THE COVID-19 PANDEMIC IN NIGERIA

Brief 3, April 21 2020

POTENTIAL IMPACT OF LOCKDOWN POLICIES ON POVERTY AND WELL-BEING

This brief was prepared by UNDP Nigeria on behalf of the UN System in Nigeria.
For many of the country’s vulnerable population, informal networks are defined by close person-to-person interactions serving as means of livelihood and resilience. Thus, lockdown policies, while critical for disease containment, compete with the economic and social foundations of survival and resilience structures of the country’s most vulnerable.
Situation Update

Five months after its initial outbreak in Wuhan, China, the coronavirus pandemic continues to escalate with global confirmed cases now exceeding 2.4 million and case fatalities surpassing 170,000. At the time of writing, confirmed cases in Nigeria stand at 665, including 22 case fatalities (See Figure 1). Active cases spread across 21 states and the Federal Capital Territory.

A network of 13 COVID-19 testing labs is now activated with plans for an additional two underway. Daily laboratory testing capacity has increased to 1,500 and in anticipation of possible surge in cases, various facilities in at least 20 states have been identified for conversion to isolation and treatments centers – including wards in military hospitals and stadiums in Lagos and Abuja. As many as 1,000 beds dedicated to COVID-19 cases, including 350 ICU beds have now been set up.1

The Nigeria Center for Disease Control has placed stringent efforts on surveillance. Currently up to 9,000 individuals of interest are being closely monitored – along with continuous effort to rapidly augment the healthcare infrastructure and procurement of medical supplies.

Potential trajectory of COVID-19 in Nigeria

Just over 7000 tests have been conducted so far but as numbers of confirmed cases continue to stagger, concerns about the implications of under-testing, as expressed in the last Brief, remain. With no reports yet of community wide testing, new seed cases appearing and increase in cases with no travel history, it could be likely that transition to a phase of community transfer is imminent if not already occurred. In collaboration with the National Bureau of Statistics, a randomized methodology, noting the limited testing kits in the country, to gauge the extent of true cases in the country may be worth considering. Furthermore, prioritizing communities with high urban migration patterns could be useful in an attempt to investigate spread outside urban centers.

1 Compiled based on reports of facilities and capacities at the time of writing.

FIGURE 1   CURRENT NUMBER OF CONFIRMED CASES, FATALITIES (17 APRIL 2020)
Over the past Briefs, we have used various estimation methodologies to provide an indication of the capacity requirements in the coming weeks. As more data become available with each day, estimation methods are being refined to better reflect expected trends in Nigeria. Still, the numbers do not tell us about the true cases, just about the number of people who have tested positive.

It has been 23 days now since Nigeria registered its 100th case and the doubling time over the past week is currently at 8 days. For a majority of impacted countries, doubling time was less than 5 days since registration of the 100th case. We investigate the anomalies in the trends observed.

An analysis of selected countries when 100 cases are registered was conducted (Figure 2). Two patterns emerge. First, each region’s growth tends to be clustered – the US and Europe have faster rates of growth while the Arab States tend to be far slower. Second, in comparison to the global patterns, Nigeria has among the slowest growth rates of confirmed cases alongside Kuwait and Bahrain.

Kuwait and Bahrain however have had peculiar experiences with index cases from Iran and resulting in an almost immediate travel ban and declaration of public holiday just 13 days after index case. On the other hand, in the case of Nigeria, it is likely that the pace of testing has influenced the low trends. At the same time, it is still unknown – as highlighted in the first Brief - how variables including Nigeria’s young population, climate and the immunity of people that constantly battle other viruses are facing off against COVID-19.

This, in turn, raises questions on predictability of the daily growth of confirmed cases. Our estimates find evidence hinting at capacity constraints, i.e. testing pace, resulting in the records of lower than expected rates of confirmed cases in Nigeria (Figure 3). Moreover, the current trend of confirmed cases in Nigeria had been relatively more linear, compared to the exponential trends seen elsewhere. A slight uptick however has been observed over the past 4 days.

2 All index cases were from Iran and the Governments reacted almost immediately. The Kuwaiti Government banned all travel and declared a public holiday with closure of schools and placing restrictions on public gathering, including prayer, 13 days after the index case. In the case of Bahrain, travel ban to and from Iran took effect almost immediately since index case and all 3,000 Bahraini pilgrims returning from Iran tested and placed in quarantine. Both countries have also aggressively tested.

