

(Research/Review)

Nigeria's Covid Response Perspective: The Political Difficulties With Covid 19 In 2019 General Rising

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Abstract. The research paper Examining the leadership of the Office of the Accountant General of the Federation (OAGF), it is evident that the country is in trouble and need a leader capable of bringing out the best in Nigerian supporters and guiding the country toward stability. The next logical step after gathering data is research analysis. Both the main data gathered from the in-person interviews and the data already available from public sources spanning the 50-year study period were analyzed using the constant comparative approach (Merriam, 2019). This clarified the qualitative case study technique utilized in the research design, which examined the influence of leadership on the governance of infrastructure development in Nigeria between 1960 and 2020. This leader needs to be dependable, emotionally knowledgeable, firm, prepared to endure hardships for the country, committed to bridging ethnic divides, and able to instill hope in the populace. leader must be able to process a variety of information and find effective solutions to challenging issues. This essay embraces the idea that leadership entails a leader or leaders, followers, and a social influence process. This viewpoint is influenced by clinical psychology socio-emotional intelligence and social psychology concepts of social influence; as a result, leadership for Nigeria will be examined from these angles.

Keywords: Covid-19 Response, Political Challenges, Nigeria.

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1. OVERVIEW

For many years, efforts have been made to comprehend leadership and its elements. Studies in the 1980s concentrated on examining and understanding the implementation of leadership structures in various situations as well as the analysis of contingency models. In the 1990s, there was a change in perspective regarding the components of leadership, including charisma, transformational qualities, vision, leadership ethics, and drive. There was a shift in the late 1990s toward the study of followership principles and team, strategic, and global leadership. Twenty years later, with a wealth of leadership research, we have a greater knowledge of what leadership is, how to assess it, what constitutes ethical and immoral behavior, contextual factors, and how people perceive leadership in a variety of settings. Diverse academics have voiced different opinions regarding leadership. "A social influence process that can occur at the individual, dyadic, group, or strategic level, where it can be shared within a top management team," is how Sulaiman (2017) defines leadership. Katz and Kahn (2018) supported a definition of leadership that includes incremental influence above and beyond what is necessary to be consistent with the norm. an organization's directive. In a summary of earlier definitions of leadership, Bryman (2019) proposed that social influence—the ability to inspire or encourage others in a group to achieve particular goals and objectives—is the defining characteristic of leadership. According to a different definition, leadership is the idea that is achieved through a process in which one or more people are able to effectively define or frame the reality of other people. Sulaiman (2023). This essay embraces the idea that leadership entails a leader or leaders, followers, and a social influence process. Social psychology's social influence and clinical psychology's socio-emotional intelligence have an impact on this viewpoint. It is important to realize that a leader needs to be able to use their influence to inspire others to fulfill the particular objectives of the organization Ajiteru (2023).

2. Context

On February 2, 2020, the first new coronavirus case in Africa was documented in Egypt. The World Health Organization (WHO) reported that there were 1,175,271 COVID-19 cases in the Africa region as of September 30, 2020, with 164,343 active cases, 25,825 deaths, and 985,103 recoveries. According to Azizi (2018), four of the six African nations with the highest case counts—South Africa (672,572), Nigeria (58,647), Ghana (46,482), and Kenya (38,378)—are Commonwealth nations. Early on in the virus's transmission, when infection and mortality rates in Africa were lower than in Europe, North America, and eventually Latin America, sub-Saharan nations like Benin, Burundi, Cameroon, Guinea, and Mali made the decision to go ahead of the planned elections. Although nations like Benin took inspiration from South Korea's and Germany's achievements to implement robust precautions to lower the danger of disease transmission, these elections were held without a complete understanding of the virus. However, other nations went into lockdown in reaction to the pandemic, which made it challenging to plan elections (Sulaiman, 2024).

Now that the world is coming out of lockdown, nations are attempting to control the illness as they progressively reopen. Many African nations lack the infrastructure and resources necessary to implement some of the policies that have been implemented in other areas. Thus, this discussion paper summarizes the latest insights from African Commonwealth nations that operate with constrained resources in order to assist EMBs that are either in the planning stages of elections or have not yet held elections.

Salis, E. (2017) states that this is the second in a series of briefing papers on Commonwealth Elections and COVID-19. The first provides a pan-Commonwealth viewpoint and lists the important election principles and international norms that need to be taken into account when addressing the pandemic. This paper is structured as follows: Section two gives a calendar of impending elections in Commonwealth Africa and underlines persistent issues with election management in Africa prior to the start of the COVID-19 epidemic. M.A. Clemens (2014). Important aspects of the preelection phase are covered in the following six parts, including:

- a. Addressing concerns about greater funding for elections due to COVID-19;
- b. Modifications to the constitutional and legal foundations to react to the medical crisis;
- c. Adjusting to operational difficulties in order to conduct credible elections;
- d. Overseeing the procedures for voter registration;
- e. Coordinating and working together with state agencies to ensure the effectiveness of operations; and
- f. Coordinating communications and involving stakeholders to guarantee that modifications to election programming are implemented successfully.

Voting Day concerns, election results management, innovations, and election-related lawsuit adjudication are covered in the penultimate section. The article concludes with some last thoughts regarding ethical election procedures in light of the pandemic. Ajiteru (2018).

