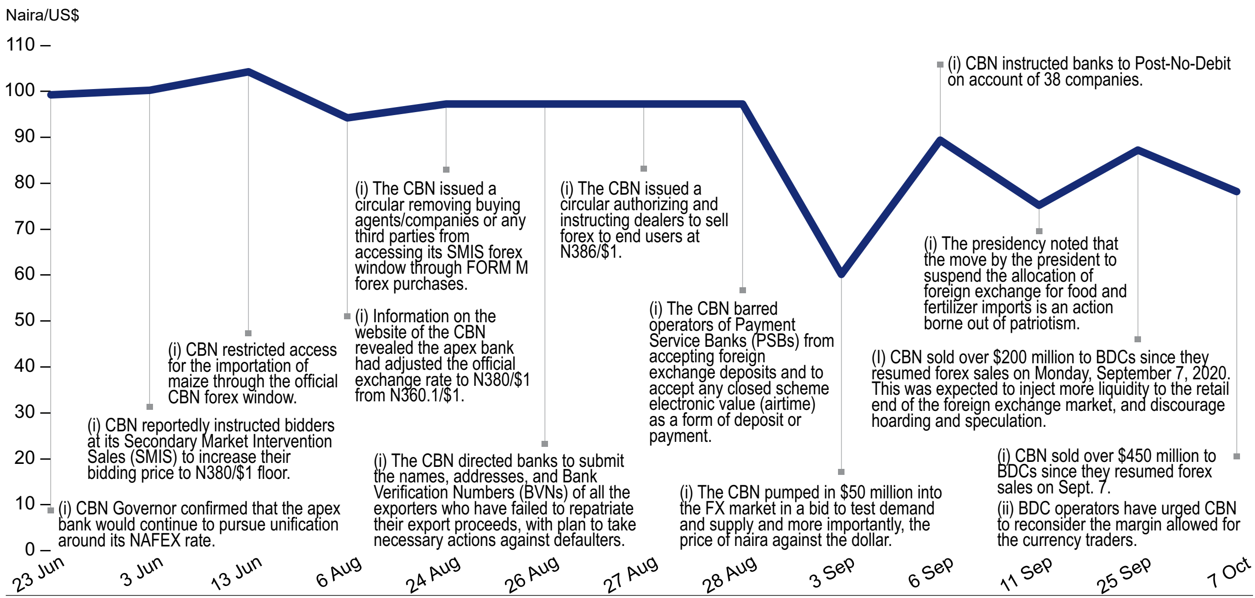
A prime opportunity for Nigeria to accelerate its recovery would be to strengthen the efficiency of its FX market. While the CBN is rightly concerned about the potential impact of full flexibility and a sharp depreciation of the naira on living costs, an incomplete exchange rate adjustment also carries risks. Investment is needed to speed up the recovery of the economy in 2021 and beyond. Completing the exchange rate

Box 1.1 continued

management reform could substantially improve the perception of the country among new investors while enabling firms already operating in Nigeria to regularize their operations. Moreover, this measure could also reduce Nigeria's overall macroeconomic risk profile, reducing the cost of accessing financing in international markets. Currently, markets perceive a high risk of the government returning to the previous regime once COVID-19 becomes globally managed and portfolio inflows return to Nigeria—and, in parallel, FX reserves return to the CBN.

Figure B1.1.1. The CBN has taken important steps to harmonizing exchange rates; greater exchange rate flexibility would boost investor confidence.

Premium between the parallel and official exchange rate and CBN FX measures



Source: CBN, various news reports.

The Financial Sector: Safeguarding financial sector stability is paramount to sustain the recovery

The banking system remains broadly sound, but vulnerabilities have mounted. The COVID-19 shocks have translated into a 14 percent rise in Non-Performing Loans (NPLs) since the start of 2020, reversing a 2-year declining trend. NPLs in Nigerian banks increased to the equivalent of about US$3 billion at the end of June 2020; the top-3 sectors by volume were oil and gas, general commerce, and construction.[3] The increase in reported NPLs took place even though on March 16, 2020 CBN granted regulatory forbearance for the restructuring of loans exposed to the sectors impacted by COVID-19; in August, CBN reported that over 33 percent of banking sector loans would require restructuring. As shown by previous crisis episodes (e.g. 2014–2015), the full impact on loan portfolio quality takes several quarters to be fully reflected in bank financial statements and soundness indicators[4]. The very recent confirmation that Nigeria entered into recession in Q3-2020, the continued rise in inflation, and restricted access to foreign currency underscore the challenging environment in which Nigeria's financial system is currently operating under. In this context, latent vulnerabilities will continue surfacing in the quarters ahead. Indeed, banking system stress tests results reported in CBN's Half Year 2020 Economic Report suggest that the system's regulatory capital could fall below minimum requirement in scenarios involving a recession that extends through end-2020 and into 2021. Currently there are a few middle-size banks with heavy exposures to the oil and gas sectors and to large borrowers, along with thinner capital buffers, leaving them vulnerable to a combination of economic recession and low crude oil prices.

The above early warning signs highlight the importance of strengthening crisis management and resolution frameworks for the banking sector. The legal underpinnings of these frameworks have been recently upgraded in the amended 2020 Banks and Other Financial Institutions Act (BOFIA) Law, with inter-alia provisions reflecting the Financial Stability Board's "Key Attributes of Effective Resolution Regimes for Financial Institutions". The previous framework had important lacunae with regard to the supervisory powers to dilute shareholder equity in a failing institution and a relative limited set of resolution tools. It would be critical for the effectiveness of the revised law that regulatory developments include the formulation of a policy framework for the resolution of domestically systemic important banks (D-SIBs), along with new/refined processes for resolvability assessments. These measures would need to be complemented by an upgrade of the capacity of the statutory resolution authority (the Nigeria Deposit Insurance Corporation) to effectively assess and execute resolution plans for D-SIBs. An upgrade of the frameworks would provide the authorities with effective and efficient tools to materially lessen the reliance on public support in resolving failing banks while moving away from regulatory forbearance when dealing with undercapitalized entities.

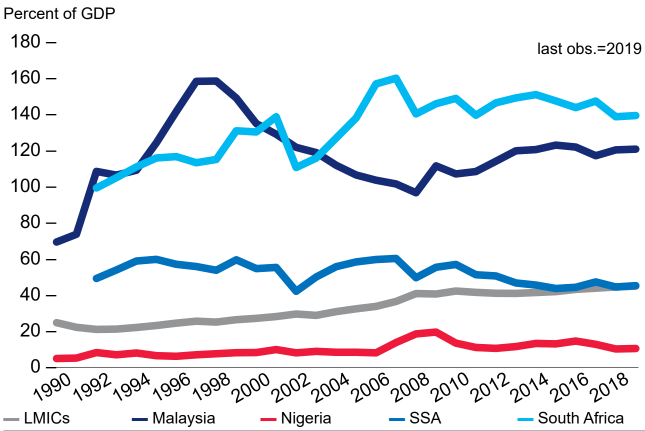
CBN's policy initiatives and development finance interventions following the onset of COVID-19 have managed to stabilize private sector credit. These policies have included a 200 basis points cut in CBN's monetary policy rate, the aforementioned regulatory forbearance for the restructuring of exposures impacted by COVID-19, a one-year softening of terms on CBN's development finance interventions and

3 Both construction (19.5 percent) and general commerce (13.9 percent) had NPLs ratio well above the system average (6.4 percent) at end-June, while oil and gas (upstream and downstream) was at 5.4 percent, as per data reported by NBS.

4 The adoption of IFRS 9 in 2018 with the expected loss approach to asset classification would tend to shorten the period by when the full impact of the adverse shock gets reflected in financial statements and financial soundness indicators.

Figure 1.18. Nigeria's financial sector development is lagging behind its peers.

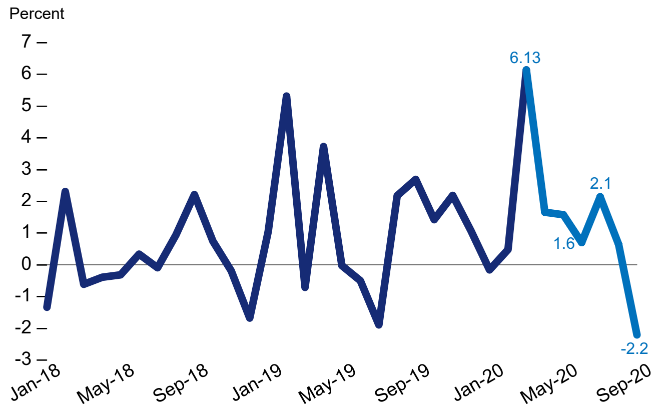
Private sector credit as percent of GDP



Source: WDI and World Bank estimates.

Figure 1.19. Credit growth has declined due to COVID-19 shocks.

Private sector credit, nominal month-to-month change



Source: CBN and World Bank estimates.

new lending initiatives. Private sector credit fell by a modest 1.6 percent in real terms (y-o-y) at end-October notwithstanding that commercial and merchant banks have cut exposures, largely offset by microfinance banks and central bank financing.[5] Monthly private sector credit growth has been negative in nominal terms in the September and October. These recent developments have taken place against a trend decline in Nigeria's private sector credit in recent years (from a peak of 14.6 percent of GDP in 2016 to 10.7 percent of GDP as of Q3-2020), well below the levels for SSA and LMICs (Figure 1.19). Firms face limited availability of medium- and long-term credit, high collateral requirements and high interest rates. On the positive side, commercial banks' prime lending rate has fallen by 340 basis points since end-March, with the maximum rate falling by 212 basis points as deposit funding cost across different maturities have also fallen between 200–400 basis points. Reversing the trend decline in private sector credit and broadening access is a policy priority to help spur broad based growth and job creation.

5 The private sector used in CBN's Monetary and Depository Corporations Survey referenced in this section of NDU comprises "Other Financial Corporations", "State and Local Governments", "Public nonfinancial corporations", and households and private firms.

Fiscal Policy: The government has accelerated the pace of reforms to create fiscal space

The current crisis exacerbated Nigeria's fiscal management challenges. Nigeria's difficult fiscal situation arises primarily from low revenues and high dependence on crude oil sales (with about 50 percent of consolidated revenues coming from oil). Fiscal space has been persistently limited in Nigeria, characterized by low revenue mobilization (with the revenue-to-GDP ratio around 8 percent in 2018–19, one of the lowest ratios in the world), high volatility, and low buffers since 2010. Low fiscal space constraints the capacity of the government to deliver adequate services, to provide safety nets, and to close the infrastructure deficit, estimated to reach US$ 3 trillion in the next 30 years. The current shock to oil prices is expected to reduce the stream of oil revenue from 3.0 percent of GDP in 2019 to 2.1 percent of GDP in 2020, while non-oil revenues are expected to decline from 5.2 percent to 4.2 percent of GDP in the same period due to lower economic activity. Such limited resources relative to GDP, the lowest among similar oil producers, have put pressure on Nigeria's fiscal and external positions, which nonetheless, have remained sustainable. As in previous years, the government has managed to access domestic funding when external funding was not available and cut capital spending when the financing needs cannot be met. Yet, this comes at a cost, weighing on Nigeria's service delivery and widening its infrastructure gap.

The government has recently implemented notable fiscal reforms. Before the pandemic, the government had already initiated crucial revenue-enhancing and fiscal management reforms, but the pace of implementation accelerated notably in the second and third quarters of 2020. These reforms were implemented while Nigeria moved towards exchange rate harmonization, reducing serious distortions in the FX and debt markets and related financial mismanagement of fiscal resources. Some of these measures (reforms in the power sector, gasoline subsidies, VAT reform) are expanding fiscal space in the short-term, while transparency measures, by ensuring efficient allocation of resources, are expected to create fiscal space in the medium term. Moreover, these measures could lay the foundation for additional progress to continue fostering revenue mobilization and strengthening fiscal management practices.

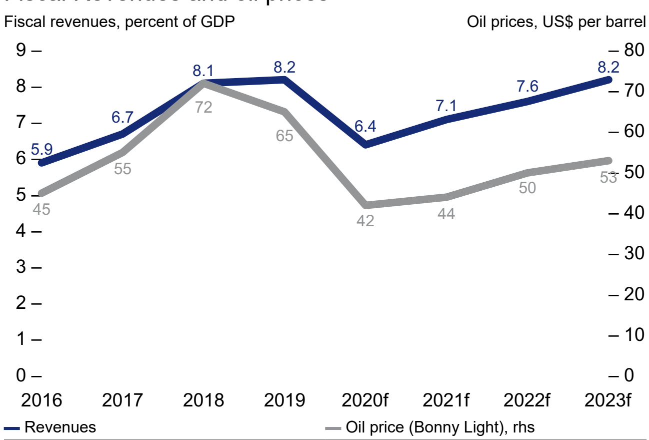
These reforms will allow the Nigerian government to create additional space to prioritize social spending. The expected mobilization of additional non-oil revenues, expenditure prioritization of current spending, and savings from gasoline and power-sector reforms will create additional fiscal space to cover Nigeria's mounting needs. Not only will they support current service delivery and funding of social programs, but these funds can be used for expanding the social safety net, enable adequate healthcare capacity, and reduce the damage to livelihoods of the most vulnerable sector of the population (see the sections on Social Protection and Health). Moreover, they can support productive investment once the economy moves to the recovery phase.

The fiscal deficit is expected to widen to 5.8 percent of GDP in 2020 from 4.6 percent of GDP in 2019. In the first half of 2020, the revenue collected by the Federation exceeded by 2.0 percent the target of the Amended Budget 2020 due to higher-than-forecasted oil prices (the Amended Budget 2020 assumes an oil price of US$ 28). Despite this slight improvement, government revenues are projected to plunge by 1.8 percent of GDP, from 8.2 percent of GDP in 2019 to 6.4 percent in 2020, with both oil revenues and non-oil revenues declining 0.9 percent of GDP in 2020. Oil revenues have been impacted by lower oil prices (US$ 42 in 2020, compared to US$ 65 in 2019), and lower production—from 2.0 million barrels per day in 2019 to 1.8 million barrels per day in 2020. Non-oil revenues have also been impacted, with lower imports cutting customs revenues, while lockdowns have affected corporate profits. In contrast, VAT collection increased 22.9 percent as of September 2020 as the result of a VAT reform passed in November 2019, but this is only expected to increase VAT collection by 0.1 percent of GDP in 2020. Faced with a widening fiscal deficit, the government is cutting non-rigid spending and reprioritizing expenditures: capital expenditure is expected to decrease from 3.5 to 3.1 percent of GDP, while interest and wage bill, two-thirds of current spending, are expected to remain largely unchanged. The fiscal deficit is expected to narrow to about 4.6 percent of GDP by 2022 as the government revenue-mobilization reforms yield higher corporate tax and VAT collection.

Debt service could reduce fiscal flexibility but does not pose any significant threat in the short-term. Public debt is projected to increase from 21.7 percent of GDP in 2019 to 27.1 percent in 2020, but it will remain sustainable due to the expected recovery in oil prices and low-interest rates. Nigeria's public debt is largely domestic and mostly issued by the federal government. Given the low revenue of Nigeria, the debt service-to-revenue is expected to reach 74.0 percent by the end of 2020. While this indicator may seem alarming, this reflects mainly the domestic debt as Nigeria's external public debt is low (6.2 percent of GDP in 2020). Thus, credit rating agencies have not downgraded the credit rating of Nigeria's papers. In October, the Nigerian National Assembly approved a medium-term expenditure strategy for 2021–2023 that includes about US$18 billion (US$6 billion annually from International Financial Institutions and Eurobonds) for federal government external borrowing. This measure should in turn reduce the use of the CBN's overdraft facility by the federal government.

Figure 1.20. The shock to oil prices has reduced the government's stream of revenues.

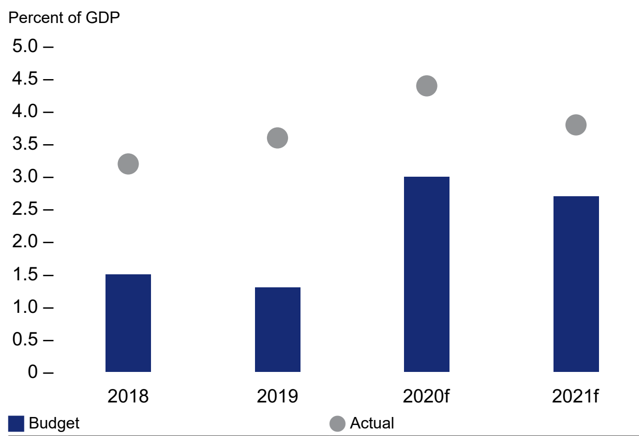
Fiscal Revenues and oil prices



Source: World Bank estimates.

Figure 1.21. Unrealistic revenue forecasting has resulted in underestimated deficits and financing needs.

Federal Government Fiscal Deficit



Source: 2018–2021 Budget Proposals, Office of the Accountant-General of the Federation (OAGF) and World Bank estimates.

Sector	*Fiscal reforms recently implemented*
Transparency of oil revenues	For the first time in its history, the Nigerian National Petroleum Corporation (NNPC) completed and published independently audited financial statements of 20 subsidiaries and corporate units for fiscal year (FY) 2018 in June and of 22 subsidiaries and corporate units as well as the consolidated group statement for FY 2019 in October. This follows a series of steps NNPC has taken starting in 2015 towards heightened transparency that in the medium-term could reduce financial leakages affecting fiscal sustainability. NNPC also published detailed monthly reports for the first half of the year containing the volumes and values of the oil and gas delivered, fiscal payments made, uses of oil lifted in kind, and a detailed breakdown of deductions by NNPC. Also, in September, NNPC became a supporting member of the Extractive Industries Transparency Initiative.
Power sector	Electricity tariffs were increased towards more cost-reflective levels (from 56 percent to over 80 percent) in November while moving to a regime of service-based tariffs and ensuring that the increases in average tariffs do not adversely impact those poor and low-income households who do have access to grid electricity. To complement the tariff reforms, the government is implementing regulations to stop arbitrary estimated billing, accelerate mass metering and enforce payment discipline of the distribution companies, all aimed at improving the financial sustainability of the sector.
Gasoline subsidy	Previous price increases to 2016 were not sufficient to end price subsidies. In 2016, the government moved to a new pricing regime by setting a price band that was to move in line with actual costs and ended budget support to reimburse oil marketing companies for under-recoveries. However, prices were not raised when the naira depreciated sharply, and the world oil price rebounded and were frozen from May 2016 to March 2020. In the absence of budgetary support, NNPC became the sole importer of gasoline because there was no mechanism for any other company to recover the losses. These losses amounted to US$2.4 billion in 2018 and US$1.7 billion in 2019, taken from the crude oil lifted by NNPC on behalf of the Federation. The government issued new gasoline pricing regulations in March 2020, establishing a market-based gasoline pricing mechanism although without implementation details. The government lowered gasoline prices twice after issuing the March regulations and then began raising prices starting in July. In mid-November, for the first time since 2016, the government moved the price band above the one in effect until mid-March 2020, signaling that market-based pricing was here to stay. The next step is for the government to clarify if prices have been deregulated—in which case the March 2020 regulations, which continue the government's price control, will need to be replaced—or if the regulations are in place, in which case the implementation guidelines need to be published and pricing templates updated and posted on the regulatory agency's external website.
Debt transparency	In June the Ministry of Finance mandated the compilation of a comprehensive catalog of contingent liabilities, including from ministries, public agencies, and parastatals. This information on contingent liabilities will be published as part of the annual Budget and will inform a contingent-liability management strategy. Moreover, the Debt Management Office published, for the first time, information on Federal Government loans that have been contracted but not yet disbursed and has started regularly publishing debt stock and servicing data on a quarterly basis.
Accountability of COVID-19 Spending	The government implemented a COVID-19 spending program and in contrast to the previous practice of creating off-budget funds, this program was budgeted and combined with measures to enhance procurement systems and conduct independent audits of these expenditures. A total of 70 percent of the COVID-19 fund is targeted towards social spending through public works, including the construction of rural roads, support to smallholder farmers, the social housing program, SME support, employment assistance, and social programs.
States' Adoption of Amended Budgets	The Federal Government adopted an amended budget for 2020 (passed in May 2020) that cut non-essential expenditures and increased the borrowing ceiling. Even though the fiscal federalism framework did not compel states to be fiscally transparent and accountable to the Federal Government or follow its fiscal responsibility framework, all 36 States have passed Amended Budgets for 2020. This remarkable step has adjusted the budget forecasts to consider the significant revenue decline and reprioritize spending to protect social expenditures and create fiscal space for COVID-19 expenditures while maintaining fiscal sustainability by having fully financed budget deficits.

Box 1.2. The Federal Government's 2021 Budget Proposal.

The Budget Proposal for 2021 assumes a strong and fast recovery in 2021. The 2021 Budget—"Budget of Economic Recovery and Resilience"—follows the same COVID-response principles as the 2020 Amended Budget. According to the government, it is also expected to quicken the pace of economic recovery, encourage economic diversification, and ensure social inclusion. The Budget, presented in October to the National Assembly, assumes a recovery in the benchmark oil price from US$28 to US$40 per barrel and an increase in projected aggregate oil production from 1.8 to 1.9 million barrels per day. It also reflects an official exchange rate of ₦379/US$. Economic growth is projected to recover to 3.0 percent in 2021 from -4.4 percent in 2020 and annual inflation is expected to decelerate to 12.0 percent in 2021. Based on these assumptions, federation net oil revenue projections are 98.0 percent higher than in the 2020 Amended Budget and the total budgeted federal government expenditure is expected to increase by 11.0 percent. Thus, the federal government fiscal deficit is projected to decrease to 2.7 percent of projected GDP, mainly financed by new equal shares of external and domestic borrowings.

Table B1.1.1. The 2021 budget proposal envisages a recovery in oil and non-oil revenues.

	Amended 2020 Parameters and Projections for 2020	*2021 Parameters and Projections for 2021*
Crude Oil Price (US$/bbl)	28	40
Crude Oil Production (mbpd)	1.8	1.9
Exchange rate (N/US$)	360	379
Inflation (percent, annual average)	14.1	12.0
Real GDP Growth (percent)	-4.4	3.0
		In Naira trillion
Federal Government Revenues	**5.1**	**7.9**
o/w oil	0.9	2.0
Federal Government Expenditures	**9.7**	**13.1**
Federal Government Deficit	**4.6**	**5.2**
Financing	**4.6**	**5.2**
External borrowing	2.0	2.4
Domestic borrowing	2.2	2.4
Privatization	0.1	0.1
Other sources	0.3	0.3

Source: Federal Government's 2021 Budget Proposal.