3 For each country, we fit a log-linear regression model and find that the predictability of cases is highly correlated with a country’s wealth. This analysis resulted in a correlation of between the R square of each model and GNI.
Finally, we estimate the growth path for Nigeria based on the past 30 days of confirmed case. It is important to stress that the goal of this projection is not to provide an epidemiological model of the spread. But as mentioned above, the analysis is conducted to provide insight into the health care capacity that may be needed in the short run.

The ascent of confirmed cases is expected to pick up given the increase in observed cases over the past 4 days. In the next 10 days weeks, we estimate confirmed cases to reach 1,900 (upper bound = 2,100; lower bound = 1,425). The average of the model simulations suggests that the 1,000th confirmed case threshold will be reached a week before end of April. As done in the past, we note that confirmed cases are the absolute lowest bound estimates – there is a high probability of manifold cases that are undetected and will continue to grow if testing regimes are not scaled.

Current government response to containment

The Federal Government’s directive of cessation of movement in Africa’s largest city, Lagos, as well as in Ogun and Federal Capital Territory are still in effect with a further extension of 14 days. State level directives placing similar restrictions on entry and exit as well as movement within the states have followed. To counter fallout from the COVID-19 outbreak in the country, the Federal Government is putting together a stimulus package and the Central Bank of Nigeria has unveiled a series of interventions including a ₦50 billion targeted credit facility; injection of ₦3.6 trillion into the banking system and reduction of interest rates

\[ \text{Office of the Honourable Minister of Finance, Budget and National Planning. Ministerial press statement on fiscal stimulus measures in response to the COVID-19 pandemic & oil price fiscal shock. April 7, 2020. Establishment of N500 billion COVID-19 Crisis Intervention Fund has been planned for. It includes ₦500 for COVID-19 Intervention Fund; US$5 million from the World Bank’s REDISSE facility (applied for more); US$150 withdrawal from Nigeria Sovereign Investment Authority Stabilisation Fund.} \]

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\[ \text{We employ the lag dependent autoregressive model as in Brief 2. Such models assume a regressive path but as more data has now been observed, we find that the updated predicted daily growth rates are lower. While acknowledging that an autoregressive model for infection spread is explosive and other preventative measures will surely impact the number of confirmed cases, as the objective is to predict } Y_t \text{ for a relatively short interval and given the ‘under-testing’, we feel that it is an appropriate model for this particular interval. We bootstrap the current underlying series 500 times for the simulations.} \]

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FIGURE 4  PROJECTED NUMBER OF CONFIRMED CASES IN NIGERIA

![Projected Number of Confirmed Cases in Nigeria](image-url)
from 9 percent to 5 percent and introduction of a one-year moratorium on applicable CBN interventions, among others.\textsuperscript{6}

At the same time, with the global decline in oil prices, federal and state revenues are expected to fall short by 40 percent which will render them unable to meet their current obligations – at least over the next 3 to 6 months.\textsuperscript{7} Revised budget proposals indicating a doubling of budget but with over 50 percent being financed by domestic and foreign borrowing and sales of assets, denotes a crippling blow to the Government’s ability to respond. In addition, with the International Monetary Fund’s announcement that we have now entered a global recession – one that is predicted to be equally, if not more, devastating than the 2009 financial crisis – Nigeria’s financial position could be significantly compromised and its ability to respond further limited.

Nigeria, like most other developing countries, finds herself in perilous times faced with a twin-threat; the health crisis emanating from the COVID-19, and an economic crisis with an already rapidly contracting fiscal space amidst a global recession. Commendable efforts to contain the virus at home are certainly underway and intensions behind policy decisions are well reasoned and used elsewhere. However, literal implementation of measures pioneered elsewhere may instead clash with the fundamentals that drive the country’s unique economic and social structures and could disproportionately impact its most vulnerable populations. Measures of containment regulated within the realities of the country is desperately needed, else the trade-off between a public health intervention and the social and economic consequences of it may become too heavy of a price to pay.

This brief focuses on the potential short-term implications of the country’s lockdown policy on its vulnerable populations.

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Implications of the current lockdown on poverty and well being

The poverty profile of Nigeria is well known. There are 90 million Nigerians living in extreme poverty with less than US$1.90/day\(^8\), with unemployment and underemployment rates registered at 23 percent and 20 percent, respectively.\(^9\) Thus, the number of those already vulnerable is significant.

For many of the country’s vulnerable population, informal networks are defined by close person-to-person interactions serving as means of livelihood and resilience. For the millions of micro businesses and traders in the informal sector, on which as many as 56 million Nigerians rely on for employment, daily subsistence necessitates close person-to-person - mostly cash - transactions and patronage. Meanwhile, social interactions, whether religious or communal, significantly shape identity and serve as resilience mechanisms for millions. Thus, lockdown policies, while critical for disease containment, compete with the economic and social foundations of survival and resilience structures of the country’s most vulnerable.