In addition to webinars, interviews with senior EMB officials in Commonwealth Africa, articles on elections and COVID-19, and official documents detailing regulations and policy, the paper also draws on survey data gathered by the Commonwealth Secretariat from EMBs throughout the Commonwealth for the previous issue of the series (Sulaiman, 2019).

Nigeria's GDP is expected to shrink by roughly 4% in 2020, grow by 1.1 percent in 2021, and then gradually recover towards the estimated population growth rate of 2.6 percent in our baseline scenario, which assumes additional macroeconomic reforms and a gradual recovery in oil prices. C. Malloy (2017). Better full-time jobs will be harder to find and per-capita incomes will continue to decline if the rate of economic growth stays below the rate of population growth. Highlights of the COVID-19 crisis' effects on Nigeria's economy are shown below. Abalaka (2024).

Oil and government revenue: More than 80% of Nigeria's exports, 30% of bank credit, and almost 50% of the country's total government revenue come from the oil industry. Furthermore, the nonoil the economic activity and tax income produced by the oil industry are crucial to the industrial and service sectors. Therefore, economic activity, employment, government income, investment, and credit growth—all of which have been impacted by the

pandemic—are directly impacted by the performance of the oil industry. Significantly, it is anticipated that consolidated government revenues will decline by at least US\$10 billion in 2020 (more than 2 percent of GDP), at a time when fiscal resources are desperately 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 millions of urban dwellers who rely on the informal economy and the over 80 million Nigerians living in extreme poverty (Sulaiman, 2024).

i. Remittances: About 5% of Nigeria's GDP in 2019 came from remittances, which are received by half of the country's households. The majority of Nigeria's diaspora lives in North America and Europe, where salaries have decreased, unemployment is on the rise, and remittances have decreased, which has reduced aggregate demand and slowed consumption.

ii. Capital flows: Foreign portfolio investments, which until recently served as Nigeria's primary source of funding for its balance of payments, have decreased as a result of increased risk aversion among international investors. In an effort to find safer investment opportunities, several investors moved their money out of Nigeria, placing pressure on the country's exchange rates and foreign reserves.

iii. Mobility constraints: While public health initiatives helped curb the development of COVID-19, consumer caution and mobility restrictions had a negative impact on employment and lower work income for the household.

iv. Prices: Due to insecurity in the north, conflicts between farmers and herders in the central belt, and Nigeria's closing of its land borders since August 2019, rising food prices were already driving inflation before COVID-19. Inflation was then further exacerbated by pandemic-related disruptions in value chains and production processes.

v. Jobs: As a result of workers turning to riskier, less productive economic endeavors, indicators of economic precarity have increased. According to information gathered by the National Bureau of Statistics (NBS) from a high-frequency household telephone survey of a sample of household heads, between March and August, jobless people moved to Nigeria's agriculture industry, which has historically been the country's last-resort employer. Even though employment has now increased, in Nigeria, household food insecurity has dramatically grown, and many households have reported income decreases to levels close to pre-pandemic levels, which is consistent with indications of growing economic precarity.

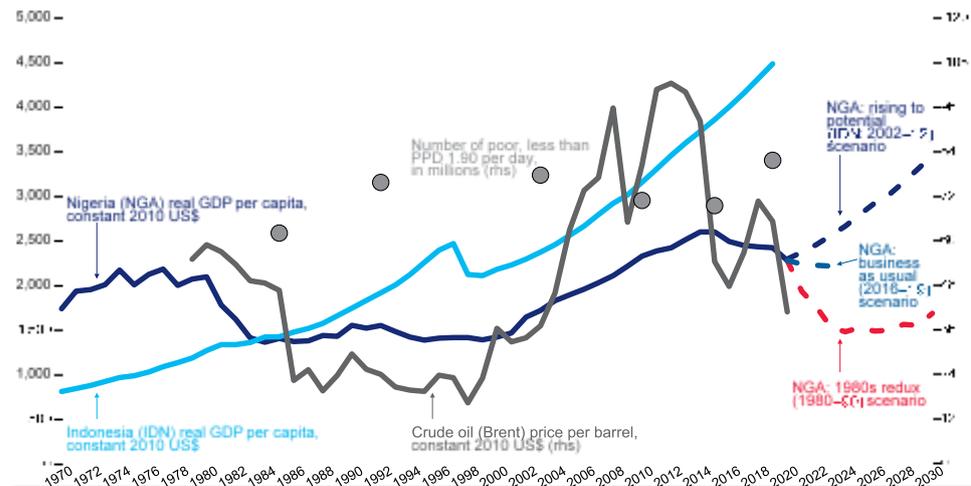
vi. Poverty: By 2022, there will probably be 15–20 million more people living in extreme poverty, according to projections. If the global economic recovery is weaker or takes longer than anticipated, and if Nigeria does not implement the necessary fiscal and policy changes to create room for a swift recovery led by the private sector, the human and financial consequences will be greater.

2. Historical Context

2. 1. Nigeria is at a pivotal point in its history.

Although the exact end date of the pandemic is yet unknown, it is certain that Nigeria confronts an exceptional problem that calls for an equally unusual response from policymakers. Even under normal conditions, it would be difficult to achieve the government's goal of removing 100 million Nigerians from poverty by 2030. Due to the severity of the economic downturn and the reduction in budgetary resources, the mission has become much more urgent and harder since the start of the COVID-19 crisis (Abalaka, 2024).