Economic Outlook

Global Prospects: The global economy is climbing out of the depths, but new waves of COVID-19 infections cloud the outlook

The COVID-19 pandemic is set to cause the deepest global recession in the last 70 years. The COVID-19 pandemic has dealt a devastating blow to the world economy, with global activity projected to contract by 4.4 percent in 2020—the deepest recession since World War II, although the collapse in output was slightly less steep than envisioned in June 2020 projections (World Economic Outlook October 2020; Figure 1.22). This upward revision of the near-term global growth forecasts in October is underpinned by a rebound in activity in the second quarter of 2020, partly reflecting better-than-expected improvements in manufacturing, whereas containment measures continued to thwart activity in the services sector. Advanced economies have been particularly hard-hit, with output contracting by an estimated 5.8 percent. Major advanced economies such as the United Kingdom (-9.8 percent), the Euro Area (-8.3 percent), Canada (-7.1 percent), The United States (-4.3 percent) suffered substantial output losses. The economic contraction was smaller in Emerging Market and Developing Economies (EMDEs), with output falling by 3.3 percent. There is substantial uncertainty around these growth forecasts, given the unprecedented nature of the COVID-19 shock.

The global output is expected to rebound in 2021, but the economic activity will likely remain soft. The global output is envisioned to expand 5.2 percent in 2021, in the wake of the 2020 output collapse. The expected resumption of activity is predicated on positive developments regarding the effectiveness of social distancing measures and the widespread distribution of vaccines that would help restore consumers and businesses confidence. Growth in advanced economies is projected to firm to 3.9 percent in 2021, while emerging market and developing economies are expected to grow at a stronger rate of 6.0 percent, largely reflecting China's anticipated rebound. Disappointments in the effectiveness and roll out of vaccines compounded with an upsurge in infections caseloads could inhibit the projected rebound.

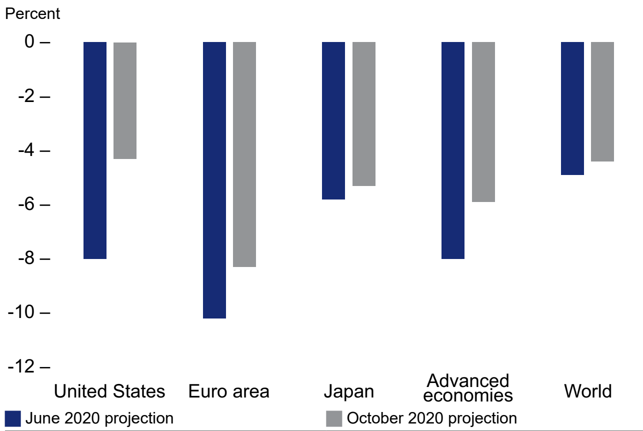
The recent sharp increase in the COVID-19 caseloads in many countries threatens global growth prospects. The number of daily confirmed COVID-19 cases has markedly increased since September, especially the United States and several countries in the European Union. As of November 1, 2020, 46 million people have been infected by the COVID, with over a million lives lost since the start of the pandemic. These new waves of infections, if not brought under control, could force countries to implement new lockdowns and containments restrictions, that are bound to damage the already fragile recovery. As of November 1, the Oxford COVID-19 government response tracker showed countries in Europe and the Americas as ranking highest based on the COVID-19 Government Response Stringency Index.[6]

Oil prices are expected to remain below pre-pandemic levels in the near-term. The October Commodity Market Outlook, in its baseline scenario, anticipates oil prices to average US$4/bbl in 2020, before edging up to US$44/bbl in 2021. This represents an upward revision from the June forecasts, but well below the pre-pandemic levels (Figure 1.23). The upward revision is predicated on a slow recovery in consumption and oil demand as well as a gradual resumption of production among OPEC+ members. Nigeria's oil output is expected to average 1.8 million barrels per day (mbd) in 2020, compared to an average of 2.0 mbd in 2019.

6 The COVID-19 Government Response Stringency Index, compiled by the University of Oxford, is a composite measure based on nine response indicators including school closures, workplace closures, and travel bans, rescaled to a value from 0 to 100 (100 = strictest).

Figure 1.22. The Global Economy is Expected to Contract in 2020.

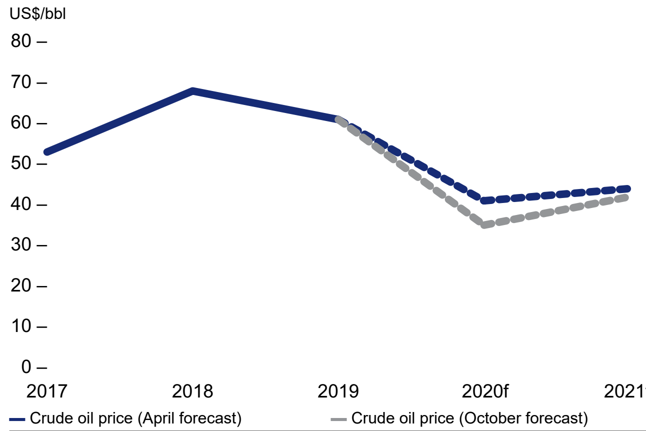
2020 Real GDP Growth in Major economies



Source: International Monetary Fund (IMF) World Economic Outlook (WEO) (June and October 2020).

Figure 1.23. Oil Prices Are Likely to Remain Lower than pre-pandemic levels in 2020–21.

Global Crude Oil Prices: 2017–2021



Source: World Bank Commodity Market Outlook (April and October).

Nigeria's Outlook: Amid high risks, policy reforms are the only way to ensure a strong recovery

The economic outlook remains highly uncertain because it depends on how the COVID-19 pandemic is globally managed and how the world economy and oil prices recover. Even in the most favorable global context, the policy response of Nigeria's authorities will be crucial to set the foundations of a robust recovery path. We analyze three possible scenarios for Nigeria's economic outlook in this section.

In our baseline scenario, Nigeria's growth would recover from -4.1 percent in 2020 to 1.1 percent in 2021 and gradually catch up with population growth over the medium term (Table 1.2). This scenario assumes that the authorities maintain and strengthen current macroeconomic reform efforts that are essential to managing the shock-induced fiscal and external financing gaps. Particular priorities include revenue-based fiscal consolidation, the reprioritization of spending and the strengthening of expenditure and debt management, reforms for financial sector stability, and the adoption of a more flexible and transparent foreign exchange management regime. They are crucial to spurring the much-needed external official and private flows, as well as stimulating domestic investments to boost Nigeria's economic recovery, create jobs, stabilize the poverty rate, and ultimately "build back better". Though oil production is expected to stabilize, it would not make a significant contribution to growth immediately because investment in the sector is likely to remain subdued until the price outlook becomes more favorable and industry regulation is clarified through new petroleum industry legislation. As per capita incomes fall, the pandemic is projected to leave about 11 million more Nigerians living in poverty by 2022 relative to the pre-COVID-19 forecast.

A second scenario envisions a 'muddle-through' pathway of partial reform measures (i.e. reforms not fully implemented), resulting in a slower recovery in 2021. This scenario envisages authorities not deepening macroeconomic reforms, in particular the adoption of more flexible and transparent FX management, damaging investor confidence and reducing private investment. The economic recovery is expected be slower under such a scenario, with growth recovering to about 0.3 percent in 2021, coupled with slightly higher inflation, little job creation, and rising poverty and inequality. Nevertheless, Nigeria would be able to meet its medium-term external and fiscal financing needs. Public debt would also be deemed sustainable.

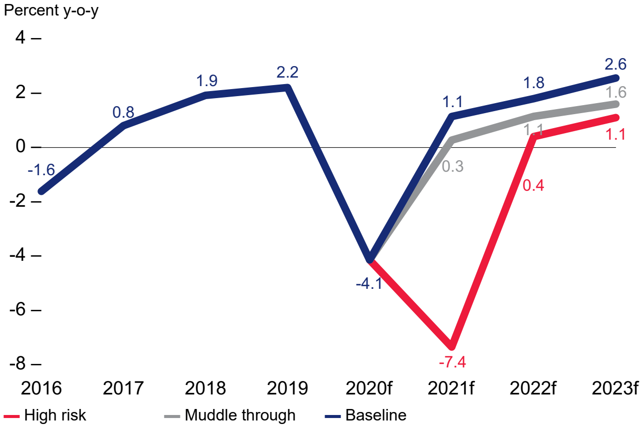
Table 1.1. Nigeria's economic outlook under three scenarios.

	Scenario 1 (Baseline): Sustain and deepen macro reforms	*Scenario 2 (Muddle Through): No further macro reforms*	*Scenario 3 (Slow Bleed): Further shocks and an inadequate policy response*
Major Assumptions in 2021	*Global context:* Oil prices average US$44/bbl. *COVID-19:* The pandemic in Nigeria is adequately managed. *Policy:* Government authorities maintain current macroeconomic reform efforts, namely revenue-based fiscal consolidation, expenditure reprioritization, debt management, financial sector stability reforms, and adopt a more flexible and transparent foreign exchange management regime.	*Global context:* Oil prices average US$44/bbl. *COVID-19:* The pandemic in Nigeria is adequately managed. *Policy:* Authorities not deepening macro reforms such as the adoption of more flexible and transparent FX management	*Global context:* Prolonged oil-price shock (US$ 27/bbl). *COVID-19:* A more severe domestic spread of COVID-19. *Policy:* Reversal of recent reforms, such as changes to the electricity and gasoline subsidies, and no adjustment to nominal exchange rates.

Source: World Bank.

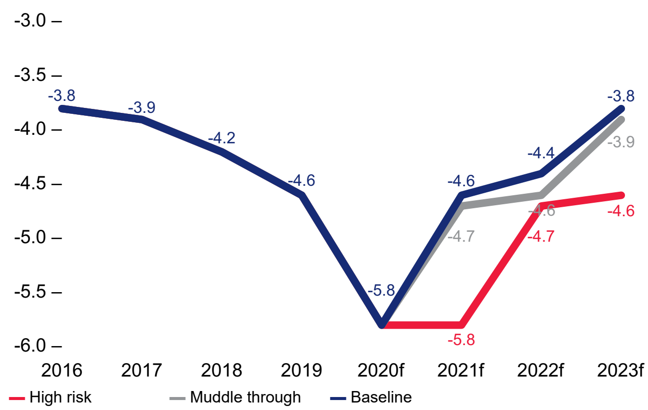
Real GDP growth

Percent y-o-y



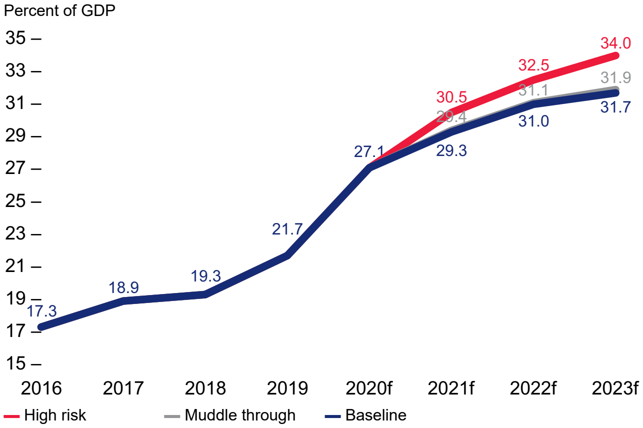
Fiscal balance

Percent of GDP



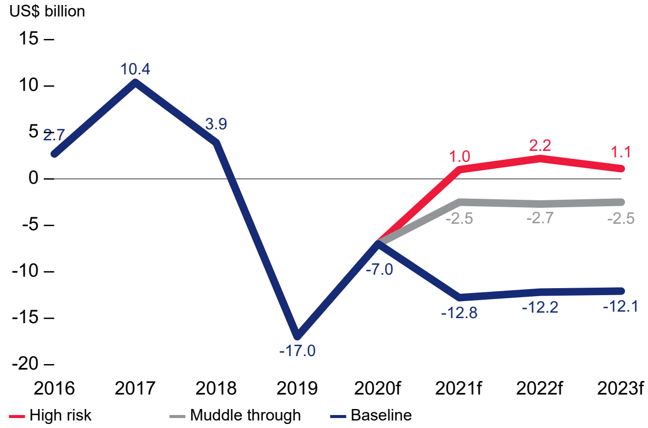
Public debt

Percent of GDP



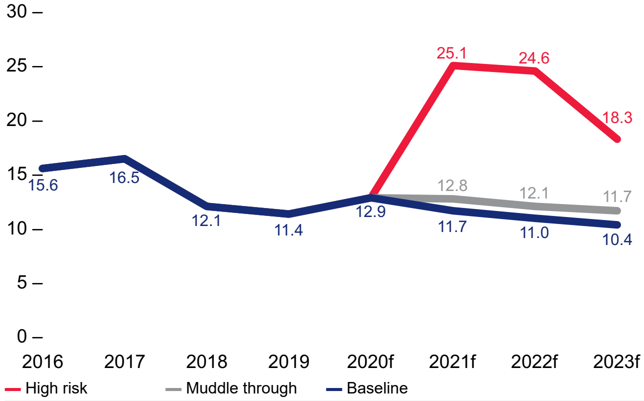
Current account balance

US$ billion



Inflation

Percent y-o-y



Source: World Bank.

Table 1.2. Nigeria's Macroeconomic Scenarios.

		Historical				Baseline				Muddle Through			High Risk		
Description	*Unit*	*2016*	*2017*	*2018*	*2019*	*2020*	*2021*	*2022*	*2023*	*2021*	*2022*	*2023*	*2021*	*2022*	*2023*
Oil price (Bonny Light)	US$/bbl	45	55	72	65	42	44	50	53	44	50	53	27	30	31
Oil production	mbpd	1.8	1.9	1.9	2.0	1.8	1.8	1.8	1.9	1.8	1.8	1.9	1.7	1.7	1.7
Growth															
Gross Domestic Product	Percent, yoy	-1.6	0.8	1.9	2.2	-4.1	1.2	1.8	2.6	0.3	1.1	1.6	-7.4	0.4	1.1
Fiscal Accounts - general government															
Fiscal balance	Percentage of GDP	-3.8	-3.9	-4.2	-4.6	-5.8	-4.6	-4.4	-3.8	-4.7	-4.6	-3.9	-5.8	-4.7	-4.6
Revenues	Percentage of GDP	5.9	6.7	8.1	8.2	6.4	7.1	7.6	8.2	6.7	6.8	7.7	5.8	6.1	6.5
Expenditures	Percentage of GDP	9.7	10.6	12.3	12.7	12.2	11.7	12.0	12.0	11.4	11.4	11.6	11.6	10.8	11.1
Public Debt (net)	Percentage of GDP	17.3	18.9	19.3	21.7	27.1	29.3	31.0	31.7	29.4	31.1	31.9	30.5	32.5	34.0
Balance of Payments															
Current account balance	US$ billion	2.7	10.4	3.9	-17.0	-7.0	-12.8	-12.2	-12.1	-2.5	-2.7	-2.5	1.0	2.2	1.1
Exports of Goods and Services	US$ billion	38.4	50.8	66.0	69.9	42.3	48.6	54.8	62.0	46.3	52.2	58.0	33.3	35.9	38.2
o/w oil	US$ billion	32.0	42.3	56.6	54.5	32.2	32.2	37.6	41.8	32.2	37.6	41.8	19.2	21.3	22.0
Imports of Goods and Services	US$ billion	47.0	50.9	71.6	100.8	64.1	77.6	86.6	97.7	64.7	73.4	82.8	47.1	51.1	58.1
Net Income	US$ billion	-8.6	-11.5	-14.7	-12.5	-5.4	-5.2	-5.0	-4.6	-5.1	-4.9	-4.5	-5.1	-4.9	-4.5
Net transfers	US$ billion	19.9	22.0	24.1	26.4	20.2	21.5	24.6	28.2	21.1	23.5	26.9	20.0	22.3	25.5
Financial account balance	US$ billion	0.7	8.2	-9.8	13.6	-7.8	12.9	16.2	17.9	5.7	6.7	6.9	-0.2	1.6	1.7
Gross External Reserves (end period)	Months of Imports	6.6	9.1	7.2	4.6	6.1	5.1	5.1	5.3	6.8	6.7	6.6	7.9	7.6	6.7
Inflation															
Consumer Price Index (CPI)	Percent, yoy	15.6	16.5	12.1	11.4	12.9	11.7	11.0	10.4	12.8	12.1	11.7	25.1	24.6	18.3

Source: Nigerian authorities and World Bank estimates.

The third scenario is a high-risk "slow bleed" scenario that assumes a more adverse global context and a severe domestic COVID-19 outbreak in a context of reforms reversal, leading to a deeper recession. Such scenario assumes a more protracted decline in oil prices relative to the baseline scenario and stalling of pending reforms. The reversal of recent reforms, such as changes to the electricity and gasoline subsidies, is not ruled out either. Consequently, foreign and domestic investment would continue declining, significantly hampering Nigeria's growth prospects. Thus, GDP would continue contracting in 2021. Lower public expenditure would deepen the already substantial gaps in human and physical capital as well as worsening public service delivery. (see Table 1.1: Nigeria's Macroeconomic Scenarios). A deeper recession could also threaten the stability of an already-stressed financial sector (with Non-Performing Loans (NPLs) rising by 14 percent in the first half of 2020, reversing a two-year declining trend). The probability of macro-financial instability would be high despite the restructuring of over one third of banking sector loans as of the third quarter of 2020. In such a scenario, CBN's decision to grant regulatory forbearance for the restructuring of loans would make little difference.

Policy options to mitigate the economic shocks of COVID-19 and lay foundations for a strong recovery

The recession occasioned by the COVID-19 pandemic demands an unprecedented package of strong policy responses. In our June 2020 edition, we outlined a number of near-term and medium-term policy options that the Government of Nigeria could consider minimizing the duration and the magnitude of the recession and lay the foundation for a strong economic recovery. These policy actions were grouped under five pillars

(i) managing the COVID-19 outbreak
(ii) enhancing macroeconomic management to boost investor confidence
(iii) safeguarding and mobilizing revenues
(iv) reprioritizing public spending to protect critical development expenditures
(v) supporting economic activity and access to services and providing relief for poor and vulnerable communities.

Even if Nigeria manages to limit the spread of COVID-19, the pandemic has caused substantial damage to the economy. Before COVID-19, the challenges Nigeria faced were already formidable; among them were falling per capita incomes and rising poverty. The pandemic has exacerbated these challenges while increasing vulnerabilities in the external and domestic front. Rising inflation has eroded the purchasing power of Nigerian households and lower domestic demand in a context of reduced mobility has negatively affected livelihoods. Moreover, the pandemic is far from being over and it could potentially worsen, depending on how the virus is contained globally. Thus, recovery after 2020 remains highly uncertain and dependent also on the recovery of oil prices as well as the domestic policy response.

The authorities have implemented important key policy measures in recent months; yet, amid heightened risks, it is critical to deepen reforms. Table 1.3 provides a summary of recent reforms implemented by the Government of Nigeria.

A stronger recovery will require sustained reform momentum. COVID-19 has impacted all economies around the world and is causing the first recession in Sub-Saharan Africa in 25 years and the worst recession in Nigeria in the last four decades. Yet, this crisis has presented a unique opportunity to address long unresolved issues. The current pace of the reforms is fairly adequate, but much more remains to be done. Even if oil prices recover in the medium-term, a return to business-as-usual will be detrimental to achieve Nigeria's development goals. Not deepening the reform agenda will reduce Nigeria's growth prospects, resulting in lower living standards and reduced access to opportunities for the Nigerian people. This edition of the Nigeria Development Update proposes urgent actions to build on these reforms which are expected to help the country avoid a deeper recession and "build back better"(Table 1.4). Eight of these policy options were highlighted earlier as critical, and are further emphasized in Table 1.4.

Table 1.3. Recent policy measures mitigating the impacts of COVID-19 and laying the foundations for a strong recovery.

June	• The Ministry of Finance mandated the compilation of a comprehensive **catalog of contingent liabilities**, including from ministries, public agencies, and parastatals. This information on contingent liabilities will be published as part of the annual Budget, and the Debt Management Office (DMO) will use it to draw up a contingent-liability management strategy, supported by technical assistance from the World Bank and the IMF. • The Debt Management Office published, for the first time, **information on Federal Government loans** that have been contracted but not yet disbursed. • For the first time in its history, the state oil company, **NNPC, completed and published independently audited financial statements** of twenty (20) of its subsidiaries and corporate units for FY2018. NNPC also published detailed monthly reports (Jan-Jun 2020) containing the volumes and values of the oil delivered and a detailed breakdown of deductions by NNPC.
July	• The government published regulations establishing a **market-based mechanism for gasoline prices.** • With the recent oil price increases, to maintain parity with the market cost of importing gasoline, the government **increased domestic gasoline prices** from ₦121.50–123.50 to ₦141–144 per liter in July, ₦146–149 per liter in August, ₦158–162 per liter in September, and to about ₦168–172 in November.
August	• The CBN took a major step towards **exchange rate unification** by aligning the Official Exchange Rate within 2 percent of the Investors and Exporters Exchange Rate. • The federal government enacted an **Amended Budget for 2020** which introduced realistic domestic and external borrowing limits—this means that Nigeria will be able to borrow from marketable debt instruments ex-ante and at a lower cost than rely on high-cost overdrafts from the Central Bank ex-post. • NNPC became a supporting member of the **Extractive Industries Transparency Initiative**. • **36 state governments adopted crisis-response budgets**, cutting back on non-essential expenditures to direct resources for a COVID response.
September	• The Office of the President delivered the **Petroleum Industry Bill** to the National Assembly. • The CBN has been **increasing the supply of FX** in the Investors and Exporters Exchange Rate window to start addressing the FX backlog.
October	• The federal government submitted the **Budget Proposal for 2021 to the National Assembly**. The 2021 budget follows the same COVID-response principles as the 2020 Amended Budget. • **NNPC published the 2019 audited financial statements for 22 subsidiaries** and corporate units as well as the consolidated group statement. • The 2021 budget speech of the President confirmed the government's **commitment to the gasoline subsidy reform**.
November	• **Electricity tariffs were increased** (by about 50 percent) towards more cost-reflective levels (from 56 percent to over 80 percent), while moving to a regime of service-based tariffs and ensuring that the increases in average tariffs do not adversely impact those poor and low-income households who do have access to grid electricity. • To complement the tariff reforms, the government is **implementing regulations to stop arbitrary estimated billing**, accelerate mass metering and enforce payment discipline of the distribution companies, all aimed at improving the financial sustainability of the sector.