The direct and immediate impact of the lockdown on poverty and well-being is expected to initially evolve through abrupt losses in employment especially among those that rely on the informal sector. The sector is expected to be hit almost immediately and the hardest. Given well established historical relationship between growth, employment and poverty, we project the potential loss of employment and increase in poverty resulting from the current lockdown and restrictions on movements of people.

Potential implications of the lockdown on employment

We are now three weeks into the federally mandated lockdown of three states, where close to 30 million Nigerians are placed under stay-at-home directives. Among them, an estimated 7 million people rely on the informal sector for employment.\(^10\) Even before the federally mandated lockdown, concerns of spread of the virus had already begun to dampen travel and hospitality industries. With the lockdown implemented, employment conditions were further aggravated, especially for those in the informal sectors in urban areas.

Within the lockdown period, we estimate that as many as 1.4 million individuals in the three states to have experienced an abrupt loss in employment (Figure 5). Lagos and Ogun, where the informal sector is estimated to provide employment to as much as 60 percent of the work force, are expected to be impacted the most, with the urban poor and satellite communities that depend on the ecosystem of urban centers for livelihood expected to bear the biggest brunt.

Given the interconnected nature and dependency among each State – particularly as Lagos accounts for more than one third of the country’s GDP and more than 50 percent of its non-oil GDP – we assume that the lockdown in the three states will have significant effects not only on the respective territorial economies, but also on all other States. Based on this, our estimates indicate a total temporary loss of almost 4 million jobs as a direct consequence of the prevailing policy directions. Trade, services and manufacturing sectors are expected to be impacted the most while the impact on the agricultural sector is expected to be minimal at this point as the farming season is just commencing. Similarly, public sector employment is expected to remain unchanged in the short term.

In the worse-case scenario, if lockdown directives are applied nationwide (not necessarily at the same time) for 3 months, we estimate that this could result in temporary job losses for up to 13 million people with over 60 percent of the losses occurring in the informal sector (Figure 6). This is in addition to the almost 20 million (23% of the labor force) already unemployed.

The overall impact of the economic shut down, restrictions on movement and inability to engage in economic activities due to efforts to contain the pandemic on poverty could be momentous. In the worst-case scenario of a three-month nationwide lock down, the percent of those living below US$1.90 could increase from 47 percent to 79 percent during the second quarter tapering off towards the end of the year (Figure 7). This implies pushing over 65 million people into transient poverty. Poverty rates could remain high at around 70% even after the end of the pandemic as it will take time to fully recover from the devastating effects.

At the cusp of 60 years of independence and celebrating the development triumphs achieved thus far, the COVID-19 shock could result in taking Nigeria 20 years back in terms of poverty. While expected to be temporary, the recovery could last up to a year.

With lockdown policies interacting with various facets of vulnerabilities, including high poverty and unemployment rates, and threatening to increase the numbers, there is a serious need to seek buy-in from the most vulnerable to be effective. Otherwise, it could jeopardize and outweigh containment efforts as people are faced with a decision between putting food on the table and morbidity. Faced with such a dichotomy many will see COVID-19 as lesser of two evils.

The estimates consider the historical relationship between economic growth and poverty and the projected drop in GDP by 3.64% (see Brief 2).
Current policy implications on informal social networks as safeguards of community peace and resilience

Previous briefs have highlighted extensively the implications of COVID-19 on peace and social cohesion. What has been overlooked and which links directly to the topic in this brief are the implications of COVID-19’s current preventive measures on vulnerable populations. When societies are caught in emergencies or crises, people have tended to resort to social networks for help to either cope, adapt or boost their resilience against shocks. In such cases – social connectedness is the main and perhaps the only source of comfort and financial safety net especially for vulnerable segments of society. Individuals would tap into informal networks that are outside the affected area, or in most cases those that are not subject to the same hazards. Such networks would provide a buffer for those affected to better cope with and recover after the crisis. These could be family relations mostly in urban areas; those well-off to do in community and in some cases family members in the diaspora – who would send home remittances and supplies. Modes of support or cushioning would vary from food supplies, security, money, credit, temporary forms of employment, emotional support, information or advice. In some cases, community policing structures would be established to guard against crime in conflict-prone areas; while those who are relatively well-off would provide medical support and relocation of their relatives from the crisis areas.