Growth projections help illustrate this point Gallup (2018). 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

Figure O.1. Nigeria is at a critical historical juncture, with a choice to make.**Historical and potential trajectories of per capita GDP, oil prices, and number of poor**
left axis

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.

Gallup (2018) uses growth projections to demonstrate this argument. According to our baseline assumption, Nigeria's GDP per capita should resemble that of 2010 by 2023. Accordingly, Nigeria's per capita income would decline by 14 years. In comparison, other nations are predicted to lose about seven years if we compare Nigeria to the global average for middle-income economies. To put it another way, Nigeria is predicted to bear twice as much of the financial burden of COVID-19 as all other nations. That's not all, though. Indeed, after accounting for inflation, we see that, for Nigeria, going back to 2010 is the same as going back to the 1980s due to the country's unequal and erratic growth (Ajiteru, 2024).

2.2 The crisis has acted as a wake-up call, and Nigeria has implemented long-overdue changes to improve economic resilience since April.

Despite strong resistance, the government has taken the following actions:

- Balance its two primary exchange rates, guaranteeing the influx of billions more naira into the federation's account.
- Remove subsidies and implement a market-based gasoline pricing system,
- Raise the cost-reflectiveness of electricity rates.
- Reduce unnecessary spending and allocate funds to the COVID-19 response (federal and state), and
- Make its debt and oil and gas industry more transparent.

2.3 Nigeria must make a decision because there is still a lot of work to be done. Unprecedented times call for unprecedented actions, hence it is crucial that Nigeria's changes are continuing at a steady pace and getting deeper. Economic development will continue to lag behind population growth, per capita GDP will continue to decline, the number of impoverished will continue to climb, and Nigeria's ambitions will not be fulfilled even if oil prices rebound and things return to normal. On the other hand, Nigeria may realize its full potential and move closer to rescuing 100 million Nigerians from poverty in the coming years if it can maintain the pace of these reforms (Abalaka, 2024).

2.4 Nigeria's growth prospects will suffer if reforms are not advanced and existing measures are not strengthened. It will be harmful to slow down or stop the existing rate of reform implementation fulfill Nigeria's development objectives. The GDP growth rate would hardly recover in 2021 and would only reach 0.3 percent in a negative scenario where oil prices progressively recover but reforms stagnate. This would occur in the midst of high inflation, sluggish job creation, and rising levels of poverty and inequality, according to Gallup (2019). Nigeria's recession would continue until 2022 in a high-risk scenario characterized by a negative global environment and inaction on the part of macroeconomic authorities. In

such a situation, public investment levels would decline, service delivery would degrade, and disparities in physical and human resources would deepen. When taken as a whole, these factors may make social conflicts worse. The financial industry, which has already been damaged by a 14% increase in nonperforming loans (NPLs), would be further burdened by a longer recession. In the first half of 2020, more than 33 percent of loans in the banking sector required restructuring (Ajiteru, 2018).

2.5 In order to both lessen the effects of COVID-19 and promote a robust, sustainable, and inclusive recovery, this edition of the Nigeria Development Update evaluates the newly enacted reforms and suggests potential policy choices. It will be necessary to conduct carefully planned reforms in the short and medium term in order to manage the current crisis while fortifying the institutional and policy framework. Five pillars would serve as the foundation for strong mitigation and recovery plans (Figure O.2):

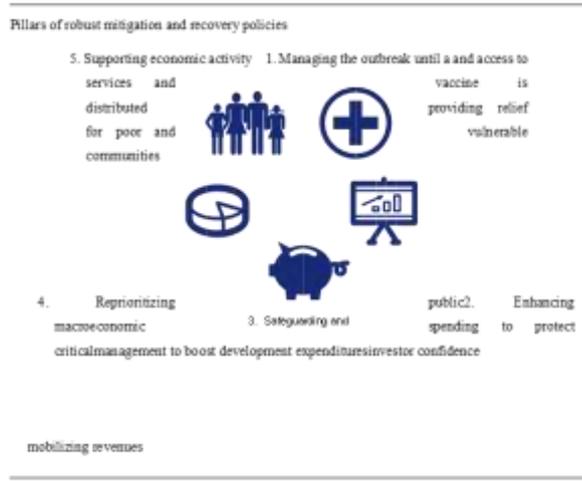
1. Controlling the domestic COVID-19 outbreak until a vaccine is made available;
2. Improving macroeconomic control to increase investor trust;
3. Preserving and generating income;
4. Rearranging public spending priorities to safeguard important development expenditures; and promoting business ventures and providing access to services and provide assistance to underprivileged and disadvantaged areas.

2.6 Eight crucial short-term policy alternatives have been identified by our analysis within these pillars. Nigeria's growth prospects are anticipated to be significantly impacted by these initiatives, which will also lessen the disproportionate income loss experienced by vulnerable and impoverished households:

- a. By letting the currency rate follow market realities, reserves will be preserved, the value of external funding in naira would rise, and dollar-

Figure O.2. To strengthen the reform agenda and create the groundwork for a strong, inclusive, and long-lasting recovery, Nigerian authorities can build on recent initiatives.