Table 1.4. Policy priorities to support a stronger recovery for Nigeria.

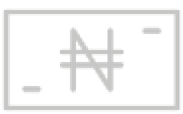
Area	*Immediate Priorities (Next 3 to 6 months)*	*Near-Term Priorities (Next 6 to 15 months)*
Managing the COVID-19 outbreak		
Health 	• Continue improving testing capacity. • Further strengthen community engagement to facilitate flows of credible information on social distancing, wearing of masks, and other international best practice recommendations. • Plan for the purchase and distribution of a COVID-19 vaccine.	• Leverage primary health care facilities to deliver essential health services coupled with effective communications to avoid disruptions to service delivery. • Scale-up coverage of life and health insurance to provide an additional indemnity and safety net.
Enhancing macroeconomic management to boost investor confidence		
Exchange rate management 	• **Allow the exchange rate to reflect market fundamentals, which will preserve reserves, increase the naira value of external financing and dollar-denominated revenue proceeds, and boost investor confidence.**	• Fully unify exchange rates into a single, market-driven window.
Monetary policy 	• Ensure clear separation and improved coordination of fiscal, financial, and monetary policies, including more transparent reporting of the CBN's quasi-fiscal interventions (e.g., financing of government functions through the overdraft facility, subsidized lending schemes).	• Strengthen the management of monetary policy toward the primary objective of price stability, with more transparent targets and operational and liquidity management mechanisms (e.g. by reducing the use of the discretionary Cash Reserve Ratio; and ensuring a clear distinction between public borrowing and liquidity management.
Macroprudential policies 	• Define measures for rescheduling and restructuring the loans of borrowers affected by COVID-19 and heighten monitoring of bank capital requirements and the effectiveness of forbearance measures.	• Review regulations that affect bank recovery and resolution planning to reduce systemic risks in the financial system. • Review prudential requirements related to bank sales of nonperforming loans to the Asset Management Corporation of Nigeria (AMCON) and similar companies to transparently streamline the process for efficient resolution of nonperforming loans.
Trade Policy 	• **Reopen land borders for all traders and firms to limit inflationary pressures and develop coordinated border management procedures with neighboring countries.** • Operationalize annexes of the African Continental Free Trade Area agreement, including on the development of national committees, customs cooperation and the development of early warning systems.	• Review the impact of foreign exchange restrictions and other measures limiting select imports on the supply of food and other staple goods as well as on the competitiveness of Nigerian industry. • Develop priorities through consultations for Phase II AfCFTA negotiations on investment, competition and intellectual property rights and analyze impact of these agreements.

Table 1.4. Policy priorities to support a stronger recovery for Nigeria.

Area	*Immediate Priorities (Next 3 to 6 months)*	*Near-Term Priorities (Next 6 to 15 months)*
Safeguarding and mobilizing revenues		
Tax Policy	• Facilitate tax payments through online platforms.	• **Mobilize tax revenues in a way that does not negatively affect investment and growth,** including defining priorities for the rationalization of ineffective tax concessions; adjusting currently-low excise taxes to bring in more revenue e.g. from alcohol, cigarettes, and airtime; leveraging the property tax; adjusting the corporate income tax by introducing an anti-fragmentation rule; and introduction of measures to counter international tax avoidance by amending the international tax rules related to corporate and personal income taxes, VAT, and capital gains taxes.
Oil Revenues	• Communicate a clear timeline for the repayment of non-oil tax relief measures at both federal and subnational tiers of government. • Increase the transparency of oil and gas revenue reporting by continuing monthly publication of financial and volumetric data in the oil and gas sector, including deductions for all strategic projects funded by the government.	• Ensure the timely publication of audited financial statements for NNPC and its subsidiaries and monthly publication of oil sector data. • Ensure that any revenue by a government-owned entity that is due to the government but retained by the entity is governed by terms and conditions specified in a written agreement with the regulator and approved by the Minister of Petroleum Resources.

Table 1.4. Policy priorities to support a stronger recovery for Nigeria.

Area	*Immediate Priorities (Next 3 to 6 months)*	*Near-Term Priorities (Next 6 to 15 months)*
Reprioritizing public spending to protect critical development expenditures		
Gasoline pricing	• **Ensure the sustainability of the gasoline subsidy reform either by publishing detailed guidelines for the March 2020 regulations, “Market Based Pricing Regime for Premium Motor Spirit”, or by fully deregulating gasoline prices.**	• Continue market-based pricing of gasoline while facilitating competition in the market, including for imports.
Fiscal Policy	• Ensure that execution of the 2020 Amended Budgets at both federal and state levels and are transparent, including adequate procurement, and auditing for COVID-19 related expenditures. • Continue tightening fiscal coordination across tiers of government to ensure the most efficient use of very scarce fiscal resources.	• Expand the coverage of the expenditure commitment management and control module of the Government Integrated Financial Management System to cover all expenditures, budgetary and nonbudgetary, of Federal ministries, departments, and agencies. • Accelerate action on the recommendations of the Public Expenditure and Financial Accountability (PEFA) and Public Investment Management Assessment (PIMA) diagnostics to strengthen public financial management. • Monitor current public sector guarantees, including any added during the crisis, and devise a strategy for managing fiscal risks. • Continue tightening budgeting practices (revenue modelling and forecasting, expenditure allocation), to improve budget execution, spending efficiency and debt management and transparency.
Power Sector		• **Continue power sector reforms, including bringing electricity tariffs from an 80 to 100 percent cost-reflective level, and implementing regulations to stop arbitrary estimated billing, accelerate mass metering, and enforce payment discipline of the distribution companies, all aimed at improving the financial sustainability of the sector while ensuring that the increases in average tariffs do not adversely impact low-income households.**

Table 1.4. Policy priorities to support a stronger recovery for Nigeria.

Area	*Immediate Priorities (Next 3 to 6 months)*	*Near-Term Priorities (Next 6 to 15 months)*
Supporting economic activity and access to services and providing relief for poor and vulnerable communities		
Social Protection	• **Extend the reach of social safety nets, including targeted cash transfers and livelihoods grants for poor and vulnerable households.**	• Increase the efficiency of social protection spending by improving both traditional and nontraditional targeting methods, such as geographical, categorical, or community-based targeting.
Jobs and SMEs	• Implement targeted labor-intensive public works and infrastructure microprojects to support employment while bolstering the capital stock. • Issue guidelines for adapting procurement procedures to support and encourage SMEs to participate in public procurement.	• Facilitate access to finance for credit distressed and vulnerable enterprises; and provide one-off grants to SMEs, to cover operational costs and IT solutions. • Activate e-procurement.
Food Security	• **Reduce food insecurity for poor rural households through the distribution of seeds and fertilizers, the provision of agricultural extension services, the use of block grants for purchasing assets and equipment, the upgrading of sanitary infrastructure in markets, and the expanded availability of equipment for small-scale processing and packaging.**	
Education	• Ensure students go back to school and gradually and safely resume school activities. • Scale-up successful remote learning interventions. • Ensure funding for paying active teachers.	• Strengthen school infrastructure. First, improving water and sanitation infrastructure would help ensure that proper hygiene conditions prevent the spread of diseases and that students have adequate handwashing facilities. Second, improving digital connectivity would help enhance remote learning and remedial education through digital technologies.

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Part 2: Taking a Closer Look

Work and COVID-19 in Nigeria

Summary: *Even though many Nigerians returned to work after the easing of strict lockdown measures in the early phase of the COVID-19 crisis, most households remain in an economically precarious situation. Indeed, more than two in three report lower incomes now than one year ago. One reason is that, according to a sample of household heads interviewed through high-frequency telephone surveys, a large share of Nigerian workers has entered or switched into less productive agricultural jobs. With incomes down, food insecurity is also far more prevalent than in previous years, with the poorest households being especially likely to report a deterioration in their food security throughout the course of the COVID-19 crisis. Additionally, it appears that women's working situation has been disrupted more than men's as the crisis has evolved.*

COVID-19 struck at a difficult time for Nigeria's labor market, which was already precarious as the economy was still recovering from the 2016 recession. Over the past five years, growth in the labor force has outstripped job creation, meaning that unemployment and underemployment have been rising.[7] Additionally, the vast majority of working Nigerians in 2018/19 did not have wage-employment jobs. Instead, around 43 percent were engaged in farming and a further 38 percent were engaged in non-farm household enterprises, according to the General Household Survey (GHS).

High-frequency data collected throughout 2020 indicate that jobs, incomes, and welfare suffered substantially when the COVID-19 crisis first hit. According to a balanced panel sample of household heads from the National Longitudinal Phone Survey (NLPS)—a monthly phone survey being used to monitor households' responses to the COVID-19 crisis—the share of household heads who were working almost halved between the pre-crisis period and April/May 2020 as strict lockdown measures were implemented (Figure 2.1).[8] Moreover, in April/May 2020, around 78 percent of Nigerian households reported a loss in income over the previous month. At the same time, around 85 percent of households were affected by increases in the prices of key food items and a further 46 percent saw the prices of farming and business inputs rise, with such shocks being far more prevalent than in previous years. Data on indebtedness also suggest that the crisis has left households on weaker financial footing. Almost one quarter of households took out new loans after the onset of the pandemic. Prior to the pandemic, a mere 2 percent had any outstanding loans.[9]

Most household heads returned to work after the initial hiatus caused by the pandemic. By August 2020, the share of household heads who were working approached the pre-crisis levels documented in 2019 (Figure 2.1). The share of household heads who were working contracted more and recovered more slowly in urban areas than in rural areas. As such, the share of household heads in urban areas who were working in August 2020 remained below pre-crisis levels.

Additional indicators suggest that the labor market may be partially stabilizing as the COVID-19 crisis continues. The share of household heads experiencing any sort of job "turnover"—i.e. moving in or out of employment or changing jobs since the previous survey round—declined from over 40 percent in June 2020 to under 20 percent in August 2020. However, considering

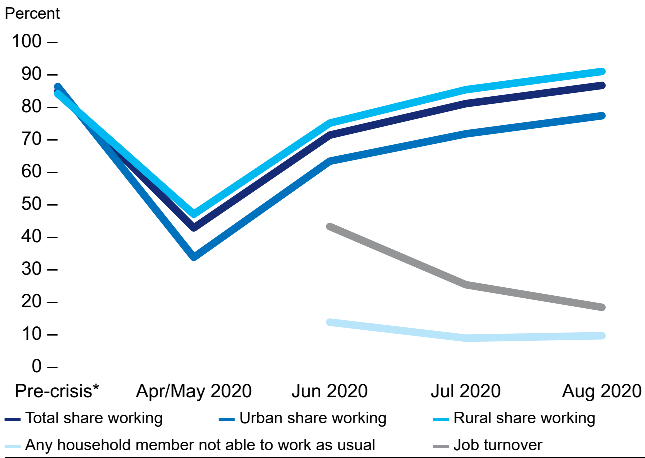
7 From "Jumpstarting Inclusive Growth: Unlocking the Productive Potential of Nigeria's People and Resource Endowments" (2019) *Nigeria Economic Update, Fall 2019*, p.8, The World Bank Group, Washington, DC; "COVID-19 From the Ground Up: What the Crisis Means for Nigerians. Findings from the Nigeria COVID-19 National Longitudinal Phone Survey (NLPS) Round 1, April-May 2020" (2020) The World Bank Group, Washington, DC.

8 See https://www.worldbank.org/en/country/nigeria/brief/monitoring-covid-19-impact-on-nigerian-households for more details about this survey. This balanced panel includes only household heads who participated in all survey rounds. Results from other NLPS briefs may differ from this analysis because of the panel feature of this data. Since this sample focuses on household heads, women are underrepresented: about 80 percent of the sample is male.

9 COVID-19 NLPS Round 4 Brief" (World Bank Group 2020).

Figure 2.1. Many Nigerian household heads returned to work after initial lockdown measures eased.

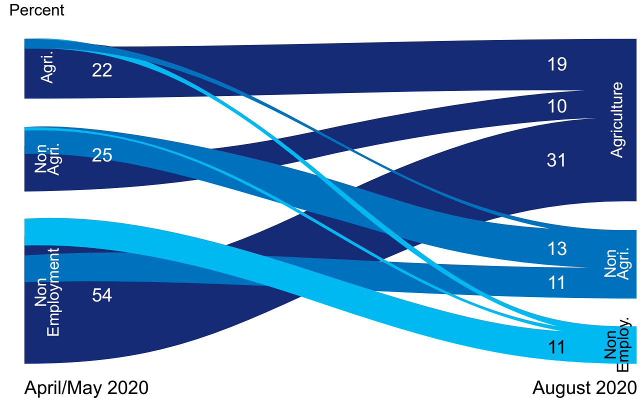
Share of households/household heads



Source: GHS, NLPS, and World Bank estimates.
Notes: All estimates are from a balanced panel of 1,781 household heads that is about 80 percent male. The indicator for whether any household member is not able to work as usual is at the household level. Turnover = 1 for any household head who transitions from non-employment to employment, or vice-versa, or changes jobs from the previous survey to the current survey. Pre-crisis employment is estimated from the GHS Wave 4 post-harvest survey data (Jan/Feb 2019), and household-level weights reflect selection into the balanced panel.

Figure 2.2. Many more Nigerian workers now work in agriculture compared to the outset of COVID-19 crisis.

Relative proportion of individuals transitioning between employment status



Source: NLPS Rounds 1 and 4 and World Bank estimates.
Notes: This figure shows the relative proportions of individuals transitioning between 3 employment status (Agriculture, NA=Non-Agriculture, NE=Non-Employment) between Round 1 (April/May 2020) and Round 4 (August 2020) of the NLPS. The sample is a balanced panel of household heads who report their working status during these two NLPS waves. To account for selection into the panel, new panel weights are calculated using the same covariates used to create the NLPS sampling frame.

that only about 2 percent of the same set of household heads surveyed in January/February 2019 (in the GHS) reported any job loss since 2017, job turnover still seems substantially higher than a year ago. Moreover, the share of households in which *any* member reported being unable to work as usual declined from about 25 percent to just over 10 percent between April/May 2020 and August 2020.

Nevertheless, many workers are now engaged in more precarious work in the agricultural sector. Figure 2.2 shows the share of household heads transitioning between three working states—Agriculture, Non-Agriculture, or Non-Employment—between April/May 2020 and August 2020. During the period of strict lockdown measures in April/May 2020, about 54 percent of household heads were not working, with the remaining household heads engaged in agricultural (22 percent) and non-agricultural (25 percent) work. Yet, by August 2020, the share of household heads working in agriculture had risen to around 60 percent, almost a three-fold increase, while the share of household heads who were not working had declined to 14 percent, with the share working in non-agriculture remaining about the same. The rising share of household heads engaged in agriculture came mostly from individuals who were not working in April/May 2020. However, some individuals also switched from non-agricultural jobs to agricultural jobs.[10,11] As a result of these dynamics, the share of household heads engaged in agriculture is much larger than in comparable months in previous years.

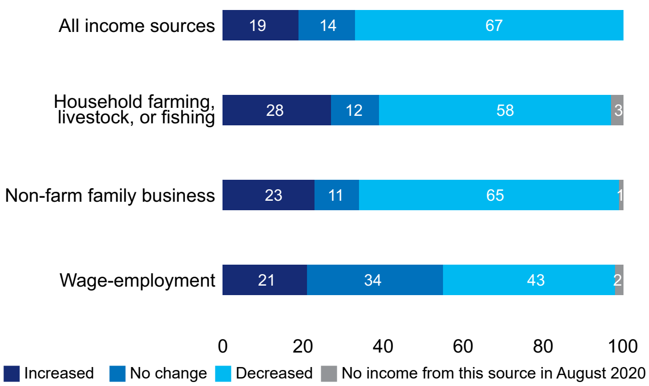
Consistent with the evidence of increased precarity in the labor market, many households also report that their incomes have declined. In August 2020, 67 percent of households reported that they received less overall income than in August 2019 (Figure 2.3). This stems from a drop in labor income, with the majority of households that rely on farming (58 percent) and non-farm household businesses (65 percent) reporting that such income sources were lower than one year ago. Yet non-labor income sources—including remittances, assistance from non-family members, and income from properties, investments, and savings—also declined for

10 Of the 60 percent of household heads engaged in agriculture in August 2020, about half (31 percent of all household heads) were not working in April/May 2020.

11 Around 40 percent of those household heads working in the non-agricultural sector in April/May 2020 transitioned to agricultural work by August 2020. The 40 percent is calculated by dividing 10 percent, the number transitioning from non-agriculture to agriculture, by 25 percent, the total proportion.

Figure 2.3. Households report reduced income between August 2019 and August 2020.

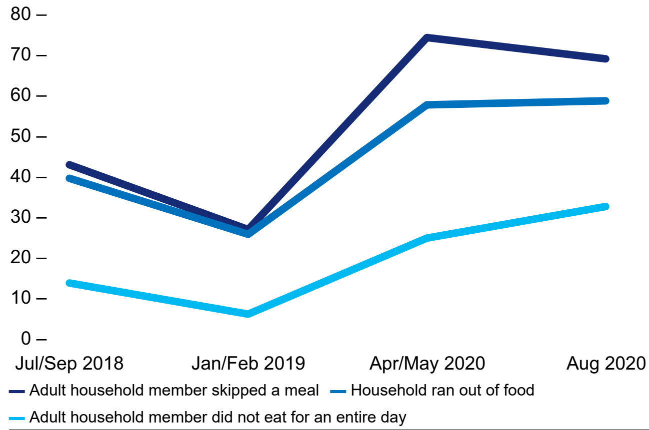
Share of households who had each income source in the last 12 months



Source: NLPS Round 4 and World Bank estimates.
Notes: Less prevalent income sources, not shown here, include assistance from other non-family individuals, remittances from family within and outside the country, income from properties, savings, investments, pension payments, NGO/charitable assistance, and government assistance. 83 percent of households reported having income from household farming, livestock, or fishing in the last 12 months. 69 percent of households reported having income from non-farm family business in the last 12 months. 26 percent of households reported having income from wage-employment in the last 12 months.

Figure 2.4. Food insecurity increased sharply after COVID-19.

Share of households affected by food insecurity in the last 30 days



Source: NLPS, GHS Wave 4, and World Bank estimates.
Notes: Sample is a balanced panel of respondents with weights adjusted for selection into the panel. Each question asked the respondent whether their household experienced these food insecurity situations in the past month.

the majority of households who normally receive such income sources. In addition, in line with these findings, 82 percent of households consistently reported that the pandemic was a substantial or moderate threat to household finances in both April/May 2020 and August 2020.

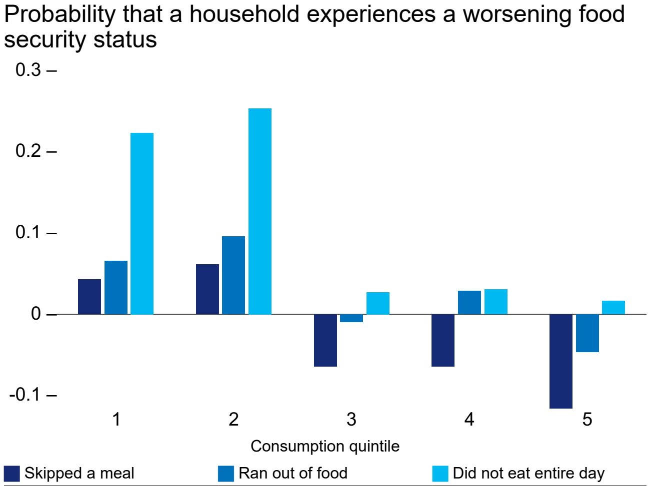
Levels of food security have decreased with household incomes. Prior to the pandemic, the share of households skipping meals during the agricultural lean season stood at 43 percent, according to figures for July–September 2018. This fell to 27 percent during the non-lean season, as data for January/February 2019 reveal. By April/May 2020, however, the figure had jumped to 74 percent. In August 2020, it still stood at an elevated 69 percent (Figure 2.4).[12] Similarly, the share of households reporting running out of food was 59 percent in August 2020, while, most worryingly, the share of households reporting not eating for an entire day reached 33 percent, a significantly higher share than in 2018/19.

Food insecurity has affected the poorest households most in the COVID-19 crisis, with these households most likely to report a deterioration between April/May 2020 and August 2020. The results of a multivariate regression (Figure 2.5) show that changes in household food insecurity are related to households' pre-crisis monetary consumption. For all three food insecurity indicators, poorer households are more likely to report worsening food security, while richer households have a lower probability of worsening food security. For example, for the measure of whether household members skipped meals, households in the two highest consumption quintiles had a 5–10 percent probability of improving on this measure, while households in the two lowest consumption quintiles had about a 5 percent probability of deteriorating on this measure.

Women are more likely than men to have seen their work circumstances disrupted as a result of the COVID-19 crisis, according to expanded data collected in September 2020. In September 2020, Round 5 of the NLPS expanded its sample to include all working-age members of the household, enabling further analysis of women's labor market outcomes.[13] This expanded analysis shows that a disproportionate share of women have been both pushed *out* of work

12 All questions ask about whether any of the food security incidents occurred in the past 30 days in the household.
13 The sample of household heads analyzed above is about 80 percent male.

Figure 2.5. Poorer households are more likely to report worsening food security.



Source: NLPS Rounds 1 and 4 and World Bank estimates.
Note: This figure shows the probability of worsening food security status by the consumption quintile of the household. A higher quintile represents a higher socioeconomic status. The bars are estimates of the probability of a household's food security worsening from a simple regression analysis.

and *into* work during this crisis. Specifically, women who were working before the crisis (especially those in wage-employment) moved to inactive status at a rate far higher than for men[14], and, to a smaller extent, women moved from inactive status to working status too. Both movements can be interpreted as symptoms of economic distress. On the one hand, women who stopped working could be suffering either from job loss or from unexpected increases in care burdens due to sickness from COVID-19 or the shutdown of schools. Yet at the same time, women moving from inactive status to working status could be doing so to make up for lost income from another income source, such as the labor income of their spouse or another family member.

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14 The share of women moving from working in July/August 2018 to being fully inactive by September 2020 (13 percent of previously working women) is almost double the analogous share of men (7 percent of previously working men).