But the global nature of COVID-19 – represents an unprecedented challenge for multiple reasons: the most important and often overlooked is the fact that it has transcended boundaries with preventive measures that restrict free movement of people – weakening the same social networks that vulnerable populations have relied on in times of crisis. This therefore poses a significant dilemma for COVID-19 response planning given that informal networks have always laid the foundation for recovery during a crisis. Unlike previous crises, where social connections outside the immediately affected areas were mobilised to help, this pandemic knows no boundaries. As people in the diaspora are also under same lockdown policies, COVID-19 has subjected the physically distant sources of support at risk too.

Physical distancing measures are extremely important for containment, but could also risk channeling unintended consequences that manifest in endangering these protective networks and exposing communities to new vulnerabilities.
Key Policy Options

As highlighted in the first Brief, it is vital that containment strategies are well balanced to reflect the realities of the country and unique features of individual States. While temporary restriction of movement are essential to contain the spread of the virus, measures are needed to minimize the adverse implications on the day-to-day lives of the most vulnerable.

In anticipation of adverse impacts of the current policy decisions, complementary economic and social protection stimulus packages are being rolled out by the Government and other stakeholders. The Federal Government reached into its National Social Register database identifying 10.7 million of its most vulnerable. Dissemination of financial relief packages and food supplies has ensued.\(^\text{13}\) However, with already strapped government budgets, a significant shortfall between financial resources required and provided is expected. Moreover, policy options to provide a cushion for the poorest of the poor, may face challenges due to lack of data and ability to clearly identify those that would desperately need help. These challenges highlight not only the importance of data collection to facilitate interventions but also collective efforts in a constrained environment.

While the Government's interventions are constrained by an increasingly shrinking fiscal space, some interventions are critical to minimize hardships that would fall disproportionately on the poor and prevent societal backlash. Dynamics within each facet need to be assessed to ensure that current policy decisions are firmly anchored within the local context so that suppression policies are effective, feasible and balanced.

In this regard, some of the proposed short-term policy options include:

**DEVELOP A CONTEXT-BASED DISEASE CONTAINMENT PLAN**

During the extended 2-week lockdown period, development of a strategic plan for implementation of non-pharmaceutical interventions (NPI), including lockdowns, that are anchored within the realities of the unique and largely informal economic and social structures of the country is recommended.

**ENSURE FOOD SECURITY FOR THE MOST VULNERABLE**

As livelihoods of millions of people are likely to be disrupted, food insecurity could be an urgent challenge. Among those that will require food services are expected to be urban poor populations affected by the lockdowns and are outside the purview of regular humanitarian caseloads.

At the same time, humanitarian support to most vulnerable groups needs to be planned with supply chains for food commodities secured.

Amplifying and expanding social safety net programmes, including cash transfers and cash for work programmes, could be considered while ensuring inclusive distribution strategies.

**SUPPORT BUSINESS CONTINUITY**

Support towards informal businesses, especially at the community level, particularly those owned by women and youth, through provision of financial packages for retaining workers and maintaining supply chains is especially critical.

Support to livelihoods (agriculture, livestock, trade and informal businesses) to strengthen capacities

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\(^{13}\) Cash transfers have been initiated in Anambra, FCT, and Nasarawa. Plans to increase beneficiaries to 2 million by May and to 4 million (and inclusion of urban poor) by June have been reported. Meanwhile Lagos is using its state social registry and in this first phase, will disseminate 200,000 food packs to its most vulnerable. Ogun has commenced distribution of food packs to 100,000 households.
for productivity enhancement including provision of subsidized inputs, value addition and market access to ensure food supply remains intact could be considered. Measures that will allow for business and market transactions to take place while observing social distancing prescriptions could be initiated.

Technical and financial support to Micro and Small and Medium Enterprises (MSMEs) to recover/continue their businesses and venture into innovative business ventures could be provided, including special focus on those providing essential inputs to final products and services.

Empowering people with human capital development (health & education skills) through access to assets, knowledge and technological adaptation could be considered.

Incentivising the informal sector for enhancing productivity and strengthening access to market is recommended.

**MOBILISATION FOR SOLIDARITY AND COHESION**

The Government has made significant progress in communicating the lockdown strategy to its citizens and appealing for collective sacrifice to defeat the spread of COVID-19. Increased communication and transparency of the Government’s strategy on containment, updates on caseload, and gender desegregation on testing will be critical in gaining and maintaining national solidarity for government action.

Tapping into the country’s vast cultural resources to ease social isolation and magnifying the heroic services of health care providers and other key frontline actors could help build national solidarity.

Private sector actors such as telecommunications companies should be encouraged to reduce costs of data and other forms of communication needs to allow for continued engagement with family and friends during these difficult times to decrease the burden of isolation.