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.



Source: world Bank.
denominated revenue proceeds, and help boost investor confidence and reduce inflation.

- b. Land boundaries being reopened and foreign-exchange controls to boost the supply of food and other necessities while reducing inflationary pressures.
- c. Generating tax income in a manner that doesn't hinder growth and investment, including by reviewing tax breaks, excise taxes, and initiatives to improve tax administration.
- d. Make sure there is a clear separation between public borrowing and liquidity management, and strengthen the management of monetary policy toward the main goal of price stability with more transparent targets and liquidity management mechanisms (e.g., by reducing the use of discretionary Cash Reserve Ratio).
- e. Maintaining reforms in the power industry, such as making electricity rates cost-reflective from 80 to 100 percent and enacting laws to prevent arbitrary estimated billing, speed up mass metering, and enforce distribution payment discipline businesses, all with the goal of enhancing the industry's financial viability while making sure that low-income customers are not negatively impacted by rises in average tariffs.
- f. Publishing comprehensive rules for the market-based gasoline price adjustment mechanism that was approved in March 2020 in order to consolidate the reform of gasoline subsidies.
- j. Increasing the availability of healthcare and other vital services for the underprivileged and needy, as well as the reach of social safety nets, which include targeted cash transfers and livelihoods grants for households.
- h. Distributing seeds and fertilizer, offering agricultural extension services, using block grants to buy assets and equipment, improving market sanitary infrastructure, and increasing access to equipment for small-scale processing and packaging in order to reduce food insecurity for low-income rural households.

3. Spotlights: Managing Labor Migration and Closing Gender Gaps

3.1 Bridging gender gaps to create development opportunities in Nigeria.

Growth and inclusive development are constrained by gender differences in economic opportunities and incomes. According to data from the Nigerian household survey conducted in 2018–19, women are paid much less than males for carrying out the same economic tasks (Info Migrants, 2019). For instance, female entrepreneurs make 66 percent less money, women in salaried employment make 22 percent less money, and female plot managers produce 30 percent less per hectare than their male colleagues. Additional examination of the household survey data identifies seven major barriers that may be causing women to earn less money, such as selecting low-value crops, having fewer access to agricultural supplies, and having less Closing gender gaps in key economic sectors could yield between US\$9.3 and US\$22.9 billion in additional GDP in Nigeria Abalaka, (2018). 3.2 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, but economic and demographic pressures will continue to drive international migration over the medium term. These constraints—productive labor for women farmers; low levels of growth capital and subordinate position in the value chain for women entrepreneurs; and multiple non-work pressures on women's time Morales, N. (2017).

3.2 Leveraging the economic potential of young Nigerians:

The argument for increased and better-managed labor migration from Nigeria abroad. International migration, especially migration from Nigeria, has decreased as a result of COVID-19-related travel restrictions and border closures. Over the long term, however, demographic and economic forces will still be the main drivers of international migration. Nigeria stands to gain from both developing new migration corridors and maximizing the returns from already-existing ones, given the overwhelming evidence of the economic benefits of economic mobility in a global setting. Creating fresh, secure, and well-organized avenues for foreign labor migration could help Nigeria's economy recover and unlock untapped potential. Ajiteru (2024).

4. Economic Growth: A Recession has Developed in Nigeria

4.1. Nearly a year later, Nigeria's economy is still suffering greatly from the COVID-19 economic shock.

In the wake of the COVID-19 pandemic and the ensuing containment measures, as well as the subsequent global oil price shock, Nigeria's economy contracted by 6.1 percent in the second quarter of 2020 and 3.1 percent in the third quarter, for a total contraction of 2.5 percent over the first three quarters of 2020. Nigeria has had to contend with a plethora of intimidating external circumstances, just like practically every other nation in the globe. Anderson, J. (2018). First among these is the decline in oil exports due to a number of factors, including decreased international demand brought on by the global recession. Investors in private companies have also becoming more cautious, which causes investment growth rates to decline. Additionally, consumption has decreased as a result of the pandemic's negative effects on government revenue and private employment, which have severely reduced people's disposable income. The performance statistic for the second quarter illustrates the extent of the impact. When adjusted seasonally, never before has Nigeria seen a quarterly decline of such size (Figure 1.1). Nigeria is in a severe recession, according to third-quarter statistics. According to the section on Work and COVID-19 in Nigeria, 67% of Nigerian households reported a drop in income as a result of the recession. Lockdown measures have been difficult to maintain in Nigeria, as in other nations in the region with high levels of informality, and the COVID-19 knock-on effects have disproportionately affected Nigeria's poorest and most vulnerable communities Taylor, J.E. (1996).

a. Agriculture grew by 1.7 percent in Q1–Q3 2020, less than the 2.4 percent growth in the same period in 2019. The production of domestically consumed grains like rice, corn, and millets, as well as other produce like 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 return to work in July and August. However, other sub-sectors have performed poorly; a recent survey found that livestock sales have been particularly affected.

b. Between Q1 and Q3, 2020, the oil industry shrank by 6.5 percent. Crude oil sales have a significant impact on Nigeria's economy. Even though it only accounts for roughly 10% of the GDP, the oil sector generates over 80% of exports and about 50% of all foreign exchange. Through sectoral complementarity, its performance directly affects the generation of income and jobs in linked industries. Through primarily an income effect, it also affects unrelated sectors. Both the public and private sectors have seen a decline in revenue as a result of decreasing oil prices and production. Consequently, this has sped up the fall in investment, credit expansion, and services output.

c. In Q1–Q3 2020, the non-oil sector, which includes manufacturing and construction, fell by 4.6%.