Nigeria's social protection system during COVID-19 and beyond

Summary: *Nigeria has notably high levels of poverty and vulnerability. Predictions indicate that the ongoing global economic crisis induced by the COVID-19 pandemic has contributed to a worsening of these levels. Among other instruments, the Nigerian government has sought to leverage its social protection system to provide relief. Integral to this effort are ongoing innovations in data that assist in understanding on-the-ground realities and in shaping a response. At the same time, the government has sought to continue important reforms to build, and improve the performance of, the social protection system. Policy options going forward include greater and more sustainable financing of social protection by government, plus stronger coordination and alignment in program design and implementation across government agencies and administrative levels. Other priorities include further advances in the development and use of data systems, greater resilience and responsiveness of the social protection system to shocks, and better interlinkages between social safety net programs and other programs and services.*

Even before the COVID-19 crisis hit the country, around four in ten Nigerians were living below the national poverty line and millions more were vulnerable to falling into poverty. An estimated 40.1 percent of Nigerians (82.9 million people) were living below the national poverty line in 2018–19. A further 25.4 percent of the population (52.6 million people) had consumption levels between one and one-and-a-half times the national poverty line, making them "vulnerable" to falling into poverty.

Around two in every three Nigerians experienced an adverse shock in the three years prior to 2018–19, many of whom adopted negative coping strategies in response. In this period, an estimated 21.5 percent of Nigerians lived in a household that had been affected by at least one "climatic shock", such as loss of harvest or property due to fire, poor rains, or flooding. Almost two-thirds (64.3 percent) of Nigerians, meanwhile, lived in a household that had been affected by at least one "non-climatic shock", including theft, death or illness of a household member, or sudden price increases. Of those experiencing such shocks, around one third reduced their food consumption in order to cope. An estimated 16.3 percent ate into their household savings for the same reason, while 17 percent sold household assets. Only 0.3 percent reported receiving government assistance in response to the shock their household had experienced.

Simulations suggest that 10.9 million Nigerians may fall into poverty due to the COVID-19 crisis, a large share of whom are set to be urban dwellers who depend on service-sector, non-farm business income. Before the COVID-19 crisis, the poverty rate was forecast to remain virtually unchanged, with the number of poor people set to rise to 90.0 million by 2022 due to natural population growth. Yet the poverty rate is now forecast to rise to 45.2 percent by 2022, with 100.9 million people living in poverty.[15] Taking the difference between these two forecasts, the COVID-19 crisis is expected to result in an additional 10.9 million poor Nigerians by 2022. While poverty has traditionally been concentrated among rural households dependent on agriculture, more than one-third of those falling into poverty due to the COVID-19 crisis are projected to be urban residents, around one-third are projected to live in households whose heads work in services, and almost half are projected to live in households whose heads work in nonfarm enterprises.

15 These results differ slightly from the World Bank's Macro-Poverty Outlook (World Bank 2020a). Further details of the national poverty forecasting model used for Nigeria can be found in the previous edition of the Nigeria Development Update (World Bank 2020c), although the results now differ due to changes in the macroeconomic projections.

Nigeria's social protection system

Recent developments

Advancing a comprehensive social protection system is high in the government's priorities. In 2017, the government introduced a Social Protection Policy Framework, as well as a social registry of poor and vulnerable households. A social protection coordinating platform was also established in the Office of the President. This was recently transferred to the newly created Federal Ministry of Humanitarian Affairs, Disaster Management, and Social Development. The goal of the platform is to oversee and coordinate social protection programs. The federal government also increased its budget allocation to social safety net interventions as part of its social investment program.

The major elements of the social protection policy framework comprise poverty-based targeting of beneficiaries, automated management information systems, electronic payments, and social accountability mechanisms. Further work on developing an electronic National Identity Number (NIN) system is underway. Several state governments are also developing their own social protection systems by putting in place coordination and implementation arrangements for social investment and social safety net programs. State governments have also begun to introduce social insurance programs in relation to health and old age, as well as microcredit programs for low-income households.

Key programs have been launched through the National Social Investment Programs (NSIPs) in recent years. The NSIPs are currently coordinated under the Federal Ministry of Humanitarian Affairs Disaster Management and Social Development. NSIPs split their interventions into two broad categories; social safety nets and other social investments.

Challenges

Critical financing gaps and institutional challenges persist. As previously noted, institutional and programmatic developments are underway to address this, but the system remains fragmented. Programs suffer from contradicting mandates and objectives of the different agencies and line ministries supervising them, which often leads to an overlap of activities and duplication of efforts.

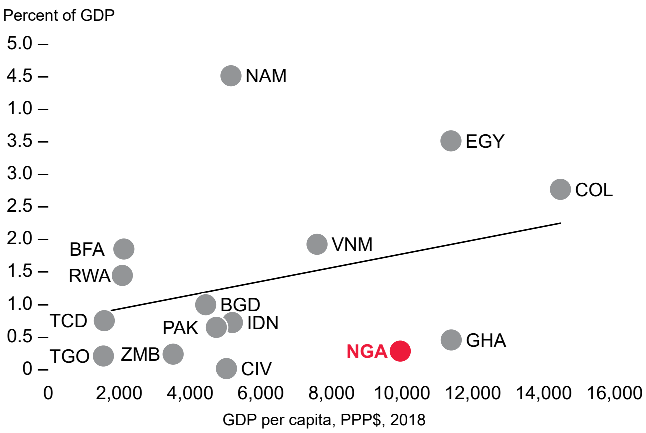
Nigeria spends less on social safety net programs than every other lower-middle income country and most of its regional peers. In the recent past, annual government outlay on social safety net programs is estimated at 0.3 percent of the GDP (Figure 2.6). Instead, government fiscal space is taken up by fuel price subsidies, which are expensive and highly regressive, mainly benefitting richer consumers.

Despite the government launching several new safety net programs in recent years, social protection coverage remains low, even if well targeted. For example, in 2018–19, just 1.6 percent of Nigerians lived in a household that was enrolled in the National Social Safety Net Project (NASSP), which is the country's flagship social protection program, and the share of households receiving benefits from most other programs was even lower (Figure 2.7). Nevertheless, the characteristics of NASSP beneficiaries closely resemble those of the bottom-60 percent of the monetary consumption distribution, the very households that NASSP sought to target. They have similar average consumption levels, devote similar shares of their consumption baskets to food and non-food items, have similar demographic characteristics, and their household heads tend to work in similar occupations (Figure 2.8).

Apart from low coverage, the performance of the government social safety net programs is variable and can also be low, as measured by other dimensions of design and implementation. These areas include the adequacy of program benefits; links with active

Figure 2.6. At 0.3 percent of GDP, Nigeria spends less on social safety net programs than most of its regional, aspirational, and structural peers.

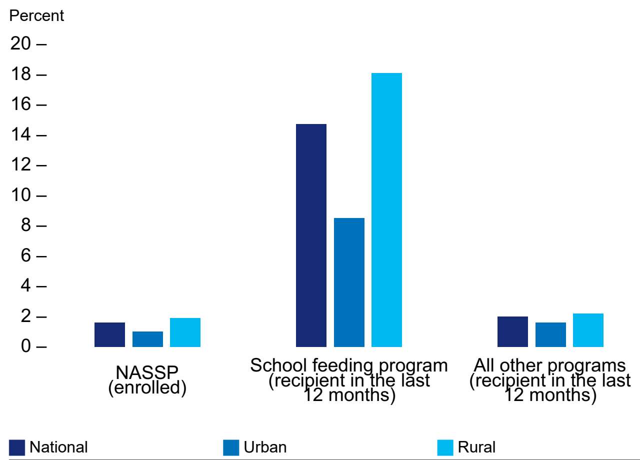
Government spending on social safety programs



Source: Spending statistics obtained from the World Bank's Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE) database (https://www.worldbank.org/en/data/datatopics/aspire). Statistics on GDP per capita obtained from the World Bank's World Development Indicators database (https://databank.worldbank.org/source/world-development-indicators).
Note: PPP = purchasing power parity. GDP per capita, PPP US$, 2018 is measured using constant international dollars for 2017. Regional, structural, and aspirational peers are based on the World Bank's Nigeria Systematic Country Diagnostic (World Bank 2020b).

Figure 2.7. The coverage of government social safety net programs is generally low.

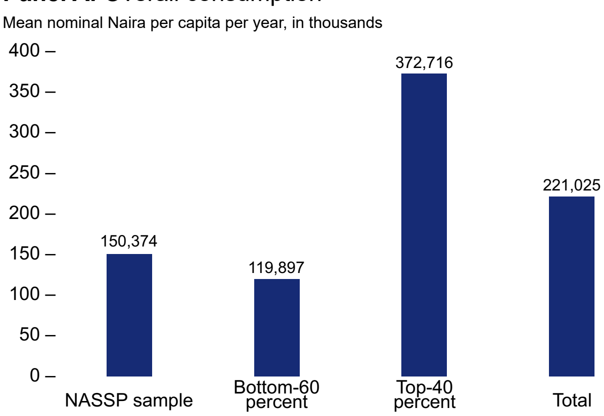
Share of the population living in an enrolled/recipient household



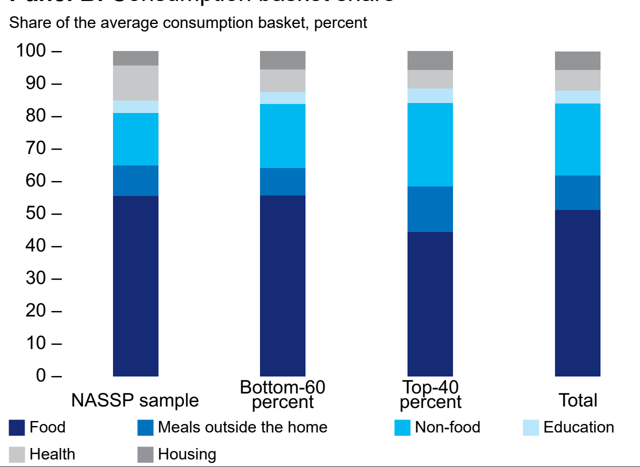
Source: Authors' estimates based on data from the 2018–19 Nigeria Living Standards Survey.
Note: Estimates exclude Borno. NASSP = National Social Safety Net Project. For NASSP, figures focus on enrollment rather than receipt of social assistance benefits. "All other programs" include YouWin, Inputs-For-Work Programme (FADAMA), E-Wallet Input Subsidy Programme, Growth Enhancement Scheme, N-Power, and all other federal, state, and local government assistance programs. Estimates are adjusted for sampling weights

Figure 2.8. Government social safety net program beneficiaries have similar household characteristics to those in the bottom-60 percent of the consumption distribution.

Panel A. Overall consumption



Panel B. Consumption basket share



Source: Authors' estimates based on data from the 2018–19 Nigeria Living Standards Survey.
Note: NASSP = National Social Safety Net Project. Estimates exclude Borno. NASSP oversample drawn from additional sample of households all of whom were receiving government social assistance. Estimates are unweighted given the different sampling strategies deployed by the main sample and the NASSP oversample in the 2018–19 Nigeria Living Standards Survey.

labor market programs for potentially improved self-employment and wage-employment outcomes; ex-ante or ex-post program coverage of households that experience adverse shocks and links with social insurance programs; and links with nutrition, health, and education programs and services for potentially improved human development outcomes for children.

Social protection response to the COVID-19 crisis

Social protection program coverage has remained low during the COVID-19 crisis. Between mid-March and July 2020, just 4.9 percent of households had received assistance in the form of cash from any institution—including the government—and 3.6 percent had received in-kind (non-food) assistance. While food assistance was more common, having been received by 23 percent of households over the same period, such transfers are more likely to be received by nonpoor households.

Innovative techniques are currently being explored to target poor and vulnerable Nigerian households in the wake of COVID-19. Given the pandemic's disproportionate impact on urban areas, where pre-pandemic poverty rates were the lowest, it is vital to better understand emerging pockets of poverty in Nigeria's towns and cities. To this end, a poverty map using satellite and other 'big data' sources has been produced to estimate poverty at the ward level in Nigeria. This new poverty map is being used to select urban wards for scaling up NASSP. By accelerating registration and rapid expansion both in rural and urban areas, it is expected that the NASSP cash transfers will be provided to about four million poor and vulnerable households (over 20 million people) across all of Nigeria's states.

The World Bank is currently preparing a new COVID-19 emergency response lending operation— the COVID-19 Action Recovery and Economic Stimulus or CARES project—to support the federal and state governments in their efforts to mitigate the negative effects of the COVID-19 pandemic in the country. The project is a short-term response targeting preexisting and newly poor and vulnerable households, agricultural value chains, and micro and small enterprises affected by the crisis. The project offers the added benefit of consolidating currently fragmented social protection programs at the state level into streamlined platforms and building capacity of these platforms to ensure sustainability beyond the life of the project. The World Bank's ongoing NASSP operation is offering complementary support by building the institutional capacity of the platforms at the state level.

Longer-term reform directions for a more effective social protection system

Greater and more sustainable government financing. Sound, long-term fiscal planning for government investments in the social protection system is essential. This planning should seek to increase fiscal resources available for social protection programs through better channeling of oil and non-oil revenues.

Stronger coordination and alignment in program design and implementation across government agencies and administrative levels. There is a need to institutionalize coordination, alignment, and integration of various social protection programs across the federal, state, and local government levels. Capacity building for program delivery at scale is a major priority at the state level. States are at various stages of implementing the National Social Investment Program, as well as developing and implementing their policies and programs. Further, building off the system developed by national programs, there is a need to develop a common delivery platform for social protection programs implemented by different ministries and agencies and at different levels of government, toward reducing fragmentation.

Further advances in the development and use of data systems. Nigeria's social protection system would benefit greatly from the collection and application of credible, up-to-date, and relevant information for program design, implementation, and reform. These data sources include the National Social Registry and the management information systems of the NSIPs.

Improved resilience and responsiveness of the social protection system to shocks, plus better interlinkages between social safety net programs and other programs and services. Performance could quickly accelerate with the development and implementation of a coherent suite of safety net programs that offered adequate, regular, and well-targeted benefits. Similar outcomes could arise from creating well-defined links between social safety net programs, on the one hand, and social insurance programs, labor market programs, and nutrition, education, and health services for the poor and vulnerable, on the other. Such efforts are underway under various NSIPs, including NASSP, but they require further strengthening.

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Nigeria's health response to the COVID-19 pandemic

Summary: *With 65,148 COVID-19 cases registered as of November 16, Nigeria ranks among the top ten countries heavily affected by COVID-19 in Africa. The government responded to the pandemic by: strengthening its political and technical structures through a cross-sector COVID-19 response effort, coordinated by a new Presidential Task Force based in the office of the Secretary to Government of Federation; bolstering the role of the Ministry of Health as custodian of the response through a new inter-ministerial technical working group; and boosting the core functions of the Nigeria Centre for Disease Control to ensure it has sufficient capacity. COVID-19 has negatively impacted service delivery for disease control programs as well as essential healthcare services. This can be attributed to both the direct health effects of the virus, as well as the knock-on effects for the economy and the consequent ability of the population to pay for services.*

Institutional structure of the government's COVID-19 health response

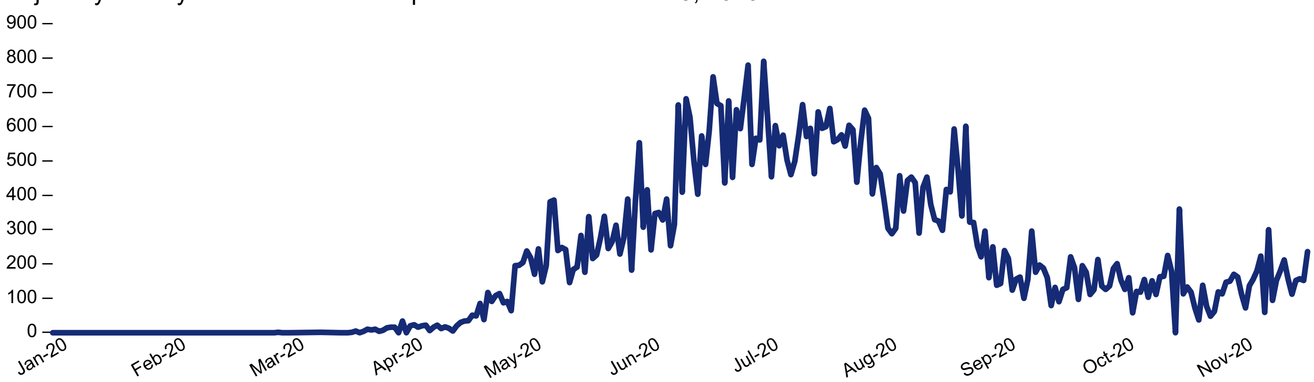
The Nigerian government developed an initial 28-day plan and subsequently a six-month incidence action plan in response to COVID-19. The political response was led by a cross-sector, multilateral partnership based out of the Secretary to Government of Federation, under the Presidency. The technical health response, meanwhile, was led by the Federal Ministry of Health and the Nigeria Centre for Disease Control.

The response of Nigeria's health sector to COVID-19 is structured along the following main pillars and activities:

- **Coordination:** At the Federal level, the Presidential Task Force (PTF) on COVID-19 established by the President in March 2020 was mandated to coordinate and oversee the country's multi-sectoral and inter-governmental response efforts while the Nigeria Centre for Disease Control through her

Figure 2.9. The number of new daily cases reached its peak in June.

Trajectory of daily cases from onset of pandemic to November 19, 2020



Source: https://www.ecdc.europa.eu/en/publications-data/download-todays-data-geographic-distribution-covid-19-cases-worldwide. Downloaded 11/19/2020.

national multisectoral Emergency Operations Centre (EOC) activated at the highest level of response for public health emergency coordinates the public health response and provide technical inputs to the PTF and the Situation Room in the FMOH. NCDC also supported each State to activate their EOC to coordinate the response at sub-national level and deployed multi-specialty rapid response team along with needed health commodities for COVID-19 detection, investigation and response at the State-level. Sub-national coordination was through COVID-19 EOC in the SMOH which operates along the same strategic response pillars in line with guidance from NCDC. Also, Governors constituted State COVID-19 Task Force for multisectoral coordination at that level.

- **Laboratory System strengthening:** From the initial three laboratories located in two states (Lagos and Edo) and FCT, the NCDC scaled up its diagnostic capacity to every state of the Federation. Testing capacity was extended to a total of 68 labs, made up of 52 molecular laboratories and 16 GeneXpert laboratories. To achieve this, NCDC increased laboratory staff's capacity through the provision of laboratory equipment, reagents and consumables. It also monitored the performance of all the laboratories within the network. As a result, daily testing capacity was improved to about 15,000 tests per day and an improved turnaround time (24–48hrs). The NCDC was also able to establish sample collection centers in each of the 774 local governments in the country. To date, however, collection rates have not reached the point where the laboratory system's expanded capacity has been used fully.

- **Risk Communication:** The NCDC has initiated a series of high-impact awareness campaigns, such as "Take Responsibility" and "Mask-up Naija", with the goal of increasing the adoption of preventive measures. These campaigns were supported by community and religious leaders, as well as other key opinion formers. While there has been significant success in dealing with misinformation, many persist in believing that COVID-19 is a fiction. This results in gaps in the adoption of preventive measures.

- **Surveillance:** The NCDC has successfully rolled out an integrated surveillance approach, led by a newly established Rapid Response Team and supported by community surveillance officers and port-of-entry officers. NCDC has also provided training in the management of SORMAS to all state authorities.

- **Points of Entry (POE):** Land, sea, and airports have been the crucial entry points for COVID-19. Nigeria has developed policies and frameworks to ensure that all passengers are screened and safe. Guidance has been provided on managing both incoming and outgoing travelers. In addition, POE staff have been trained and equipment has been procured to support this process.

Impact of COVID 19 on primary and essential health service delivery

The ongoing COVID-19 pandemic has posed Nigeria's primary health systems and essential services with unprecedented challenges. Utilization rate of basic health and nutrition services has dropped as a result of social distancing measures, fear of infection, distrust in the system, and reduced household income. At the same time, services have been affected by health problems and low motivation among service providers, who have had to go about their jobs in the face of supply chain disruptions, mobility restrictions, and lack of infection prevention and control (IPC) training and equipment:

- **Decreases in service utilization:** Based on HMIS data analysis[16], utilization of key services in public facilities has fallen. For example, outpatient care-seeking decreased by 18 percent in April 2020,

16 Analysis by Development Research Group, in collaboration with GFF, Federal Ministry of Health and Nigeria HNP team.

Table 2.1. COVID-19 has largely impacted outpatient attendance in Nigeria.

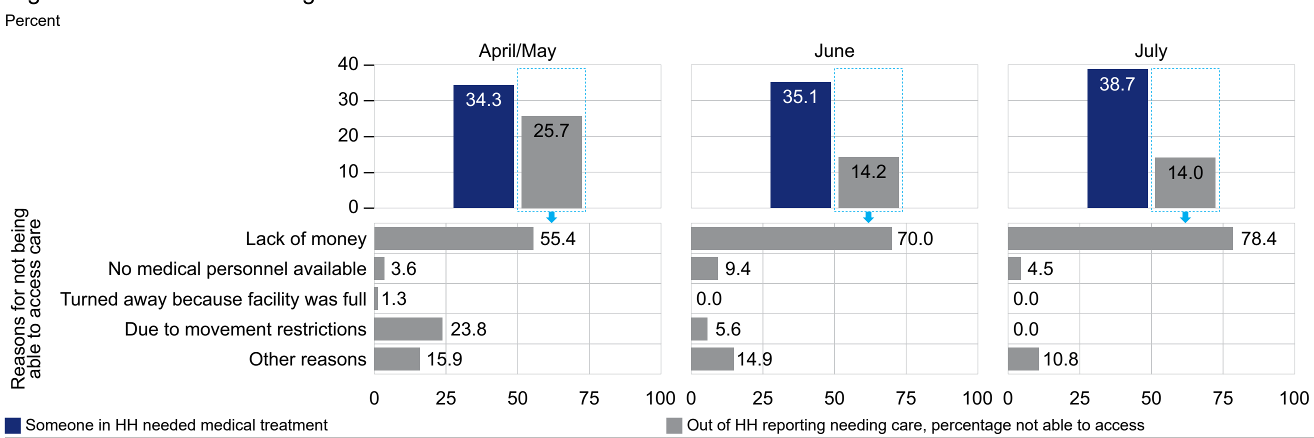
Estimated impact (percentage drop from expected) of COVID-19 on essential services in Nigeria

	Number of Consultations (Outpatient attendance)	*FP clients counselled*	*First Antenatal Visit (#)*	*Total deliveries*	*Third dose of Pentavalent vaccine (#)*	*BCG vaccination #)*
March 2020	-3.4	-1.2	-3.1	-0.6	-3.7***	2.4**
April 2020	-17.5***	-10.7***	-15.5***	-0.9	-12.3***	-5.7***
May 2020	-19.8***	-14.8***	-14.6***	-6.2***	-11.7***	-6.0***
June 2020	-14.7***	0.2	15.7***	-5.8**	-1.4	4.7***
July 20201	-21.3***	-9.6***	-13.9***	-6.5**	-7.4***	-5.3***

Source: Analysis from GFF and DEC in collaboration with FMoH and Nigeria HNP team, using HMIS data. This analysis is a part of the multi-county support to GFF countries.
Note: This analysis incorporates facility type or size, difference by first subnational unit and seasonality—output from a regression analysis that adjusts for the factors above. Negative values indicate an estimated decrease in service delivery levels compared to the expected level. The coefficients are percentage changes from the expected level. For instance, a value of -17.5 means an almost 18 percentage drop in the number of consultations compared to the level in the absence of COVID. * p-value<0.100, ** p-value< 0.050; ***p-value<0.001. Drops in July may be affected by under-reporting.

Figure 2.10. The percentage of people who are not able to access care decreased once the movement restrictions were eased.

Nigerian households needing health services and those unable to access them



Source: Poverty GP, Nigeria COVID-19 Household survey. This analysis is also a part of the multi-county support to GFF countries.

accounting for prior trends and seasonality. Furthermore, this indicator has not recovered (See Table 2.1 for overall results).[17] For most of these service indicators, disruptions were largest in states with the highest number of COVID cases.

- **Demand shock:** Results from the household phone survey, led by the poverty team, shows that the percentage of people who are not able to access care decreased once the movement restrictions were eased. A substantial number of people still lack access, nonetheless. Of these, over 70 percent cite lack of money as the key reason. See Figure 2.10 for the results.

- **Family planning and vaccination:** HMIS data from August reveal that uptake of some services has improved, albeit not to pre-COVID-19 levels.

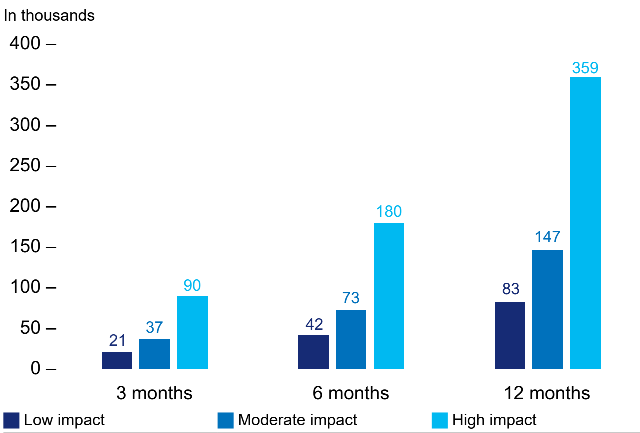
Even a low-impact, six-month disruption in services could lead to as many as 42,000 additional maternal and under-five deaths in Nigeria (See Figure 2.11 below). In light of the immediate and medium-term impacts already witnessed, service disruptions are likely to see a rise in the number of non-COVID-related deaths in 2020 as compared to previous years. Nigeria is likely to continue to see disruptions in care-seeking even after the mobility restrictions have been eased (as it had in June and July). Based on existing evidence to date, the main cause of these disruptions will be people's inability

17 Insufficient information is currently available concerning COVID-19's impacts on service provision and utilization in private-run health facilities. More information on this should be available by December based on the Bank's technical engagements. Given the general impact of COVID-19 on household incomes, the impact is likely to mirror that of the public sector.

to pay to access healthcare. In addition, problems with local and regional supply chains may further impact service provision in the coming months.

Figure 2.11. Even moderate disruptions in essential care services could take a high toll on Nigerians' health.

Estimated additional maternal and under-five deaths in Nigeria due to disruptions in essential care services



Scenario key: Low Impact Scenario: Scenario 1 in the paper, effective coverage reduction of RMNCH services between 9.8 percent to 18.5 percent.; Moderate Impact Scenario: Scenario 2 in the paper, effective coverage reduction of RMNCH services between 18.9 percent to 26.9 percent; High Impact Scenario: Scenario 3 in the paper, effective coverage reduction of RMNCH services between 39.3 percent to 51.9 percent.
Source: Roberton, T., Carter, E.D., Chou, V.B., Stegmuller, A.R., Jackson, B.D., Tam, Y., Sawadogo-Lewis, T. and Walker, N., 2020. 'Early estimates of the indirect effects of the COVID-19 pandemic on maternal and child mortality in low-income and middle-income countries: a modelling study.' The Lancet Global Health. 8(7): e901-e908.

Together with developmental partners, the government has taken key proactive and incremental steps to mitigate the impact of COVID-19 on essential health care systems. This includes updating guidelines for health workers and communities to maintain essential services. Other steps include: the training of national and state health managers, healthcare workers, and community members (leaders and civil society organizations)[18]; social media campaigns; the implementation of a modified version of Nigeria's existing integrated outreach program; and the restocking of vaccines and other critical supplies.[19]

Policy options

State Coordination

- **Role of state governors:** The COVID-19 response brought to the fore the critical role of state governors. Most kept to guidelines and protocols set by the Federal government. Not all followed official guidance to the letter, however, with the governors of Kogi and Cross River cases in point. The Federal government can encourage, but not oblige, state governments to follow federal norms. Use of conditional cash transfers is an option to align the states with the national response guidelines and protocols.

- **Federal and state communications:** Gaps in communications between the State's Task Force and the SMOH-led EOC led to a degree of misalignment in some states. While the Task Force controls the resources, the technical team in EOC leads the actual response. In some states, these two coordinating structures have little or no alignment regarding their respective response priorities. There should be clear terms of reference that confine the Task Force to multisectoral coordination and resource mobilization, while giving the technical sectors the necessary space and resources to respond as appropriate to national guidelines.

Technical and Implementation Guidance

- **Response and prevention support:** The delay in shutting international airports, coupled with a reliance on passengers to self-report and self-isolate with limited monitoring and follow-up, led to the widespread importation and spread of the virus. Similarly, delays in restricting inter-state travel in and out of Lagos and Kano—two epicenters of the

18 By the end of this exercise, 200,000 health workers and a minimum of ten community members per ward were trained in 36 (+1) states in the country.
19 On the immunization supply chain side, changes in vaccine procurement systems (and delays) due to COVID has led the government to optimize stocks within the country to mitigate any shortfalls. United Nations International Children's Emergency Fund (UNICEF) has also used chartered flights to meet shortfall in vaccines, increasing the cost of procuring these vaccines and other health products.

virus—turned both states into sources of national transmission.

- **Private-sector involvement:** Unlike in South Africa, where the private sector was quickly mobilized to provide laboratory diagnostic services while the public laboratories were being optimized, Nigeria initially relied on public laboratories alone. As a result, the private sector was only brought on board much later. The positive contribution of the private sector is evident in overall testing figures. By November 3, 2020, these amounted to 4.87 million in South Africa and about 660,000 in Nigeria, respectively.

- **Role of primary care facilities:** Mobilizing primary health care facilities for the implementation of essential health services, coupled with effective demand-side messaging, is critical to the minimal disruption of service delivery.

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Roberton, T., Carter, E.D., Chou, V.B., Stegmuller, A.R., Jackson, B.D., Tam, Y., Sawadogo-Lewis, T. and Walker, N. (2020). 'Early estimates of the indirect effects of the COVID-19 pandemic on maternal and child mortality in low-income and middle-income countries: a modelling study.' *The Lancet Global Health*. 8(7): e901-e908.

Education and COVID-19: Policies to mitigate the impact and accelerate progress

Summary: *The COVID-19 pandemic will exacerbate the challenges that the education sector faces in Nigeria. Learning levels could decline by 10 percent or more, which in turn will translate in an economic loss equivalent to at least 10 percent of the current GDP. The state and federal governments have taken multiple measures to mitigate these risks. Scaling up successful interventions and protecting education funding will be fundamental to minimize and mitigate the impacts of this crisis on education while setting the scene to build back a better education system that can benefit all.*

With over 10 million school-age children out-of-school, Nigeria accounts for one in every five out-of-school children worldwide. Data from the Human Capital Project shows that children who start school at age four can expect to complete 10.2 years of schooling by their 18th birthday[20]. When this value is adjusted by what children actually learn, the expected years of schooling are equivalent to only 5 years. The resulting learning gap of 5.2 years is one of the largest in the world.

COVID-19 will exacerbate these challenges. Preliminary estimations show that the average years of schooling would go down from 10.2 to 9.4 years, and the learning-adjusted years of schooling would go down from 5.04 to 4.52 years. This 10.34 percent reduction in years of schooling as a result of complete school closure for a few months will have life-long consequences for the current cohort of school-goers. The crisis will also increase learning inequality across income quintiles, regions, states, and genders, given the unequal access to remote learning among these groups and the differential efficacy of those strategies depending on households' socioeconomic level.

In response to the current crisis, the government has implemented multiple measures, both at the federal and state levels. First, in March, Nigeria closed schools for more than 45 million students, due to the high risk of COVID-19 exposure and in concordance with the most prevalent practice in the world. One of the first reactions was the publication of an Education Sector COVID-19 Contingency Plan to ensure that the school community was protected. Among its specific objectives, the plan aimed to ensure the continuation of education, provide safe water and hygiene facilities in schools, and train and sensitize the school community on preventive measures.[21]

During the school closures, Nigeria strived for learning continuity despite the abrupt closure, with distance learning reaching approximately 60 percent of school children, a strong performance compared to other countries in the region.[22] On October 12, the government started reopening schools, following a careful approach that included fewer days of classes per week and a double shifting to ensure low levels of exposure to COVID-19.

Moving forward, the country will have to build on its efforts to mitigate the effects of COVID-19 on education and accelerate progress. This will imply at least six different interventions. First, states need to ensure that all kids go back to school and gradually and safely ensure the full resumption of school activities. This will entail a rigorous identification of children that, after schools reopened, did not go back

20 World Bank, 2020. Human Capital Project.
21 Government of Nigeria, 2020. Education Sector COVID-19 Contingency Plan.
22 Josephson, Ana; Kilic, Talip, and Michler Jeffrey, 2020. Socioeconomic impacts of COVID-19 in four African countries, Development Data Group, World Bank.

to school, and the development of targeted policies to bring them back and reduce dropout rates. Resources such as administrative data, the available phone surveys, and effective social mobilization would be important to identify not only children who did not return to school but also those at risk of dropping out. The targeted approach to bringing children back to school will require a combination of interventions from multiple sectors and can include simple text messages to households, communication campaigns to return to school, door-to-door campaigns, and subsidies or cash transfers to vulnerable families. It will also be important to identify those children who should have started primary school this academic year but have not done it due to the pandemic. The same kind of policies will be useful to attract them.

The available evidence shows that it is very likely that girls will experience a more substantial impact. In Sierra Leone, when the schools reopened after being closed for almost an entire academic year during the Ebola outbreak, girls ages 12–17 were 16 percentage points less likely to be in school than boys.[23] Thus, the targeted policies to bring vulnerable children and adolescents back to school should have a strong focus on girls.

Second, the states need to scale-up successful remote learning interventions. It would be important to expand interventions that have worked to continue learning during school closures. This expansion should have two goals: to create resilience to face a potential second wave of school closures and reinforce the system's capacity to complement learning at school with learning at home. This could be done through a multimedia approach, combining TV and radio materials, online platforms, digital resources, support mechanisms through which teachers can reach students, and hard copies of workbooks and learning materials for children who cannot be reached with any technologies. In addition, simple guides to parents and guardians on how to support children learning from home will continue to strengthen the school-families partnership. Similarly, reinforcing digital platforms and infrastructure at the university level and technical and vocational education and training and adapting the learning process to digital/virtual reality will be critical.

In fact, there are many successful experiences that can be scaled-up or replicated in other regions. For example, Edo state's government launched EdoBEST@Home, an adaptation of its flagship EdoBEST program, which incorporated digital self-study packages distributed online and through messaging applications, a learning platform, the distribution of hard copies of learning materials for hard-to-reach students.[24] Similarly, Niger state launched a strategic plan to reduce school closures' negative impacts, which includes lessons on radio and television. The state has also been working actively to engage parents and learners. In a similar vein, Anambra state launched "Teaching on Air", a program through which classes are broadcasted on radio, television, and online platforms.

Third, ensuring that teachers are paid and that they teach will be essential. Once children are back in school, it will also be important to ensure that they can learn. The evidence shows that teachers are the most critical factor for learning. Thus, in the short term, the priority is to pay teachers who actually teach on a timely basis to align teachers' incentives to go to school and tertiary institutions and teach. This entails preserving funding for teachers' salaries and overseeing that they invest their time in teaching while providing the necessary measures for their health and safety.

Fourth, conduct a learning loss assessment and provide remedial programs. Measuring the learning loss that the pandemic and the school closures have originated will be critical to design a proper remediation strategy. State government and education institutions (schools, TVET providers, and universities) could conduct a learning assessment to identify the main gaps created during the lockdown and identify the groups

23 Bandiera, O., N. Buehren, M. P. Goldstein, I. Rasul, and A. Smurra. 2019. The Economic Lives of Young Women in the Time of Ebola: Lessons from an Empowerment Program. Washington, DC: World Bank.

24 https://blogs.worldbank.org/education/learning-despite-crisis-case-edo-state-nigeria

of students who have lost the most, who will, in turn, receive remedial programs.

Fifth, strengthen school infrastructure with a focus on resilience. In the medium term, state governments can improve school infrastructure in at least two ways. First, water and sanitation infrastructure should be improved to ensure that proper hygiene conditions prevent the spread of diseases and that students have adequate handwashing facilities. Second, connectivity should be enhanced to improve access to remedial education through digital technologies, expand digital skills training, and strengthen education management. It would be important for state governments to work closely with the Federal Ministry of Communications and Digital Economy and the Nigerian Communications Commission.

Sixth, it will also be essential to reinforce the post-basic education system. During the crisis, tertiary education can support school systems in the rollout of online learning. Universities can unfold focused applied research and promote local innovation in response to COVID-19, such as addressing shortages in critical supplies and reducing supply chain disruptions. After the crisis, the role of TVET and tertiary education will be essential to ensure that young people have the skills to participate in a very depressed and demanding labor market. A focus on digital skills will be vital to ensure that the supply is adapted to the new nature of work requirements.

At the end of the day, one of the most critical policies will be to protect education funding. Given the immense needs that the country is experiencing in the middle of the pandemic, the temptation to further reduce education funding might grow. However, any attempt to reduce education funding will be counter-productive as education is vital not only to improve the wellbeing of this generation of children, but it will also be critical for medium- and long-term economic growth that will benefit generations to come and to put the country on the path towards sustainable development.

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Part 3: Spotlights on Nigeria's Development Agenda

Spotlight 1: Opening development opportunities in Nigeria by closing gender gaps[25]

Summary: *Gender disparities in economic opportunities and earnings limit inclusive development and constrain growth. Data from the Nigerian household survey (2018–19) indicate that women in Nigeria earn considerably less from their economic activities than men. In agriculture, women plot managers produce 30 percent less per hectare farmed than men. In entrepreneurship, women earn about one third of what men earn. In wage work, salaried women earn over one-fifth less (22 percent) than their male colleagues. These gaps in earnings not only hold back the Nigerian economy, but also represent an opportunity: closing the gender gaps in key economic sectors could yield additional gains of US$9.3 billion to US$22.9 billion. Further analysis of the household survey data reveals seven key constraints that could be driving lower earnings for women, including: choice of low-value crops, limited access to farm inputs, and access to less productive labor for women farmers; low levels of growth capital and subordinate position in the value chain for women entrepreneurs; sectoral segregation for female wage earners; and multiple non-work pressures on women's time. These constraints could reinforce one another, further limiting women from reaching their full potential. It is therefore pivotal to design innovative policies and programs that can ease these constraints and close gender gaps.*

Nigeria's labor market is hamstrung by low female participation, the roots of which begin after primary school and are aggravated by early marriage and childbirth

There are significant gender gaps in labor force participation and labor supply in Nigeria. The latest Nigeria General Household Survey (2018–19) reveals that only slightly more than half (51 percent) of working-age women in Nigeria work, 13 percentage points lower than men's participation (64 percent) (Figure 3.1). The gender gap in participation in the labor market carries over into the intensity of labor supply as well. Among the working population, women work almost 5.5 hours less per week than men. There are also significant gender differences in occupational choice: while women and men are equally likely to be occupied in entrepreneurial activities, women are 10 percentage points less likely to participate in agriculture and 7 percentage points less likely to have a wage-paying job.

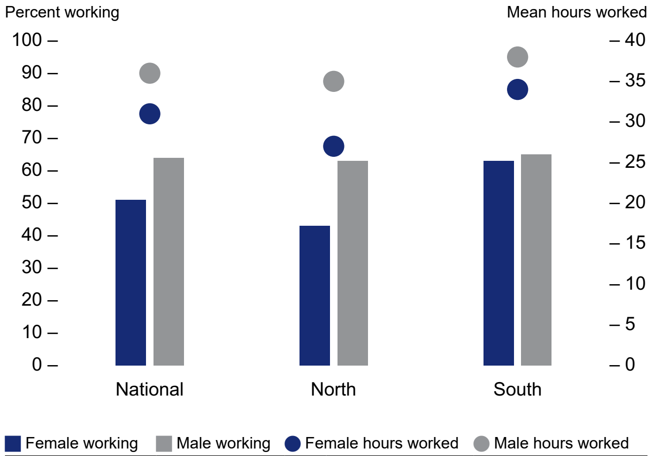
A persistent gender gap in economic participation emerges at adolescence. Boys and girls are equally likely to either attend school or work until the age of 14, after which women's economic participation drops (Figure 3.2). The emergence of this gender gap at the end of basic schooling pinpoints the school-to-work transition as a critical challenge for many Nigerian women. For the remainder of the age distribution, the magnitude of the gap is relatively stable at around 18-percentage points.

Early marriage and early childbirth hold back labor market outcomes. Nigeria has one of the world's highest

25 This spotlight summarizes the findings from the forthcoming Nigeria Gender Diagnostic, which uses the latest 2018/19 Nigeria General Household Survey data to quantify gender gaps in key economic sectors, to identify their underlying drivers, and to estimate their costs for the Nigerian economy. It also offers targeted policy recommendations and proposals for further research to realize a more inclusive economy.

Figure 3.1. Nigerian women are less likely to work than their male counterparts, and when they work, they are likely to work fewer hours.

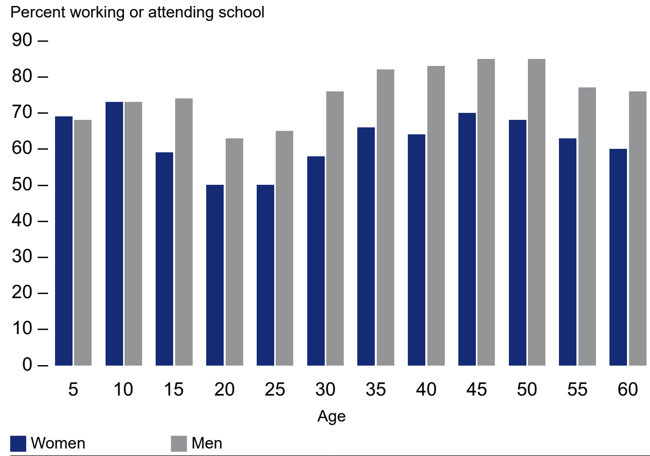
Percent of working-age individuals who worked in the past week and average hours spent on income generating activities among those who worked



Source: Nigeria Gender Diagnostic Report (World Bank, Forthcoming).

Figure 3.2. Economic participation for women drops around the transition to secondary school despite girls having similar attendance rates to boys at primary school.

Percent of individuals in each age cohort that are either attending school or working



Source: Nigeria Gender Diagnostic Report (World Bank, Forthcoming).

rates of early marriage for women. Nationwide, nearly one in five girls (18 percent) are married by the age of 15. Within three years, at age 18, the proportion more than doubles (to 43 percent). The respective figures for Sub-Saharan Africa are 11 percent and 35 percent.[26] Early marriage negatively affects labor market outcomes. A study in four Sub-Saharan countries finds that early marriage effectively wipes out the benefits of secondary education, which, in other circumstances, is the main factor determining whether women enter wage employment. One of the key pathways through which marriage impacts labor market outcomes is childbirth. Women who marry before the age of 18 have approximately 20 percent more births over their lifetime relative to those who marry later, after controlling for socio-economic characteristics.

Gender gaps in schooling precipitate later gender gaps in economic outcomes. Gender gaps in educational enrollment persist despite Nigeria's Universal Basic Education policy, which guarantees children the right to six years of free primary school and three years of free secondary school. In 2016, for example, there was a four-percentage point gap between male (44 percent) and female (40 percent) secondary school enrollment rates. These gaps have implications for women's future job prospects; an additional year of post-secondary education is estimated to increase the probability of a woman's participation in the wage market by 15 percent in Nigeria.

The COVID-19 pandemic is likely to exacerbate gender gaps in labor force participation. Women in Nigeria are likely to respond to the COVID-19 pandemic by reducing their labor supply for several reasons including their high concentration in self-employment activities and their disproportionately high caregiving responsibilities.[27] This is already evident in recent data. A May 2020 survey of business owners and managers of small and medium-sized enterprises in Nigeria found that 42 percent of women-owned firms had closed as a result of the pandemic, compared with only 33 percent of men-owned firms.[28]

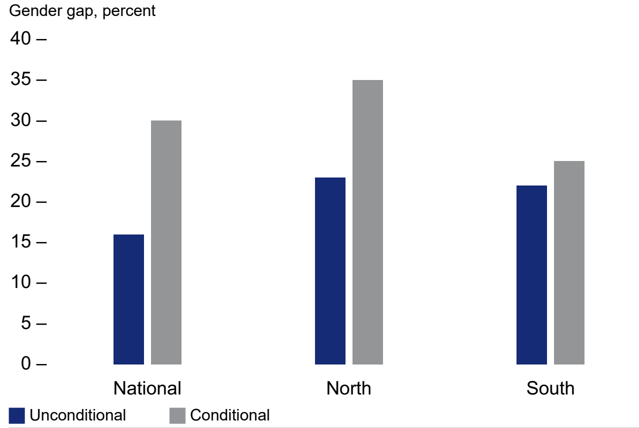
26 Le Nestour et al. (2018).
27 World Bank (2020).
28 Facebook/OECD/World Bank (2020).