According to Figure 1.3, lockdown measures caused a contraction in all sub-industries (apart from pharmaceutical products, motor vehicles, and water supply) and a subsequent contraction in domestic demand, which stopped industrial output between March and May. As a result, the non-oil industry, which includes manufacturing and construction, fell by 4.6 percent in Q1–Q3 2020. There was a 0.3 percent reduction in GDP growth for each week that the non-oil sector was totally shut down. The majority of the subindustries saw decreased demand and excess stocks after industrial activity could resume, which resulted in poorer utilization of installed.

Figure 1.1. Nigeria's quarterly GDP decline in the second quarter is the worst ever recorded. 2020 contraction. **Figure 1.2. Services chiefly responsible for Q1–Q3 2020 contraction.**

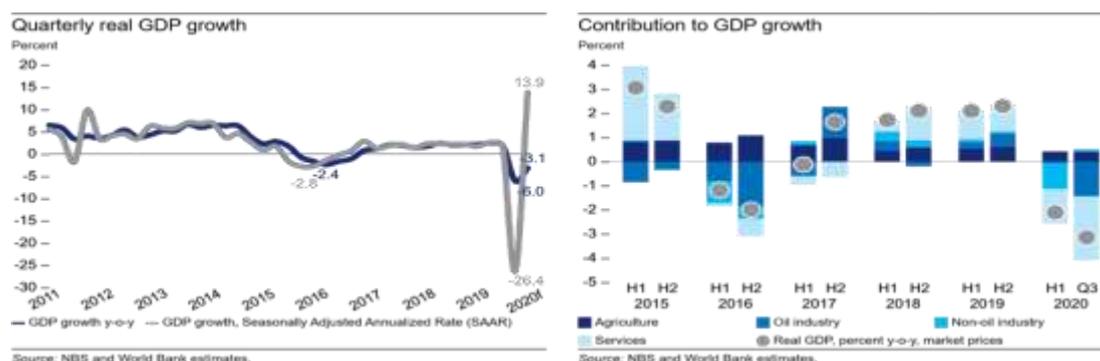


Figure 1.3: Government-imposed lockdown measures effectively decreased mobility.

capacity and output levels below those recorded • The second and third quarters of 2019 saw a 3.6 percent drop-in services from Q1 to Q3 2020. However, this number obscures important differences between the only subsector that saw a considerable recovery: construction. In the third quarter of 2020, information and communication services increased by 12.5% as a result of increased data and broadcasting service usage, as both industries profited from the government-imposed curfews. The increase of credit to the private sector as a result of the financing boost spearheaded by the Central Bank of Nigeria drove the 14.7% growth in financial services. Health services expanded by 1.9% as a result of increased demand because of COVID-19. All other services, however, had declines of 10.9 percent in real estate, 18.9 percent in lodging and food services, 28.0 percent in transportation and storage, and 10.5 percent in trade. These industries provide for a significant portion of employment, primarily in urban and informal settings, and were negatively impacted by the government's lockdown measures. 2019's National Bureau of Statistics.

4.2 When COVID-19 struck, Nigeria's economy was at risk.

The economy was still recovering from the 2016 recession prior to the pandemic, and Nigeria's business climate had gotten worse because of the country's numerous foreign exchange rates, trade restrictions, and the Central Bank of Nigeria's (CBN) financing of the public deficit. These issues were on top of long-standing development issues like low public revenues, slow buildup of human capital, deficiencies in infrastructure, and ineffective governance.

5. In response to COVID-19, the government acted swiftly and boldly, implementing significant reforms to enhance the business climate and boost economic resilience.

In Nigeria, crisis-related reforms are not unusual; in recent years, low oil prices and measures that support business have generally gone hand in hand. But this time, the authorities saw a chance to deal with a number of long-standing problems. For example, the removal of the pump price cap and the establishment of a market-based mechanism allowed prices to fluctuate and hit a record price in November. Additionally, changes are being made to electricity rates. Furthermore, by unifying important exchange rates, the administration accomplished a significant milestone (Vézina, P.J. 2018). Additionally, it published audited financial statements for the Nigerian National Petroleum Corporation (NNPC), Africa's largest oil company, marking a significant advancement in oil sector transparency. According to Abalaka (2018), this is the first time NNPC has done this since its founding.