Across economic activities, women workers in Nigeria consistently earn less than men

Analysis of recent nationally representative survey data reveals major gender earnings gaps in agriculture, self-employment, and wages. Quantifying these gaps helps demonstrate the economic barriers facing women in Nigeria. Additional analysis using the Kitagawa-Oaxaca-Blinder decomposition approach determines which factors contribute most to these gaps, highlighting priority areas where policy and program innovation may be particularly effective at closing earnings gender gaps.

Figure 3.3. Throughout Nigeria, women farmers produce significantly less per hectare than men.

Calculated difference in agricultural productivity between male-managed plots and female-managed plots. Conditional difference controls for individual, household, and plot characteristics



Source: Nigeria Gender Diagnostic Report (World Bank, Forthcoming).

‣ Measuring and identifying drivers of the gender earnings gap in agriculture

Female farmers (plot managers) in Nigeria produce significantly less per hectare than their male counterparts. Nationally, the value of the output per hectare on female-managed plots is 30 percent lower than comparably sized male-managed plots (Figure 3.3). This agricultural productivity gap shrinks to 16 percent after controlling for individual, household, and plot-level characteristics. Notably, gender gaps are similar in Nigeria's North (23 percent) and South (22 percent) regions. The research indicates that this persistent gender productivity gap is driven by input use, crop choice, and the composition of labor used on the plot.

Women use fewer farming inputs, lowering yields. Agricultural inputs, such as fertilizer, can significantly improve agricultural yields. Nationally, male farmers use over 8 times more fertilizer and 50 percent more herbicide per hectare than their female counterparts. Women farmers' lower use of these inputs depresses yields because, on average, doubling the quantities of fertilizer and herbicide used on a plot in Nigeria increases agricultural productivity by 6 percent and 18 percent, respectively.

Women farm less-valuable crops. Crop choice represents one of the most fundamental decisions farmers make, and the farming of different crops is a key driver of the productivity gap between female-managed plots and male-managed plots. There are consistent value differences in both the North and the South across common crop types: on average, households farming yams attain significantly higher values per hectare while those farming other roots and tuber crops attain significantly lower values per hectare. In both the North and the South, women consistently farm the less valuable roots and tuber crops, holding back their agricultural productivity relative to men farmers.

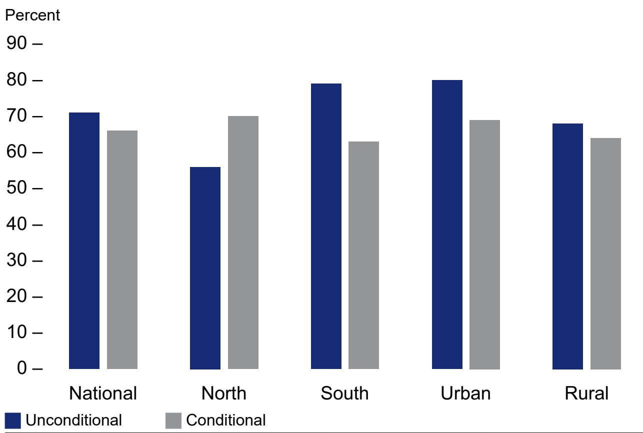
Women use less productive labor. Female plot managers work more than their male peers and use more household and hired labor, however the male labor contracted by male farmers tends to be more productive. This could relate to shortage of time (men have more time to supervise workers), cultural bias (male laborers work less hard for a woman supervisor) or lack of resources (hiring more productive workers may be too expensive).

Measuring and identifying drivers of the gender earnings gap in self-employment

Self-employment is the most common income-generating activity among women in Nigeria, but market position and lack of capital limit women's profitability. In Nigeria, almost half of income-earning women spend most of their time in entrepreneurship-related activities, yet their profits are 66 percent less than those of men (Figure 3.4).[29] This is primarily due to a lack of physical capital and to their difficulties in accessing high-revenue markets.

Figure 3.4. Women entrepreneurs obtain significantly lower profits than men.

Difference in entrepreneurial profits between male-managed enterprises and female-managed enterprises. The conditional difference also controls for individual and household characteristics



Source: Nigeria Gender Diagnostic Report (World Bank, Forthcoming).

Women operate less capitalized firms. On average, the value of the equipment owned by women-operated firms is only 16 percent of the total value for firms operated by men. This lower capitalization may be related to the quantity of credit available.

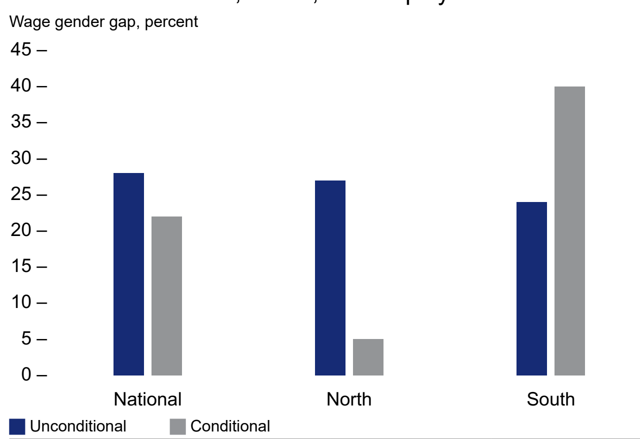
Women almost exclusively sell to final consumers. Selling to final consumers generates 46 percent lower profits than selling to traders or small businesses. Despite its lower profitability, almost all female entrepreneurs (95 percent) operate in this lower profit space and are half as likely (5 percent) to sell to traders or small businesses as men entrepreneurs (10 percent).

Measuring and identifying drivers of the gender earnings gap in wage work

Only 12 percent of Nigerian women primarily earn wages, and those that do earn 22 percent less than their male counterparts. Wage employment is low for women in Nigeria, although it increases fractionally (to 15 percent) for those with a secondary school education. When accounting for individual, sectoral, and employer-level characteristics, female wage workers earn 28 percent less than their male counterparts (up from 22 percent without controls) (Figure 3.5). This gap is primarily explained by the fact that women consistently work in lower-paid sectors.

Figure 3.5. Women in the labor market earn lower wages than men.

Difference in wage incomes between men wage workers and women wage workers. The conditional difference also controls for individual, sector, and employer characteristics



Source: Nigeria Gender Diagnostic Report (World Bank, Forthcoming).

Women work in less-remunerated sectors. This is seen most clearly in the education sector, where women are more than twice as likely to work, relative to men. Working predominantly in education holds back women's earnings because, in Nigeria, education is the lowest paying sector, with earnings averaging 28 percent less than in other sectors, after controlling for other individual and occupation characteristics.

Women are 11 percentage points more likely to work in government. This decreases the wage gap because

29 This gap increases to 71 percent after controlling for individual, household, and enterprise characteristics. Significant regional variation is also evident, with self-employed women in the North and South earning 56 percent less and 79 percent less than their male counterparts, respectively.

Box 3.1. The cost of gender gaps to the Nigerian economy.

The total estimated foregone earnings based on gender gaps in agricultural productivity, firm profits, and wage earnings amounts to US$9.3 billion, equivalent to 2.3 percent of overall GDP. This is a lower bound estimate, which corresponds to the amount of additional earnings generated if every woman's productivity, profits, and wage level was equalized with those of men. Using GDP multipliers, which take into account potential spillover effects across sectors of the economy, the costs could actually be as high as US$22.9 billion, or 5.8 percent of overall GDP.

Recent research has shown that allocating labor more efficiently across the economy—i.e. through decreased segregation—can yield large and sustained dynamic impacts on growth. Thereby, the economic benefits to closing gender gaps may be substantial. For instance, decreased race and gender segregation in the United States' labor market is estimated to be responsible for 20–40 percent of the increase in per capita output between 1960 and 2010 (Hsieh, Hurst, Jones and Klenow 2019).

men and women in the public sector benefit from employer-specific wage premium and the gender-neutral salary structures in place in government work.

Inequalities related to land tenure security and livestock holdings also constrain women's economic empowerment

Differential access to and use of land may be holding back on-farm and off-farm opportunities for women. Although women represent between 60 and 79 percent of Nigeria's rural labor force, men are five times more likely than women to own land. Seventy percent of plots are owned by individual men, while only 8 percent are owned by individual women. Moreover, the remaining jointly owned plots do not necessarily entail equal rights between men and women. This is critical as land assets can generate income via agricultural and livestock activities as well as rental or sale. They also serve to store and accumulate wealth, as well as providing collateral to facilitate future investments. Evidence from the region shows the importance of secure use and ownership of land for agricultural productivity. Weaker land tenure security for women in Ghana led to productivity losses on their plots while formalization of women's land rights in Rwanda through titling programs increased their investments in soil conservation. Without secure land rights, women may have difficulty increasing agricultural productivity or accessing the financing necessary to start productive enterprises.

Gender differences in livestock holdings may constrain women's wealth accumulation. In Nigeria, the livestock sector makes up 6 to 8 percent of the national GDP and approximately 13 million households have farm animals. Livestock is a particularly useful and versatile asset, especially for poor households: it can store wealth, serve as collateral, and buffer against shocks. Livestock is also highly profitable as it is easy to commercialize (either as a whole or through its byproducts) and has high reproductive potential. Additionally, it can provide complementary inputs for crop production owing to its assistance with ploughing and its contribution of organic fertilizer. Animal ownership is higher in Nigerian male-headed households than in female-headed households. In addition, women livestock owners are more likely to own lower-value animals (such as goats, sheep, and poultry) than men livestock owners (who are more likely to own cattle). The quantity of livestock owned by men also tends to be greater. Women's limited access to capital restricts their ability to purchase livestock and care for them with feed, veterinary services, and other supplies.

Policy recommendations

Nigeria has an opportunity to simultaneously tackle its sizable gender gaps and stimulate the economy. Addressing gender barriers will not only increase women's economic empowerment but will also accelerate the recovery and lay the foundation for inclusive economic growth in the future. The following policy recommendations are backed by recent World Bank research and seek to address the specific constraints driving the gender gaps in agricultural productivity, entrepreneurship profits, and wage income, with a view towards helping policymakers implement effective policies and programs to narrow gender gaps in earnings.

Policy priority 1: Promoting women farmer's choice of higher value crops. Input subsidies and targeted information could help women farmers transition to higher-value crops. Research from Niger, Kano, and Osun states shows that input subsidies for improved rice seeds yielded positive household welfare impacts, but these were significantly larger for male-headed households than female-headed households.[30] Designing agricultural extension services and other information interventions with the needs of women farmers in mind could also increase adoption of new agricultural technologies, as seen in recent studies in Mozambique and Malawi.[31,32] The same approach could be taken to insurance products. Other possible interventions include couples' trainings to engage men and promote women's participation in cash crops, as well as psychology-based business trainings to help women farmers develop actionable plans to adopt cash crops.

Policy priority 2: Enhancing women farmers' use of farm inputs. Input subsidies or seasonal financing for women farmers can directly ease their financing constraints and increase their access to inputs. An evaluation of Nigeria's Growth Enhancement Support Scheme—which included subsidized fertilizer—increased fertilizer use, output, income, and expenditures. Notably, the income impacts were largest in female-headed households.[33] Agricultural information programs catered to women farmers may also help women purchase and use agricultural inputs. Such programs could also use digital technology to share information about input prices and available suppliers. Initial evidence suggests that digital technology can increase farmers' access to information and productivity but rigorous evidence on the impacts of these programs for women in the Nigerian context is still needed.

Policy priority 3: Easing women's access to farm labor and mechanization. Providing cash vouchers or in-kind transfers could help women farmers purchase labor-saving machinery and hire high-quality labor, potentially narrowing productivity gaps between men and women farmers. Input provision could also be a promising intervention for enhancing women farmers' labor use. Evidence from Mali, for instance, indicates that female beneficiaries of a fertilizer distribution program increased their use of other complementary inputs, including hired labor.[34] Recent evidence on mechanization shows the important role of social norms around the gendered use and ownership of machinery: mechanization in Zambia and Tanzania had time-saving benefits for women farmers but also led them to be more dependent on men to conduct the mechanized tasks.[35,36] These social norms, together with capital constraints, could constrain women's ability to purchase labor-saving technology. Hiring or leasing services may be a promising policy alternative. However, more research is needed to measure the effectiveness of such innovations on women's adoption of time-saving technologies and, ultimately, the impact on their productivity.

Policy priority 4: Unlocking firm owner's access to growth capital. Large capital infusions through cash grants can help women dramatically grow their businesses. A recent study found large returns to winning

30 Awotide, B. et al. (2013).
31 Kondylis, F. et al. (2017).
32 BenYishay, A. et al. (2016).
33 Ogguniyi, A (2017).
34 Beaman, L. et al. (2013).
35 Daum, T et al. (2019).
36 Fischer, G. et al. (2018).

Nigeria's YouWiN! business competition, with the program's grants of around US$50,000 increasing firm entry and survival, profits and sales, and employment.[37] The promising results of large infusions contrast with the evidence on small cash grants, which generally yield little effect on the outcomes of businesses owned by women. An important consideration in providing grants to women-owned businesses is the size and nature of such businesses. For instance, emerging global evidence indicates that targeting specific subsets of entrepreneurs (e.g. experienced entrepreneurs) for microfinance under certain conditions (e.g. with flexible credit terms) can improve women's earnings. Evidence from Ethiopia, meanwhile, suggests that meso-loans offered to growth-oriented women entrepreneurs had a significant impact on accelerating their business growth and boosting employment levels.[38] Further, cash transfers, provided within safety net programs, have the potential to alleviate the capital constraint of extremely poor women. In Northern Nigeria, an unconditional cash transfer of approximately US$350 transferred over fifteen months was found to increase the likelihood of rural women starting a non-farm business.[39]

Mobile savings and banking accounts represent another promising opportunity to unlock capital for women. Mobile phone-linked savings accounts can help women insulate their earnings from external demands and can provide a safe place to save for larger purchases or investments in her firm. In Malawi, adding access to business bank accounts to support firm formalization led to significant increases in women's use of business bank accounts and insurance, which in turn led to large impacts on their sales and profits.[40] Innovative approaches to financial products, such as psychometric testing and non-asset-based forms of collateral, provide another potential avenue for facilitating access to larger business loans for women-owned firms.

Policy priority 5: Promoting women's engagement in greater value addition. Recent research suggests that psychology-based entrepreneurial mindset training and role model/mentoring programs can help women engage in greater value addition or improve their position in the value chain. A recent study in Togo, for example, found that the training boosted profits for women microentrepreneurs by 40 percent. In addition, participants were induced to be more innovative, introduce new products, take out more and larger loans, and make larger investments in their firms.[41]

Policy priority 6: Decreasing occupational segregation. Providing training on sector-specific skills or information on sector-specific earnings may help women enter male-dominated occupations and secure higher paying jobs. One recent study focusing on Nigeria's male-dominated ICT sector found persistent impacts from helping university graduates acquire the communication, computer, and cognitive skills demanded by the sector: the intervention increased the likelihood of working in an ICT job by 26 percent, two years after the program.[42] Relatedly, a recent study in Kenya found that providing information about the earnings in various male-dominated trades encouraged women to pursue vocational education training in these fields.[43] However, the information alone was insufficient to sustain their engagement, suggesting that preferences or other social norm-based factors may be holding back women's sustained participation in male-dominated industries.

Policy priority 7: Easing women's time constraints. Interventions such as providing childcare services and introducing couples' trainings that promote men's involvement in household work can ease women's time constraints. There is limited but growing evidence on the impacts of childcare centers: a rigorous study in Mozambique showed that preschools allowed caregivers (primarily mothers) to save 15 hours of childcare duties

37 McKenzie, D (2017).
38 Alibhai, A. et al (2018).
39 Friedman J. et al. (2020).
40 Campos, F. et al. (2015).
41 Campos, F. et al. (2017).
42 Croke, K. et al. (2018).
43 Hicks, J et al. (2011).

per week and increased their labor force participation.[44] Similarly, there is credible evidence that engaging men can change gender norms and behaviors related to the distribution of household work. In the Democratic Republic of Congo, for example, a 16-week training for men significantly increased their participation in housework.[45]

To conclude, there is limited evidence on effective approaches to ease the priority gender constraints in Nigeria (Figure 3.6 provides an overview). Innovation in policy and programming is crucial to develop effective methods to ease constraints preventing women from fully engaging in the Nigerian economy. This will involve looking beyond "business as usual" ideas and instead designing interventions that address the barriers that keep women from being as productive as men in key economic sectors. While it may not be feasible to *directly* implement large-scale innovative programs, piloting and experimenting with various delivery modalities could help identify which implementation options are most effective. Impact evaluations can generate the evidence required to inform scale-up efforts by the government and its development partners. Current pilots in Nigeria to test cashflow-based lending, which has the potential to improve women's access to credit and potentially increase firm capital, provide an example of this experimental approach in action. Importantly, new knowledge produced by Nigeria has the potential to strengthen the emerging regional and global evidence base on policies and programs to effectively increase women's economic empowerment.

Figure 3.6. The strength of the evidence base in support of different interventions to target the key priority policy constraints varies considerably.

		Frontier	Emerging	Credible
Crop choice	Subsidies for improved seeds		■	
	Engaging men to change norms around gendered crops	■		
	Insurance products suited to women farmers	■		
	Socioemotional skills training	■		
Crop choice and input use	Female extension services agents		■	
	Digital technology for agricultural extension		■	
Input use	Subsidies for inputs/fertilizer			■
Farm labor and mechanization	Subsidies to mechanize farm labor		■	
	Cash transfers		■	
	Subsidies for inputs/fertilizers		■	
Firm capital	Mesocredit/mid-sized loans		■	
	Cash transfers			■
	In-kind grants		■	
	Large grants			■
	Secure savings mechanisms			■
Position in value chain	Social network building		■	
	Socioemotional skills training			■
Occupational segregation	Job training in non-female-dominated sectors		■	
	Information about earnings		■	
	Childcare services		■	
	Programs that build networks, role modelling and mentorship	■		
Time constraints	Childcare services			■
	Engaging men to participate in housework		■	

Source: Nigeria Gender Diagnostic Report (World Bank, Forthcoming).
Note: Credible indicates that more than one impact evaluation from Sub-Saharan Africa demonstrates consistent, positive impacts of an intervention; *emerging* indicates that just one impact evaluation (from Sub-Saharan Africa or another developing context) shows positive impacts or multiple impact evaluations show mixed or not exclusively positive results; *frontier* indicates that there are no impact evaluations showing strong positive impacts, but other non-experimental evidence suggests that the intervention could address the given constraint.

44 Martinez, S. et al. (2012).
45 Vaillant, J. et al. (2020).

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Spotlight 2: Making the most of young Nigerians' economic potential: The case for more and better managed international labor migration from Nigeria[46]

Summary: *The surge in irregular migration from Nigeria during the height of the European migration crisis in 2016-17 is a direct consequence of worsening joblessness, combined with young people not having regular channels to find work overseas. Travel restrictions and border closures caused by COVID-19 are leading to declines in international migration from countries of origin such as Nigeria. But this is a short-term hiatus. Over the medium term, international migration is likely to continue increasing, primarily due to economic and demographic factors. Given the overwhelming evidence of the economic benefits of economic migration in the global context, Nigeria stands to benefit from creating new migration corridors as well harnessing additional returns from existing corridors. Opening new, safe, and orderly channels for international labor migration could unlock unrealized gains for Nigeria's economy and help facilitate its recovery.*

A combination of rising unemployment, booming demographics, and unfulfilled aspirations is increasing the pressure on young Nigerians to migrate in search for gainful employment overseas.

Nigeria's expanding working-age population, combined with scarce domestic employment opportunities, is creating high rates of unemployment. Between 2010 and 2018, 25 million Nigerians entered the labor force. During the same period, the unemployment rate rose from 9.7 percent in 2010 to 23.1 percent in 2018. Unemployment rate was significantly higher for youth (34.7 percent) compared to non-youth (19 percent). With COVID-19-induced lockdowns, this trend is likely to have worsened, especially in urban areas. Over three in four (77 percent) respondents in a survey this August by the NBS and the World Bank reported working in a town or city, for instance, a fall from more than four in five (85 percent) before mid-March.[47] While unemployment rates have increased substantially for Nigerians across all education levels over the years, it has become progressively more challenging for educated Nigerians to find employment opportunities. Between 2010 and 2020, the unemployment rate increased by 22.6 percentage points for Nigerians with secondary education and 30.1 percentage points for Nigerians with post-secondary education (Figure 3.8).

Concerned about their prospects at home, Nigeria's youth are increasingly looking to other economies for work. A Gallup poll conducted before the 2019 presidential elections shows that roughly half of all Nigerians said it was a "bad time" to find a job in the economy.[48] Unemployment for both youth and adults has consistently ranked as the most important issue facing the country, above management of the economy, poverty, corruption, and electricity.[49] Consequently, multiple surveys show that the number of Nigerians who are looking to migrate internationally is high and increasing. The proportion keen to leave permanently has increased from 36 percent in 2014 to 52 percent

46 Prepared by Samik Adhikari, Economist, Social Protection and Jobs.
47 World Bank, 2020.
48 Gallup, 2019.
49 See summary of results from Round 5, Round 6, and Round 7 of the Afro Barometer Surveys for Nigeria.

Figure 3.7. Unemployment rates among Nigeria's youth have been rising steeply.

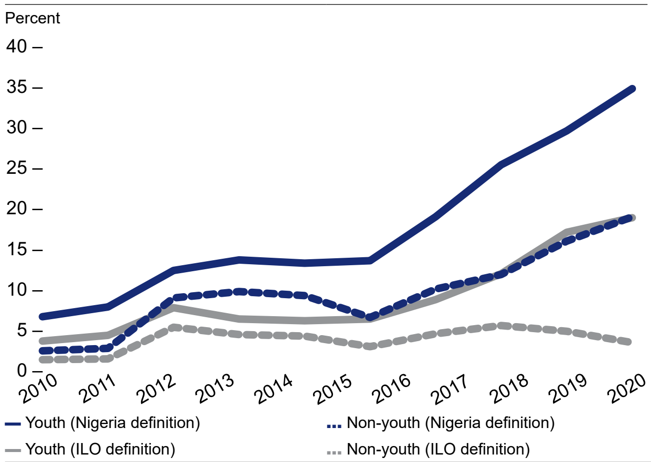
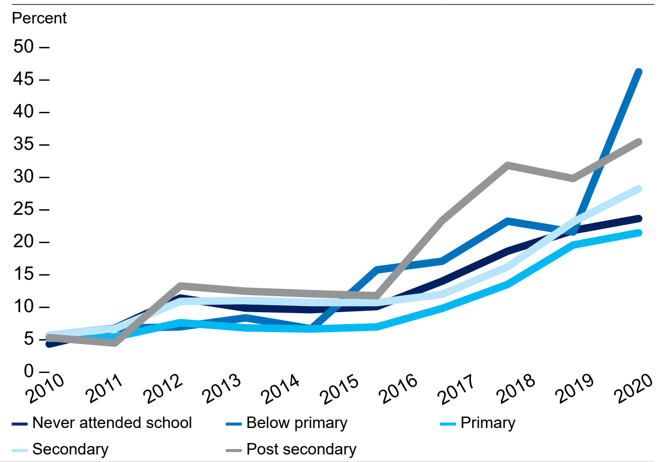


Figure 3.8. Unemployment rates among educated Nigerians have accelerated since 2015.



Source: World Bank Calculations based on data from the National Bureau of Statistics (NBS).
Note: Unemployment (ILO Definition): The unemployed comprise all persons of working age who were: (a) without work during the reference period, i.e., were not in paid employment or self-employment; (b) currently available for work, i.e. were available for paid employment or self-employment during the reference period; and (c) seeking work, i.e. had taken specific steps in a specified recent period to seek paid employment or self-employment. Unemployment (National Definition): In addition to the unemployed as defined by ILO, NBS considers any individual as 'unemployed' who could not find work for at least 20 hours during the reference period.

Figure 3.9. The desire of Nigerians to migrate internationally has grown in recent years (Gallup).

Proportion of respondents who would move permanently to another country

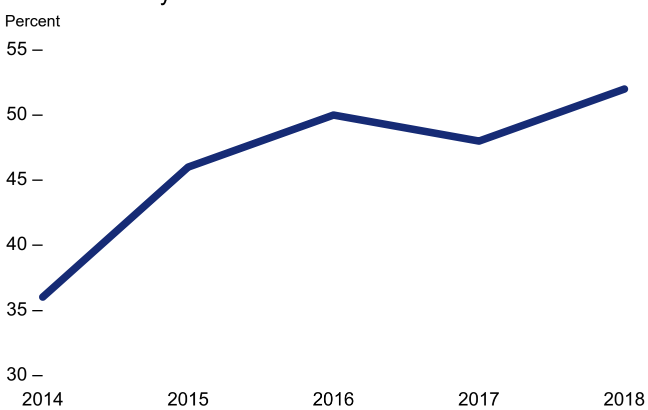


Figure 3.10. Those Nigerians who are keenest to migrate tend to be young, well educated, and urban (Afro Barometer).

Proportion of respondents considering emigrating to another country

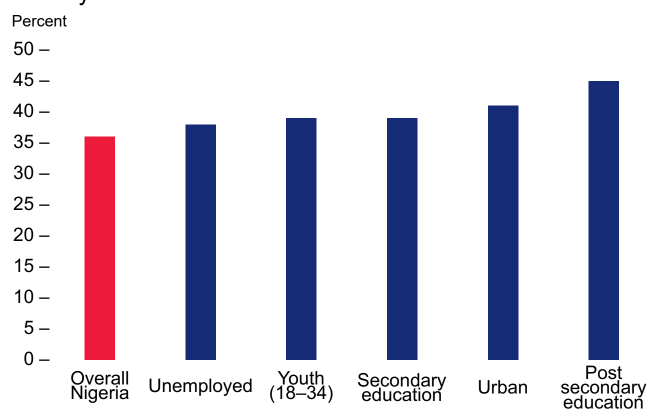
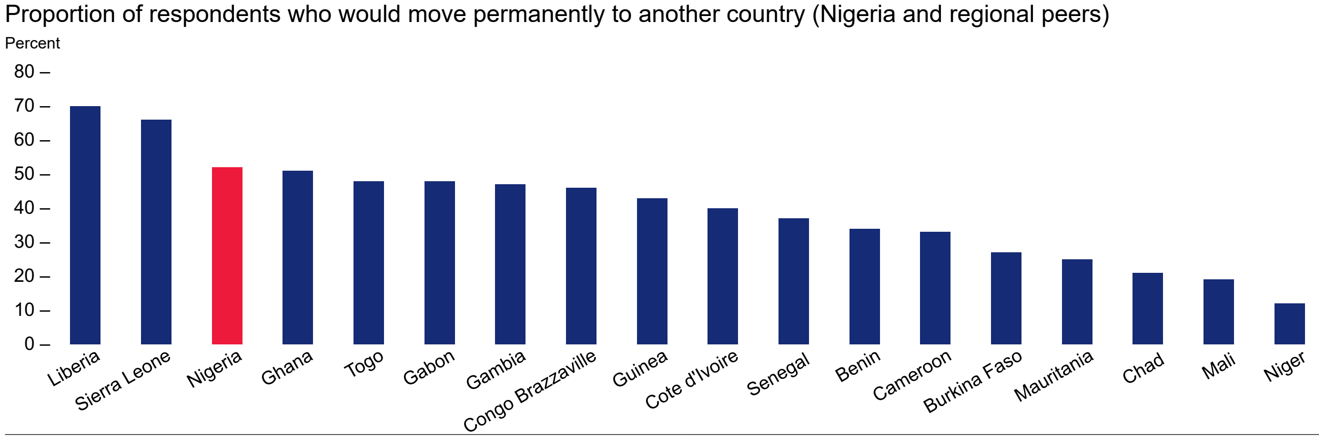


Figure 3.11. Nigerians are more likely to want to migrate internationally than almost all their peers in the sub-Saharan Africa region.

Proportion of respondents who would move permanently to another country (Nigeria and regional peers)



Source: World Bank Calculations based on data from Gallup (Panel A) and Afro Barometer (Panel B).

Figure 3.12. The share of Nigerian migrants in Europe and North America has increased considerably since 1990.

Stock of international migrants from Nigeria in select regions, in millions

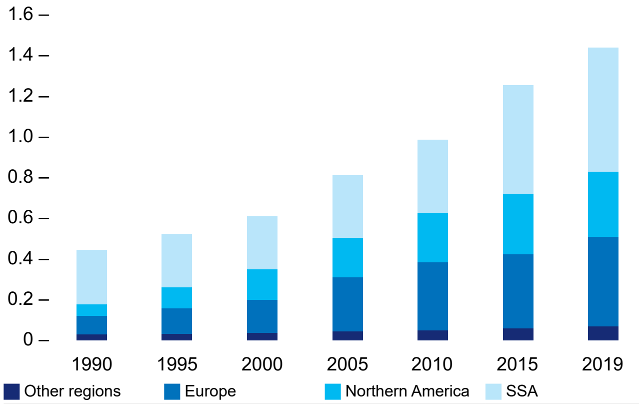
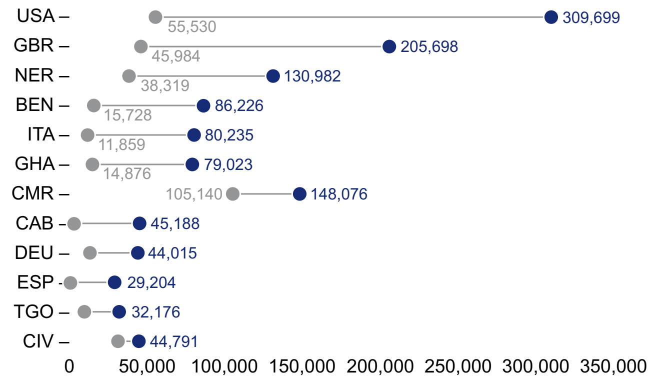


Figure 3.13. Nigerian international migrants are most numerous in the United Kingdom, the United States, and Cameroon.

Destination countries for Nigerian migrants in 1990 and 2019



Source: United Nations, Department of Economic and Social Affairs, International Migration Outlook, 2019 revisions and World Bank estimates.

in 2018, according to Gallup (Figure 3.9). This is one of the highest levels in sub-Saharan Africa (Figure 3.11). Data from Afro Barometer show that the desire to migrate is higher among unemployed (38 percent), youth (39 percent), secondary education graduates (39 percent), urban residents (41 percent) and post-secondary graduates (45 percent) in Nigeria (Figure 3.10). Notably, these proportions far exceed the actual proportion of international migrants in the Nigerian population.

Nigeria's volume of international migrants has more than tripled since 1990, increasing from 450,000 then to around 1.4 million last year.[50] Over the same period, the proportion of Nigerians classifying as international migrants has risen by 0.2 percentage points, to 0.7 percent. This is much lower than in Sub-Saharan Africa (2.5 percent) and the world (3.5 percent). Most Nigerians migrate within Sub-Saharan Africa, although as a share of total migrants in this region their representation has fallen. Nigerians going to Europe and North America, meanwhile, has increased considerably since 1990 (Figure 3.12). Around 85 percent of all Nigerian migrants in 2019 were concentrated in 12 destination countries, with United States, United Kingdom, and Cameroon topping the list (Figure 3.13).

Young Nigerians are increasingly opting for irregular migration routes to realize their hopes for a better life overseas.

With options for legal migration limited, young Nigerians are increasing choosing irregular alternatives to find better work opportunities overseas than they can find at home. The number of first-time asylum seekers from sub-Saharan Africa and Nigeria into Europe peaked in 2016 (Figure 3.14), at the height of the "European migration crisis", before subsiding in late-2017. Nigerians represented the largest group of migrants from Sub-Saharan Africans who arrived in Europe in 2016 and 2017. Nearly 40,000 Nigerians arrived in Italy in 2016, with over 90 percent of those arriving via sea routes. Nigerian migrants arriving in Italy were more like to be women (32 percent)[51] and have completed secondary education (39 percent)[52] than other migrants from sub-Saharan Africa (the proportion of which stand at 24 percent and 21 percent, respectively).

Irregular migration carries a tremendous economic, physical, and psychological cost, yet Nigerian migrants still choose to go ahead with it. Those migrating from Nigeria to Italy tend to be from relatively

50 UNDESA, 2020.
51 World Bank calculations based on data from Eurostat.
52 World Bank, 2018.

Figure 3.14. Asylum seekers from sub-Saharan Africa and Nigeria to Europe peaked in 2016 and 2017 before subsiding.

Number of first-time asylum seekers in EU countries, in thousands

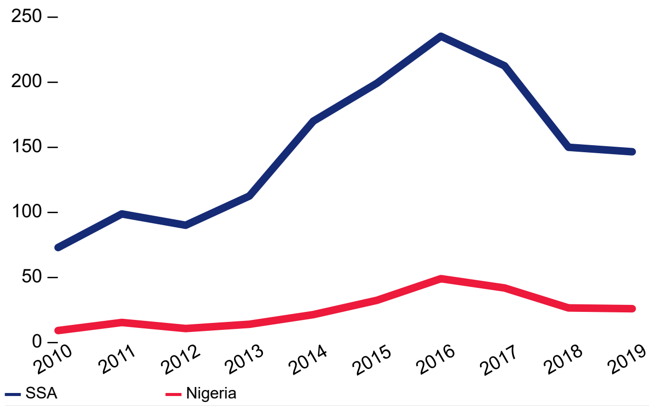
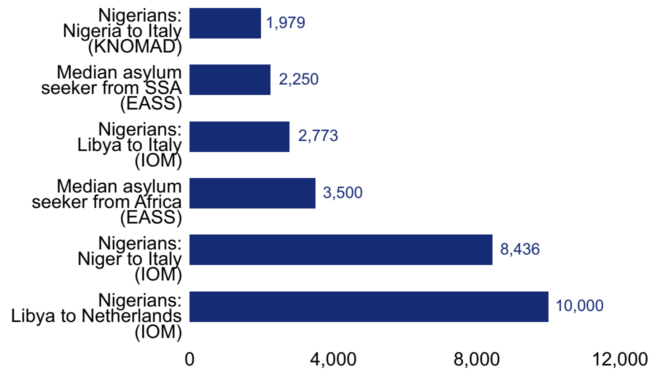


Figure 3.15. Nigerian migrants pay up to US$10,000 to migrate to Europe through irregular means.

Migration costs paid by migrants to reach destination countries (US$)



Source: Eurostat, IOM, KNOMAD, EASS reports and World Bank estimates.

richer households. Even so, these journeys cost around 10 times their average household monthly income, at a minimum. Aside from the economic costs, migrants face a high risk of abuse, especially at the hands of criminal networks. Over 14,000 Nigerians have been returned from Libya through IOM's Assisted Voluntary Humanitarian Return and Repatriation (AVHRR) programs since 2016.[53] Outside of Libya and in other transit countries, the number of Nigerians in Niger increased from 19,177 in 2010 to 93,179 in 2015.[54] Besides migrants in transit, many migrants have lost their lives in the Sahara Desert and the Mediterranean Sea while striving to reach Europe.

Nigerians will continue to migrate overseas for work in the foreseeable future; this can benefit Nigeria through remittances and the transfer of skills and technology, but it needs to be well-managed and regulated.

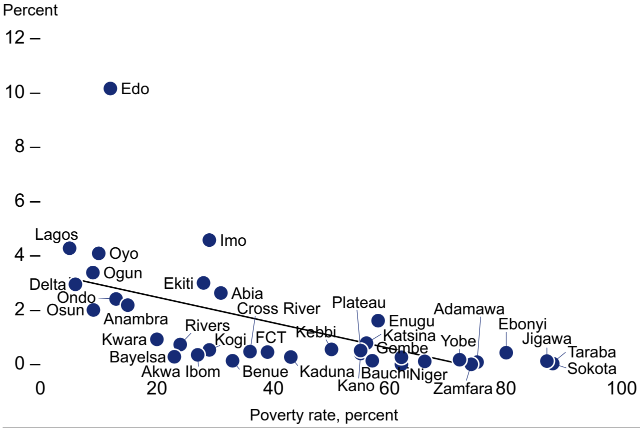
Given that the economic and demographic factors driving international migration remain largely unchanged, Nigerians can be expected to continue migrating abroad for the foreseeable future. Multiple studies confirm an inverted-U shaped relationship between emigration levels and income.[55] That is, as countries grow richer, emigration levels tend to increase until they reach upper-middle income status. Recent data from Nigeria confirms this trend. Relatively richer states in Nigeria with lower poverty rates receive a higher share of international remittances (Figure 3.16). The share of Nigerians actively preparing to emigrate internationally is higher in the richer quintiles of the income distribution (Figure 3.17). Labor shortages in developed countries and labor surplus in developing countries such as Nigeria mean that employment opportunities will likely remain unequally distributed across the globe in the future. This creates an opportunity for some young Nigerian jobseekers to find temporary employment abroad. The effect of the aging populations of developed countries is similar. The ratio of people over 65 to the total population is predicted to reach 48 percent in the EU compared to 4 percent in Nigeria by 2050.[56]

The contribution that international migrants make to Nigeria's GDP through remittances far outweighs their size as a proportion of the population (i.e. 0.7 percent).[57] Nigerian migrants and others in the diaspora contributed over 25 billion dollars to the

53 Info Migrants, 2019.
54 United Nations, 2019b.
55 Zelinksy (1971); Martin and Taylor (1996); de Haas (2010); Clemens (2014).
56 United Nations, 2019a.
57 World Bank calculations using United Nations Data on International Migrants Stock (2019).

Figure 3.16. Share of households receiving international remittances is higher in States with lower poverty rates.

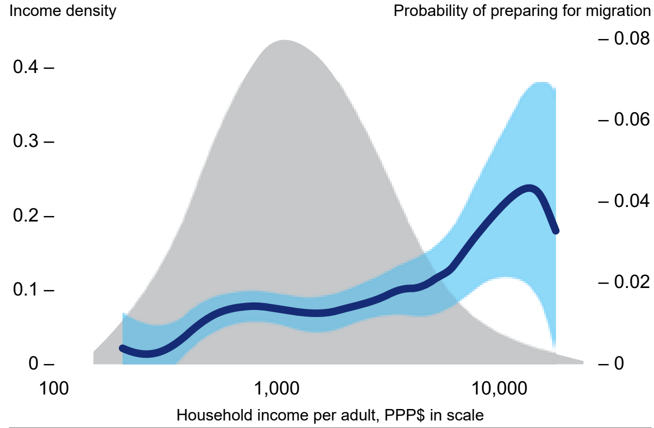
Share of households receiving international remittances compared to national poverty rates



Source: NBS and World Bank estimates.

Figure 3.17. Share of Nigerians actively preparing to emigrate is higher in the richer quintiles of the income distribution.

Probability of preparing for migration along the per adult household income spectrum



Source: Clemens, 2020.

Nigerian economy in 2019 (6 percent of Nigeria's GDP[58]). This is the equivalent of total oil rents in 2017[59] and is fourfold what Nigeria received through foreign direct investment and official development assistance combined. Remittances also have the benefit of being less volatile.

The imperative going forward is to open safe and orderly channels for international migration, to the benefit of recipient countries and Nigeria alike. A more regularized system would help ensure Nigeria's excess labor is productively used, generating value for the country where they work while also allowing for the transfer of knowledge, skills, and resources back to Nigeria. For emigrating workers, migration provides an opportunity to move to a higher earning job and send back remittances to their families. For sending households, global evidence strongly suggests that remittances help in investments in human capital of children and provides cushions against economic shocks.[60] Looking more broadly, migrants help spur innovation in the economy, which often leads to emergence of sectors that would otherwise have not been created in countries of origin.[61] The links that migrants help generate between two countries help reduce trade-related transaction costs.[62] Returning migrants also contribute to the spreading of ideas, technology, and knowledge in their countries of origin, as well as the creation and expansion of export-oriented sectors.[63] Managed labor migration schemes directly benefits prospective migrants and their households, and indirectly benefits the Nigerian economy by bringing to fruition unrealized economic gains.[64]

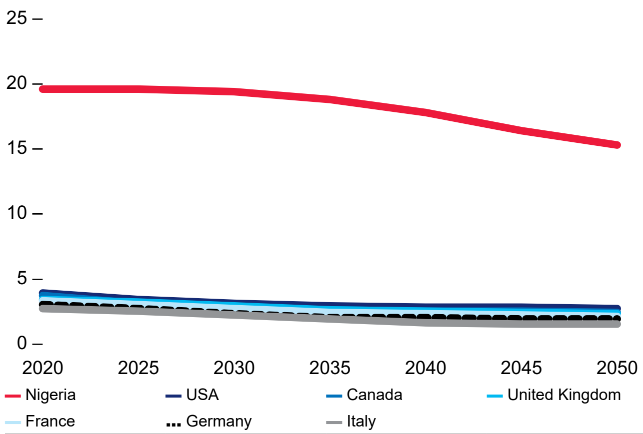
Migrants are key to economic recovery from COVID-19 in many destination countries, who are facing shrinking population and labor shortages in key sectors

In many high-income countries, migrants will continue to plug labor shortages in essential sectors. Many high-income OECD countries are facing a

58 World Bank, World Development Indicators.
59 *Ibid.*
60 See for example, Azizi (2018) using data from 122 developing countries.
61 For example, the IT sector in India and Israel, see Khanna and Morales (2017) and Rosenberg (2018).
62 Cohen et al (2017), Parsons and Vezina (2018).
63 Bahar et al (2018).
64 See for example UCTAD (2018) report on international migration in Africa which states that international migrants contributed about 19 percent of Cote d'Ivoire's GDP in 2008 and 9 percent of South Africa's GDP in 2011.

Figure 3.18. Nigeria has a much higher ratio of working age people to those aged 65 and older than high-income OECD countries.

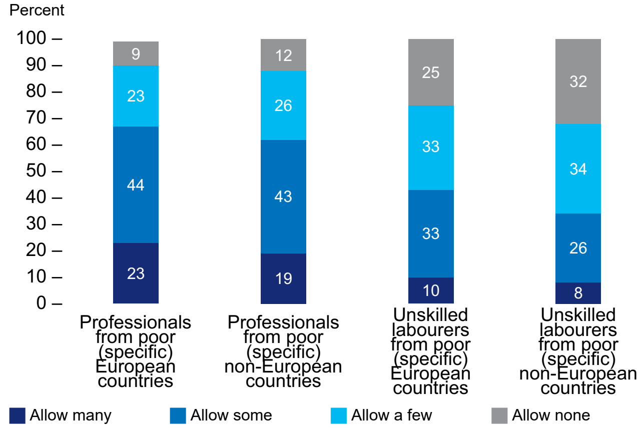
Ratio of working age-population to those aged 65 and older



Source: UNDESA Population Projections and World Bank estimates.

Figure 3.19. Most Europeans favor a degree of immigration, especially for skilled professionals who can plug key skills shortages.

Favorability for skilled and unskilled migration in the EU



Source: European Social Survey and World Bank estimates.

Box 3.2. A number of innovative migration approaches for Nigerians are now in place, led by various European countries in partnership with private companies and international organizations.

Digital Explores, a 21-month project funded by the European Commission through the Mobility Partnership Facility (MPF), is a temporary legal labor migration scheme that employed 50 young ICT specialists from Nigeria in Lithuania. The program objective is to enhance skills and address labor shortages as well as contribute to the growth and development of career advancement in both countries. It is facilitated, on the Nigerian side, by Ventures Platform Foundation and Jobberman (a private recruitment company). Lithuanian companies were interested in tapping the potential of a growing and vibrant pool IT professionals in Nigeria. The program shows great potential for socio-economic impact and Nigeria was considered to have huge potentials for human resources export. The conversation is now moving from brain drain to brain circulation.

Similarly, **IOM MATCH** aims to address existing labor shortages in Belgium, Netherlands, Italy, and Luxembourg in the ICT sector through smart and organized labor migration. This will be done by facilitating matches between highly skilled African talents in Nigeria with employers in the four destination countries through an international private recruitment agency. Selection and screening of candidates will take place in countries of origin with highest recruitment standards and advanced technologies to test for language and technical skills. A shortlist of the best candidates will be sent to employers for final selection. Onboarding and training will initially be conducted remotely in countries of origin until travel restrictions are in place. Selected candidates will then be assisted to relocate to countries of destination for employment opportunities spanning 1–2 years. Nigeria was selected as one of the countries of origin for this partnership because of a booming IT sector.

continuous decline in fertility rates, leading to a reduction in the working age population (15–64) and an increase in the population aged 65 or older (Figure 3.18). This has increased the burden on the social security and healthcare systems and led to economic slowdowns. In 2013, a survey conducted by the European Union found that 39 percent of firms in the European Union (EU) had difficulty finding staff with the right skills.[65] Skills shortages were most pronounced in high- and medium-skilled sectors such as healthcare, ICT, hospitality, construction, and tourism. While prevailing narrative may suggest Europeans being unfavorable to increased levels of migration to the EU, data from opinion polls suggest that the story is more nuanced (Figure 3.19). Majority of the European public are in favor of migration from African countries, as long as it is skilled—skills that plug specific gaps in the European labor market. Sold in this way, there is a strong interest from a number of European member states in engaging on legal migration pathways between Europe and Africa (Box 3.2).