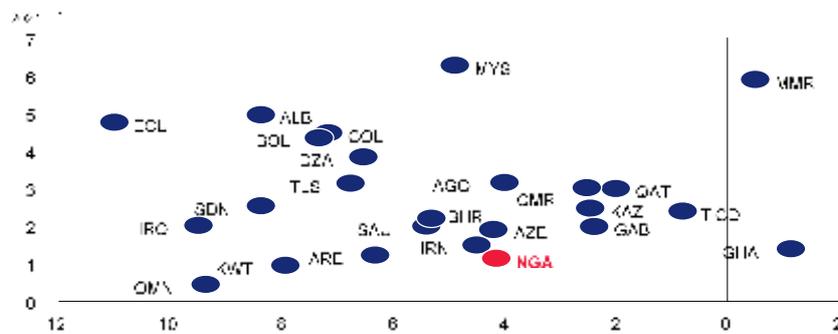
5.1 While total predicted growth is still negative, high-frequency signs point to a slowing of the decrease in the second half of the year. Economic activity is still underperforming, although it is gradually improving in the second half of the year, according to high-frequency indicators that are highly connected with GDP growth (Figure 1.4). Even though the fourth quarter of 2020 GDP growth is predicted to be negative, this could point to a little reduction in comparison to the second and third quarters of 2020. The Index of Nigerian Purchasing Managers the private sector considers the PMI to be a leading signal of a possible recovery in the second half of the year. The recovery has been gradual and limited to the manufacturing sector, even though in November it entered positive territory and the gap closed in comparison to the second quarter. Furthermore, a high degree of uncertainty and risk aversion among consumers and businesses as revealed

by the Central Bank of Nigeria's Q3 Consumer Expectations Survey and the October Business Expectation Survey Report. The majority of businesses still have a negative outlook on the economy, especially when it comes to credit availability. However, the majority of customers indicate they will hold off before putting money into or buying durable goods this year or the following year, Abalaka (2024).

5.2 In 2020, the Nigerian economy is predicted to contract by roughly 4%. It is anticipated that all sectors would contribute to this outcome, although services will account for half of the 6.4 percentage points of GDP decline over this time, making up the greatest portion of the gap between GDP growth in 2019 and 2020. The Organization of Petroleum Exporting Countries (OPEC) has tightened its production ceiling on Nigeria as a result of the low oil price. Oil production is predicted to stay low and average 1.8 million barrels per day, which is less than the average of 1.9 million barrels per day seen between 2016 and 2019 (Lacizko, F. 2019). Consequently, decreased exports account for a notable anticipated drop in GDP, which shows Nigeria's reliance on the oil sector, is followed by both public and private consumption. Even if imports, public consumption, and private consumption were immune to the pandemic's effects, the drop in exports would still cause GDP growth to fall below -4.1 percent (Figure 1.6). Ajiteru (2024).

Figure 1.2: According to a "heat map" of high-frequency indicators, Nigeria's economy may continue to grow negatively in the upcoming fourth quarter.

producers. Real GDP growth in oil-producer countries



Source: Source: NBS and world Bank estimates.

5.3 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 Abalaka, (2024).

of 2021, it is likely to have reached similar levels to those of 2009, thus reversing a decade of growth (Figure 1.6). 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) Ajiteru, (2024).

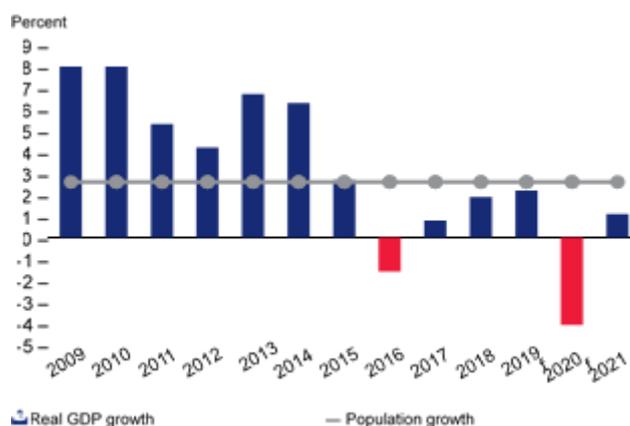


Figure 1.6. GDP per capita is expected to continue declining beyond 2021.**GDP and Population Growth****Prices: Higher inflation is driven by food price spikes.****6. Since the middle of 2019, inflation has been rising, and it is expected to continue to do so throughout 2020.**

The double-digit price increases that have plagued the Nigerian economy since 2016 were made worse this year by inflationary pressures associated with the COVID-19 outbreak, including as interruptions in value chains and production processes. Due to the Middle Belt's insecurity and violence, as well as Nigeria's border restriction policy, inflation was already high in 2019 (11.4 percent). Throughout 2020, these issues have kept inflation high. A major contributor to inflation in the past, the CBN's monetary easing of the budget deficit has greatly slowed and hasn't accelerated inflation this year. This is mostly because of a notable drop in Open the Central Bank's continuous practice of absorbing excess liquidity through higher cash reserve requirements is partially to blame for Market Operations (OMO) bills sales (Abalaka, 2024).

6.1 The main cause of inflation has been the rise in food prices.

Both urban inflation (14.8 percent) and rural inflation (13.7 percent) surged in October, while the Consumer Price Index rose 14.2 percent year over year. Price increases for bread and cereals, potatoes, yams, and other tubers, meat, fish, fruits, and oils and fats caused the composite food index to rise to 17.4%, a 30-month high. Supply and distribution issues were the main causes of the increase in the price of staple foods. Among these include low yields brought on by limitations that stopped seasonal movement during harvest season, and security concerns in the nation, border restrictions, and restricted market accessibility. But supply was not the only factor driving inflation. For example, core inflation was 11.1 percent in October due to price increases for pharmaceuticals, medical services, hospital services, motor vehicles, and air and road passenger transportation (Sulaiman, 2019).