The key role of migrants in the global COVID-19 response further highlights the value they bring to high-income OECD countries and their other host nations. Lessons since the onset of the COVID-19 crisis in many high-income countries suggests that migrants formed a large share of "essential" worker category across the skills spectrum. For example, in the United States, 30 percent of doctors and 27 percent of farm workers were foreign-born.[66] In Australia, 53 percent of doctors and 35 percent of nurses are immigrants.[67] In the EU, more than one in three domestic workers and one in five workers in the food processing industry are migrants.[68] Realizing the key role played by migrants in the crisis response, some countries have already instituted reforms realizing that contributions from migrants will be even more critical during the recovery phase. Portugal granted all migrants and asylum-seekers citizenship rights. In the US, foreign-born healthcare workers were given temporary work permits and skills recognition. Italy went through a process to regularize irregular migrants to enable recovery in critical sectors.

Nigeria has the right policy instruments and institutions in place to take advantage of economic migration, remittances and other opportunities linked to its diaspora, but room for improvement exists

Nigeria has made significant recent improvements to its managed migration framework and continues to draw on the support of stakeholders for policymaking and implementation. These stakeholders (Figure 3.20) have the mandate to facilitate access to international destinations for prospective Nigerian jobseekers; assist migrants in crossing necessary legal and administrative hurdles before departure; support them while in destination countries; help facilitate transfers of skills, technology, and remittances to Nigeria; and coordinate efforts to support migrants in distress as well as upon return to Nigeria. Various technical working groups (TWG) such as the Labor Migration Working Group, and the Migration Working Group offer platforms for stakeholders to come together, discuss issues, and propose actions to improve migration management framework. Similarly, Table 3.1 summarizes key national level policy documents in place to improve the current managed migration framework and reap further returns from migration and diaspora.

Nigeria's labor migration management system continues to gaps that require closing. Most bilateral agreements (BLAs) that Nigeria has entered into recently only concern the return of irregular Nigerian migrants. They are not complemented with BLAs and MOUs that offer legal pathways for Nigerians to gain employment internationally. Even though national policy documents mention engaging with destination countries to assess skills shortages and prepare Nigerian jobseekers to fill those shortages, these strategies are not implemented

65 https://www.cedefop.europa.eu/files/3071_en.pdf
66 Migration Policy Institute (2020).
67 ILO, 2020.
68 VoxEU, 2020.

Figure 3.20. A diverse range of institutions and stakeholders participate in policy-making processes throughout the migration lifecycle.

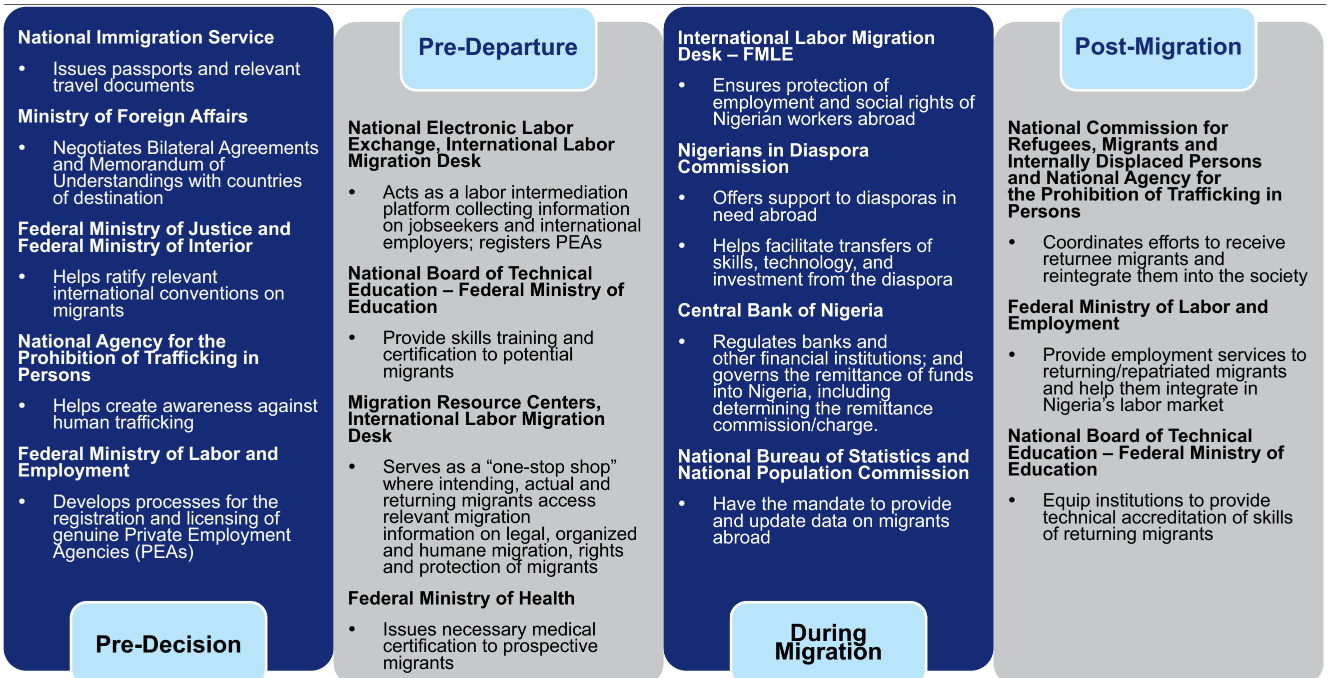


Table 3.1. Estimated impact (percentage drop from expected) of COVID-19 on essential services in Nigeria.

Policy Document	*Recommendations for Improving Migration Management and Diaspora Issues*
National Labor Migration Policy (2014)	• Acknowledges the scant formal structure currently in place to aid prospective Nigerian migrants, and attributes this lack of structure for migrants being poorly informed about the conditions governing entry, work, residence, skills required, cultural issues, and their rights and obligations in destination countries; • Calls for the establishment of an effective, responsive, and dynamic labor migration governance system that includes Bilateral Labor Agreements and MOUs on labor migration that would deter risky and unsafe migration by providing jobseekers with information about regular means of securing visas for work purposes in other parts of the world;
National Migration Policy (2015)	• Calls for mainstreaming of migration in Nigeria's development process through its integration in the National Development Plan; • Outlines several innovative ways for designing programs that attract foreign investments in Nigerian workforce development systems including determining the types of skills that Nigerian workers need in Nigeria and in other countries and by collaborating with the private sector in destination countries in the provision of continuous training of Nigerian workers;
National Policy on Diaspora Matters (2017)	• Proposes initiatives to leverage the economic success of Nigerians in the diaspora and to protect the well-being of Nigerian migrants, including by reducing the cost of remittances, facilitating transfers of technology and knowledge back to Nigeria, improving awareness regarding consular services available to Nigerian migrants, and strengthening relevant institutions for proper coordination and administration on diaspora issues;

in practice. In the same vein, more steps could be taken to support Nigerian migrants in distress as well as harness ideas and investments from the diaspora. Lack of available data on prospective, current, and returning migrants prevents stakeholders from making informed decisions to improve migration management practices.

Policy options

Prioritizing the increase of regular migration alongside reducing irregular migration would generate important positive outcomes for Nigeria, as would steps to improve the transfer of investments and skills from Nigeria's diaspora and its returning migrants. A sound labor migration management framework consists of three *Pillars*: (i) that *Prevents* irregular migration; (ii) that *Promotes* better migration; and (iii) that Provides services to returning migrants and the diaspora.

- **Preventing Irregular Migration:** Since the onset of the migration crisis in Europe in 2016 and 2017, more than 770 million euros have been invested in migration related projects in Nigeria, through the European Trust Fund for Africa (EUTF) project financed by the European Commission.[69] Majority of the financing from EUTF goes towards strengthening border controls, creating anti-trafficking awareness, and for domestic job creation programs.[70] The impact of these programs are largely unknown. Besides measures to tighten border control, identifying and addressing constraints to obtaining gainful wage employment; boosting self-employment opportunities and incomes; strengthening enterprise productivity, growth, and profitability in the domestic economy; as well as providing effective protection against negative shocks could help deter youth from seeking avenues for irregular migration.

- **Promote Better Migration:** Only 0.3 percent of the total EUTF funds invested in Nigeria have been allocated towards creating more legal pathways for Nigerians to migrate internationally. Driven by economic and demographic factors, economic migration will continue to increase from Nigeria in the foreseeable future. On what terms this migration happens (regular/irregular) can somewhat be determined by policy. This requires a concerted push by the Nigerian government to secure more, larger labor migration partnerships with other countries, in order to allow prospective Nigerian jobseekers to be gainfully employed in destination countries. Donor and private sector led efforts are currently underway to build the capacity of Federal Ministry of Labor and Employment (FMLE) which hosts platforms such as the Migrant Resource Center (MRC), which provides pre-departure orientation and training to potential migrants; and the National Electronic Exchange (NELEX) that helps source domestic and international jobs to match domestic and international employers with Nigerian jobseekers. These platforms suffer from lack of financial and technical resources to carry out international labor intermediation and should be strengthened through government and donor efforts. Similarly, prospective migrants could be better informed on steps involved to migrate through regular means and the harms of irregular migration. As an example, the Overseas Worker Welfare Administration in the Philippines provides a comprehensive web platform to disseminate this information.

- **Provide Services to the Returning Migrants and Current Diaspora:** More than 15,000 Nigerians have been repatriated from various countries since 2016. More migrants could return following the onset of the COVID-19 induced economic crisis in destination countries, that has eroded income-earning opportunities. Returning migrants need to be better equipped with information and referral on services available in Nigeria (such as applying for business loan, investing options in Nigeria, getting accredited for skills, searching for jobs, and seeking health and social protection services, among others). Proactive outreach well before and immediately after

69 The Correspondent, *2019*.
70 *Ibid*.

return, intensive follow-up and handholding after the provision of information and referral services, and a formal link to the services offered for preventing irregular migration and promoting better migration could put returning migrants on a sustainable economic path in Nigeria. The Nigerians in Diaspora Commission (NiDCOM) offers a suitable platform for hosting these services. Similarly, current diaspora facing difficulties abroad, could be informed on resources available through diaspora networks, labor attaches, and embassies abroad using the same platform.

Labor migration needs to be mainstreamed in key national policy documents. While key sectoral documents such as the National Labor Migration Policy (2014) and National Employment Policy (2017) offer suitable suggestions to leverage managed migration for providing overseas employment opportunities to Nigerian youth, the issue of migration is absent or less salient in the Economic Growth and Recovery Plan (2017–2020). With Nigeria receiving more than US$ 25 billion in remittances in 2019, the absence of migration as a mainstream development tool to provide jobs to the bulging youth population is perplexing. The drafting of the new EGRP provides a good opportunity for labor migration to be mainstreamed as one of the key strategies to generate employment for Nigerian jobseekers.

Mapping of skills shortages at home and abroad could incentivize demand-driven skills development in Nigeria. The private sector in Nigeria is currently unable to absorb all of the growing number of educated youths entering the labor force. The tertiary education system is likely exacerbating this challenge as it is unable to align its curriculum to meet the global demand for a skilled workforce. As such, the Federal Ministry of Labor and Employment (FMLE) can carry out a comprehensive assessment of skills shortages in key destination markets to understand the projected labor demand in these countries. The domestic skills development system, overseen by the National Board of Technical Education (NBTE), can partner with the FMLE, and involve international recruiters and domestic private sector, to design vocational training courses that are based on projected shortages in key sectors and are relevant for both Nigeria and destination markets.

Harnessing better migration data would greatly assist policymaking. Lack of regular, disaggregated data on international migrants, across the spectrum, is a major blind spot in migration-related policymaking in Nigeria. Data to understand stock and flows of Nigerians residing in other countries remains incomplete and fragmented. Basic administrative data on migrant outflows and inflows cannot be accessed through the government's web platforms. The education and job market profile of prospective and returning Nigerian migrants is not collected in representative household surveys. Very little is known about migrants that irregularly cross (or attempt to cross) Nigerian borders in a bid to reach European countries, beyond some available data for those who manage to reach European shores. Even then, data on the income profile of households before migration, costs of migration, or the role of smugglers/ networks in facilitating such journeys is unavailable. Similarly, despite a large share of Nigerian migrants residing within countries in sub-Saharan Africa, the status of intra-African Nigerian migrants in terms of nature (temporary, circular, or long-term) or motive (business, education, or transit) of migration is hard to assess.

Working with ECOWAS, Nigeria can help set up a regional labor migration agency that would allow talented African professionals to find work in West Africa and further afield. Among the benefits that such a regional agency could bring are: enabling systematic and safe intra-regional labor mobility through managed migration approaches; facilitating labor intermediation and the certification of skills training and recognition at a regional level; offering social protection services, such as insurance and portability of benefits to migrants; and, facilitating bilateral agreements with countries outside Africa.

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Nigeria: Key Economic Indicators

Economy	*2015*	*2016*	*2017*	*2018*	*2019*	*2020f*
Real GDP Growth (percent yoy)	**2.7**	**-1.6**	**0.8**	**1.9**	**2.2**	**-4.1**
Nominal GDP (Naira tr)	95	103	115	129	146	153
Oil Production (mb/d)	2.1	1.8	1.9	1.9	2.0	1.8
Oil Price (Bonny light, US$/bbl)	54	45	55	72	65	42
Inflation (percent average)	9.0	15.6	16.5	12.1	11.4	12.9

Real sectoral growth (percent yoy)	*2015*	*2016*	*2017*	*2018*	*2019*	*2020f*
Real GDP Growth	2.7	-1.6	0.8	1.9	2.2	-4.1
Agriculture	3.7	4.1	3.4	2.1	2.4	1.2
Industries	-2.2	-8.9	2.1	1.9	2.3	-10.6
Industry-Oil	-5.4	-14.4	4.7	1.0	4.6	-9.5
Industry-NonOil	0.1	-5.0	0.6	2.4	0.9	-11.3
Services	4.8	-0.8	-0.9	1.8	2.2	-4.0
Oil GDP	-5.4	-14.4	4.7	1.0	4.6	-9.5
Non-Oil GDP	3.7	-0.2	0.5	2.0	2.1	-3.2

GDP Composition (percent)	*2015*	*2016*	*2017*	*2018*	*2019*	*2020f*
Total GDP	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture	20.9	21.2	21.1	21.4	22.1	23.5
Industries	20.4	18.4	22.5	26.0	27.7	23.7
Industry-Oil	6.4	5.3	9.1	10.5	8.6	6.0
Industry-NonOil	14.0	13.1	13.4	15.5	19.1	17.7
Services	58.8	60.4	56.4	52.6	50.2	52.8
Oil GDP	6.4	5.3	9.1	10.5	8.6	6.0
Non-Oil GDP	93.6	94.7	90.9	89.5	91.4	94.0

Source: Nigerian authorities and World Bank calculations.

Monetary and Financial Sector (percent yoy, end of period, unless indicated otherwise)	*2015*	*2016*	*2017*	*2018*	*2019*	*2020f*
Money Supply (M2)	-2.9	11.8	-5.4	5.5	5.0	…
Narrow Money	1.1	21.7	-10.3	-4.4	-7.0	…
Net Foreign Assets	-24.0	41.5	45.3	22.4	-22.8	…
Net Domestic Credit	6.2	23.5	-1.9	0.6	28.8	…
Credit to Government	53.6	23.8	-9.9	-18.1	87.0	…
Credit to Private Sector	3.2	23.5	1.4	1.9	17.6	…
Monetary policy parameters:						
Monetary Policy Rate (absolute rate, end of period)	11.0	14.0	14.0	14.0	13.5	…
Liquidity Ratio (absolute rate, end of period)	30.0	30.0	30.0	30.0	30.0	…
Cash Reserve Requirement (absolute rate, end of period)	20.0	22.5	22.5	22.5	22.5	…

Financial Market Indicators (end of period)						
Stock Market (NSE) Index	28,642	26,875	38,243	31,431	26,842	…
Fitch Sovereign Long Term Foreign Debt Rating	BB-	B+	B+	B+	B+	…
Moody's Sovereign Long Term Foreign Debt Rating	Ba3	B1	B2	B2	B2	…
S&P Sovereign Long Term Foreign Debt Rating	B+	B	B	B	B	…

External Sector	*2015*	*2016*	*2017*	*2018*	*2019*	*2020f*
Exchange rate - official (₦/US$, end of period)	197	305	306	307	307	…
Exchange rate - parallel (₦/US$, end of period)	267	490	363	363	362	…
Real effective exchange rate index (end of period)	67	86	99	87	79	…
Current Account Balance (percentage GDP)	-3.2	0.7	2.8	1.0	-3.8	-1.8
Current Account Balance (US$ bn)	-15.4	2.7	10.4	3.9	-17.0	-7.0
Exports of Goods and Services (US$ bn)	49.0	38.4	50.8	66.0	69.9	42.3
o/w oil and gas exports (US$ bn)	42.4	32.0	42.3	56.6	54.5	32.2
Imports of Goods and Services (US$ bn)	71.9	47.0	50.9	71.6	100.8	64.1
Net Income (US$ bn)	-12.7	-8.6	-11.5	-14.7	-12.5	-5.4
Net transfers (including remittances) (US$ bn)	20.2	19.9	22.0	24.1	26.4	20.2
Net Direct Investment (US$ bn)	1.6	3.1	2.2	0.6	1.8	1.2
Net Portfolio Investment (US$ bn)	0.9	1.7	3.7	-7.2	9.0	-8.1
Net Other Investment (US$ bn)	-9.2	-4.9	-5.2	-9.7	0.3	-6.3
External Reserves (US$ bn, end of period)	29.1	25.8	38.8	43.1	38.6	26.8
Equivalent months of imports of G&S	4.8	6.6	9.1	7.2	4.6	5.0

Source: Nigerian authorities and World Bank calculations.

Nigeria: General Government Fiscal Summary - preliminary						
Actual (percentage GDP)	*2015*	*2016*	*2017*	*2018*	*2019*	*2020f*
Total revenues	**7.5**	**5.9**	**6.7**	**8.1**	**8.2**	**6.4**
Federally collected	6.4	4.8	5.4	6.6	5.9	4.5
Oil and gas revenues	3.2	1.6	2.3	3.6	3.0	2.1
Non-oil revenues and other revenues	3.2	3.1	3.1	3.0	2.9	2.4
Independent and other revenues	1.1	1.2	1.3	1.5	2.3	1.9
Total expenditure	**10.7**	**9.7**	**10.7**	**12.3**	**12.7**	**12.2**
Overall balance (general government)	**-3.2**	**-3.8**	**-4.0**	**-4.2**	**-4.6**	**-5.8**
Public Debt (net)	**14.2**	**17.3**	**18.9**	**19.3**	**21.7**	**27.1**

Source: Nigerian authorities and World Bank calculations.
Notes: /1 After budgeted and discretionary deductions, but before derivation. /2 Includes Solid Minerals, NLNG Dividend, and Signature Bonus; exchange rate difference, excess petroleum profit tax.

Nigeria: Federal Government Fiscal Accounts - preliminary						
Actual (percentage GDP)	*2015*	*2016*	*2017*	*2018*	*2019*	*2020f*
Total Revenue	**2.7**	**2.0**	**2.4**	**3.0**	**3.2**	**2.4**
Share of federally collected revenues	2.5	1.7	2.0	2.5	2.4	1.7
Oil, Gas and Mineral Revenue (incl. signature bonus)	1.5	0.7	1.0	1.5	1.4	1.0
Non-Oil Revenue	1.0	1.0	1.0	1.0	0.9	0.7
FG Independent revenues and grants	0.3	0.3	0.4	0.6	0.9	0.8
Total Expenditure	**5.0**	**4.7**	**5.7**	**6.3**	**6.8**	**6.8**
Recurrent Expenditure	4.4	3.9	4.4	4.8	5.1	5.6
Personnel Cost (including Pensions)	2.2	1.8	1.8	1.8	1.8	2.2
Overhead Cost	0.1	0.1	0.2	0.1	0.2	0.2
Other recurrent (incl. COVID-19 intervention and power sector)	na	0.7	1.1	1.2	1.5	1.5
Interest payments	1.1	1.2	1.4	1.7	1.7	1.7
Capital Expenditure (incl. COVID-19 intervention)	0.6	0.7	1.2	1.5	1.7	1.3
Overall Fiscal Balance	**-2.2**	**-2.7**	**-3.3**	**-3.2**	**-3.6**	**-4.4**

Source: Nigerian authorities and World Bank calculations.
Notes: The reported revenue and fiscal balance figures differ from the published Federal Government budget figures as the World Bank excludes the non-revenue items under international classification. Total expenditure for some years differs from the Federal Government reports as the World Bank excludes debt amortization payments from expenditure. Figures exclude government-owned enterprises and donor funding. /1 Includes other extractives revenues. /2 The actual capital spending reported for the calendar year. /3 Other Outflows include irregular items.

Nigeria Development Update
December 2020

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Another Day Another Tale
*by **Millicent Osumuo***

Millicent Osumuo, a native from Anambra State, Nigeria, is a contemporary artist and entrepreneur. She started drawing and painting at an early age, and studied art at the Department of Fine and Industrial Art of the University of Uyo, where she earned BA Honours in Painting. Throughout her work, Millicent has driven conversations on topics such as the state of the woman in modern society, the meaning of community, and the environment. Her approach contemplates the individual in themselves and in their surroundings, allowing her room to skilfully convey multiple themes. She is currently researching the human experience in the context of poverty and development and is personally developing initiatives that allow her art to contribute to the mental growth of the underserved and unreached in society. To convey her messages, Millicent delivers fine art pieces across the spectrum from natural to abstract and employs bold strokes with a generous application of colors to imbue her work with character and emotional wealth.

People forge ideas, people mold dreams, and people create art. To connect local artists to a broader audience, the cover of this report and following editions will feature art from Nigeria.