6.2 The government has made significant and long-overdue policy changes that are anticipated to moderately increase inflation in the near future. Since the last quarter of 2019, the government has enacted a number of daring measures that were supposed to boost economic expansion, raise more money, and ease the strain on the public coffers. Although some products now cost more as a result of these efforts, headline inflation has only been slightly affected:

1. Value Added Tax (VAT) rate increase: Nigeria's 2019 Finance Bill, which was approved in November 2019, sought to boost small businesses, promote infrastructure investment, and raise extra funds for the Federal Government of Nigeria in order to accomplish its 2020 budget targets and bring them into line with international standards. The VAT rate was raised from 5 percent—a notably low rate—to 7.5 percent as part of this reform package. Since the majority of the items in the consumer's basket were free from VAT as of October 2020, and because SMEs now face a lower tax burden due to a new threshold, this has had no effect on prices. Ajiteru (2024).

2. Electricity rates should be changed to more cost-effective levels and implementation of a mechanism for gasoline pricing based on the market:

Since November, power rates have been adjusted to more cost-reflective levels, which has decreased the costly subsidy that has been a feature of the industry for the past few years and hasn't improved access to

Figure 1.9: Nigeria's anticipated inflation rates Figure 1.10 shows headline inflation hit levels that are among the highest in Sub-Saharan Africa since February 2018 and not seen until 2020.

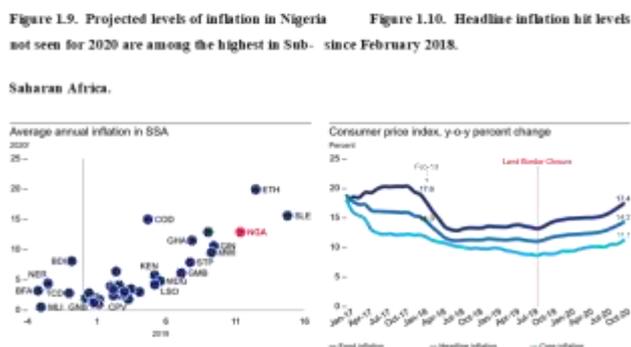
electricity. The first quarter of 2021 will see the full impact of the electricity pricing adjustments based on several bands, which are predicted to raise inflation in the near term. Eliminating fuel subsidies and bringing gasoline prices into line with global prices were made possible by the sharp drop in oil prices. Given the present prognosis for oil prices, the gasoline market-pricing reform is not anticipated to have a major effect on inflation in the coming months, but it is anticipated to contribute to greater inflation once oil prices increase. However, it is important to note that

Nigeria still has among of the lowest gas prices in the world, even after the gasoline subsidy was removed (Sulaiman, 2024).

7. Growth In 2020–21 May Be Held By High Inflation.

With restricted capital inflows and exchange rate regulation, the CBN's expansionary monetary policy may not be able to keep inflation under control. Both businesses and individuals have unanchored expectations that inflation would increase over the course of the next 12 months. This lessens monetary policy's effectiveness even in the face of a framework for monetary targeting. On the one hand, import limitations and the continued Middle Belt war are contributing factors to inflation in 2021 (Ajiteru, 2024).

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

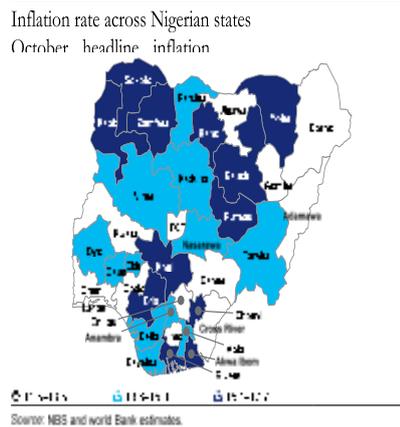


electricity. The first quarter of 2021 will see the full impact of the electricity pricing adjustments based on several bands, which are predicted to raise inflation in the near term. Eliminating fuel subsidies and bringing gasoline prices into line with global prices were made possible by the sharp drop in oil prices. Given the present prognosis for oil prices, the gasoline market-pricing reform is not anticipated to have a major effect on inflation in the coming months, but it is anticipated to contribute to greater inflation once oil prices increase. However, it is important to note that Nigeria still has among of the lowest gas prices in the world, even after the gasoline subsidy was removed (Sulaiman, 2024).

7. Growth In 2020–21 May Be Held By High Inflation.

With restricted capital inflows and exchange rate regulation, the CBN's expansionary monetary policy may not be able to keep inflation under control. Both businesses and individuals have unanchored expectations that inflation would increase over the course of the next 12 months. This lessens monetary policy's effectiveness even in the face of a framework for monetary targeting. On the one hand, import limitations and the continued Middle Belt war are contributing factors to inflation in 2021 (Ajiteru, 2024).

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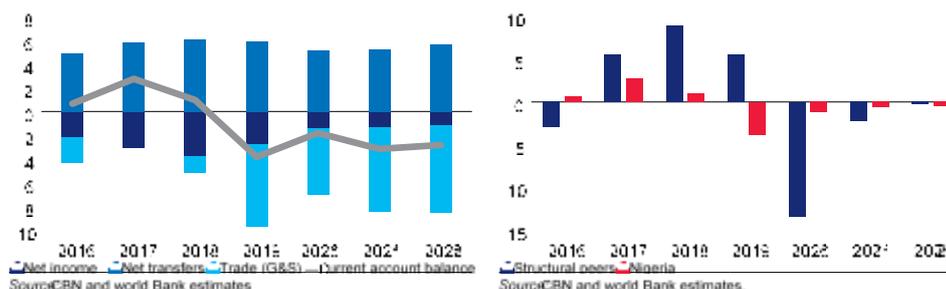
7.1 The External Sector: Nigeria's external sector has been tested by the COVID-19 shocks.

The severe decline in oil exports and remittances brought on by COVID-19 is predicted to keep Nigeria's current account in deficit in 2020. Since 2019, when the current account balance (CAB) showed a deficit for the first time since 2015, the external position has deteriorated. The CAB deficit is predicted to be 1.8% of GDP in 2020, which is less than the 3.8 percent deficit in 2019. The sharp reduction in oil exports is largely to blame for the country's trade balance, which is expected to tumble to -5.6 percent of GDP in 2020. It is anticipated that net transfers will decrease from 5.9 percent of GDP in 2019 to an estimated 5.2 percent in 2020 as a result of the decline in remittances from the diaspora, which account for more than 80% of all transfers at the moment. However, because of Nigeria's larger import contraction, its CAB deficit is not anticipated to be as bad as that of other oil-exporting nations like Libya, Iraq, Kuwait, and Sudan (Figure 1.13).

Figure 1.13: Compared to structural comparable countries, Nigeria's negative CAB in 2020 will be less severe.

7.2 Because of increased unemployment in developed nations where the Nigerian diaspora dwells, remittances to Nigeria fell precipitously in 2020.

The majority of Nigerians living abroad are found in developed nations, particularly the US and the UK. Remittances have decreased as a result of the pandemic's increased unemployment in these nations. By June 2020, when Worldwide lockdowns were common, and remittances had decreased by 42% annually. Remittances have historically shown less volatility than other global cash transfers. For example, remittances were essentially unaffected by the 2015 oil price fall. One distinctive aspect of the pandemic is the impact of COVID-19 on oil prices and remittances, as noted in the June 2020 edition of the Nigeria Development Update. The influence of COVID-19 on global growth, which in turn depends on the effectiveness of pandemic containment, will determine the uncertain global picture for remittances. With an estimated 7.5 percent decline in 2021, remittances to low and middle-income countries (LMICs) are predicted to remain low going forward. This is because a pattern seen following the COVID-19 pandemic, when migrants started to increasing numbers of people moving back to LMICs (particularly as lockdowns loosened), and fewer workers in these nations sought to relocate. Currency values in remittances are another factor contributing to this reversal in mig



7.3 The triple knock-on capital inflows brought on by high levels of global risk aversion, uncertainty surrounding foreign exchange policy, and a persistent low-interest rate regime has put further strain on Nigeria's external situation in 2020.

Due to large net portfolio outflows, the financial account balance entered negative territory during the second quarter of the year. In 2020, it is anticipated that net foreign portfolio investment (FPI) will be -2.1 percent of GDP. As was mentioned in previous NDU issues, Nigeria is at risk of becoming overly dependent on portfolio capital, or "hot money," to maintain its financial stability due to consistently low levels of foreign direct investment (FDI). This risk came to pass in 2020, since Nigeria's financial account balance is currently negative (Sulaiman, 2024).

8. Throughout the COVID-19 pandemic, the coverage of social protection programs has been low.

Only 4.9% of households reported receiving monetary assistance from any source, including the government, between mid-March and July 2020, while 3.6% reported receiving in-kind (non-food) aid. Even while food assistance was more prevalent—23 percent of households received it over the same time period—nonpoor households are more likely to obtain these transfers. Abalaka (2024).

8.1 In the wake of COVID-19, novel approaches are being investigated to target low-income and vulnerable Nigerian households.

Understanding new pockets of poverty in Nigeria's towns and cities is crucial, especially since the pandemic disproportionately affected urban regions, where prepandemic poverty rates were lowest. In order to achieve this, a poverty map that estimates poverty at the ward level in Nigeria has been created using satellite and other "big data" sources. Urban wards are being chosen for NASSP scaling up using this new poverty map. It is anticipated that the NASSP cash transfers will reach about four million impoverished and vulnerable households (more than 20 million individuals) in all of Nigeria's states by expediting registration and expanding quickly in both rural and urban regions (Abalaka, 2024).

9. Overview and finally

The CARES initiative, also known as the COVID-19 Action Recovery and Economic Stimulus, was created to assist the federal and state governments in their attempts to lessen the adverse consequences of the COVID-19 epidemic across the nation. The concept is a quick fix that aims to homes that were already impoverished and at risk, agricultural value chains, and small and microbusinesses impacted by the crisis. The project has the extra advantage of combining state-level social protection programs that are currently dispersed into more efficient platforms and enhancing these platforms' capabilities to guarantee sustainability when the project is over. By increasing the platforms' institutional capacity at the state level, the World Bank's ongoing NASSP program provides supplementary assistance (Sulaiman, 2024).

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