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CORONAVIRUS AND SOCIAL SERVICE SPENDING IN NIGERIA 2020: AN AGGREGATED EXPENDITURE APPROACH

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ABSTRACT: *The sole objective of this study was to investigate the effect of coronavirus on social service spending in 2020 as a measure of the implications of COVID-19 on Nigerians, relative to the effectiveness of the government's social spending in mitigating the socioeconomic strain caused by the pandemic. The study used documentary analysis to assess the impact of COVID-19 on Nigerians' socioeconomic lives and the government's policy response to the situation. The review found that COVID-19 exacerbated the existing poverty in Nigeria, and most of the government's social spending was not effective in mitigating the effects. The study concluded that government policy responses to the socioeconomic strain caused by the pandemic were ineffective due to the pre-existing poor performance of social services spending in Nigeria before the onset of COVID-19. As the world prepares for future pandemics, we recommend that the Nigerian government overhaul the existing social protection programs on poverty alleviation in Nigeria by addressing all gaps and looking for effective and strategic ways such expenditure and fiscal policies can achieve desirable results.*

KEYWORD: Coronavirus, Government policy, Exchange rate, Fiscal policy, Nigeria.

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INTRODUCTION

Nigeria has been severely hit by the spread of COVID-19 and the associated sharp decline in oil prices. Government policy is responding to both these developments. A range of measures were implemented to contain the spread of the virus, including the closure of international airports, public and private schools, universities, stores and markets, and the suspension of public gatherings. Following a full lockdown that was placed on March 30, 2020, Nigeria's economy reopened gradually in three phases with incremental reductions of travelling and gathering restrictions. Phase 1 started on May 4, phase 2 on June 2, and phase 3 on September 4 which is still being implemented. In December 2020, Nigeria entered the second wave of the COVID-19 pandemic, with daily new cases doubling the peak of the first wave at the end of January. Restrictions on mass gatherings were reinstated. Public servants were ordered to stay at home and await further directives. Schools, however, resumed on January 18 after being shut down again from mid-December. Since peaking at 1,600 levels toward the end of January, the 7-day moving average of new cases rapidly fell.

Nigeria plans to vaccinate 40% of its population in 2021 and an additional 30% in 2022. Nigeria has requested 41 *million* vaccines from the African Union and expects another 16mn doses under the WHO-backed COVAX program. Nigeria received 3.92 million doses of AstraZeneca vaccines on March 2nd (as the first shipment from the COVAX facility), commenced vaccination on March 12, and has vaccinated about 2 million (0.97 percent of the population) with the first dose as of May 29. Since then, global supply shortages including India's vaccine export ban have caused rationing of the first shipment, leading to a halted administration of first doses; to save supply for second doses. However, Nigeria reportedly expects to receive a second shipment of 3.92 million doses of AstraZeneca vaccines.

REVIEW OF LITERATURE

Government Spending

The Federal Government adopted a revised budget for 2020 in response to the COVID-19 shock. A N500 billion (0.3 percent of GDP) COVID-19 intervention fund is included in the revised budget to channel resources to additional health-related current and capital spending (tests, supplies and facilities) and public works programs to support the incomes of the vulnerable, including N7.5 billion to Nigeria's Center for Disease Control and grant of N10 billion to Lagos State. The coverage of the conditional cash transfer program has been broadened and an allocation of N150 billion to support state and local governments' spending needs has been made available through the budget. Import duty waivers for pharmaceutical firms were introduced. Regulated fuel prices have been reduced, and an automatic fuel price formula introduced to ensure fuel subsidies are eliminated. Electricity tariff was increased.

The social register was increased by 1 million households to 3.6 million to help cushion the effect of the lockdown. A broader economic stimulus plan that includes the N500 billion COVID-19 intervention fund (of which 288 billion has been released so far) was introduced to support the real sector. The bulk of the plan's financing (1.8 trillion naira) would come from financial institutions according to the finance minister. A supplementary budget for 2021 (N896 billion) was submitted to the Senate for its consideration on June 22. While the bulk of the proposed budget comprises security spending (N770.6 billion), it also includes a significant

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amount of health-related expenditure (N125.2 billion) including for the COVID-19 vaccine program (N37.9 billion).

Monetary and Macro-Financial Policy

In response to the crisis, the Central Bank of Nigeria (CBN) cut the monetary policy rate by 100 basis points in May and another 100 basis points in September while expanding liquidity available for nonbank financial institutions, leading to a significant lowering of the market yield of government securities. It also introduced additional measures, including: (i) reducing interest rates on all applicable CBN interventions from 9 to 5 percent and introducing a one-year moratorium on Central Bank of Nigeria (CBN) intervention facilities; (ii) creating a N50 billion ($139 million) targeted credit facility; and (iii) liquidity injection of N3.6 trillion (2.4 percent of GDP) into the banking system, including N100 billion to support the health sector, N2 trillion to the manufacturing sector, and N1.5 trillion to the real sector to impacted industries.

Regulatory forbearance was also introduced to restructure loans in impacted sectors, which is now being extended on a case-by-case basis. The CBN is also coordinating a private sector special intervention initiative targeting N120 billion ($333 million) to fight COVID-19. As of September, the CBN has disbursed a total of N3.5 trillion in intervention funds since the onset of the COVID-19 pandemic, including N73.7 billion in targeted credit facilities to help households and small and medium enterprises exceeding their initial plans of N50 billion.

Exchange Rate and Balance of Payments

The official exchange rate was adjusted from N307/$ before COVID-19 to N361/$ at the beginning of the crisis and more recently to N380/$, with an ongoing unification of the various exchange rates under the investors and exporters (I&E) window, Bureau de Change, and retail windows. The authorities committed to letting the I&E rate move in line with market forces. A few pharmaceutical companies have been identified to ensure they can receive FX and naira funding. While I&E window turnover has been low since April, the CBN has resumed FX supply in some of the other windows. On May 14, the CBN discontinued publication of the official exchange rate, which used to be administratively fixed, and on May 24 it started to post on its website the daily Nigerian Autonomous Foreign Exchange Rate (NAFEX), a more market-determined exchange rate in line with its commitment to more unified exchange rate.

Social Policy Response to COVID-19 in Nigeria

There is no doubt that COVID-19 has exposed critical gaps in the social protection programs in Nigeria, as there was no effective structure that the government could leverage to mitigate the socioeconomic impact of COVID-19. Before the outbreak of the disease in Nigeria, the country was struggling to achieve one of the sustainable development goals, which is social inclusion through poverty alleviation.

The government introduced various social programs to achieve poverty alleviation but with no impressive results. The World Bank reported in 2019 that the coverage rate of various social assistance programs in Nigeria was alarmingly low, as only 4% of households out of 40% of poor households had access to social safety net programs. The International Monetary Fund (IMF, 2020) reported in December 2020 that the Nigerian social safety net suffered from limited coverage, poor targeting, and inadequate monitoring. Lack of government willingness

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to invest adequately in social protection programs has resulted in poor coverage and low impact of social protection programs in Nigeria. Human Rights Watch (2021) argued that Nigeria's budgetary allocation for social protection programs is far less than what other low-middle-income countries and their regional peers spend on social protection programs. Human Rights Watch explained further that Nigeria spent 0.3% of its gross domestic product on social safety programs in 2016. South Africa, Africa's second-largest economy behind Nigeria, spent 3.4% of GDP on social protection in 2016. Countries in Sub-Saharan Africa on average spend 1.5% of GDP on social safety nets. As a result of these existing gaps, there was low coverage of households in the various forms of economic relief provided by the government during the lockdown. For instance, between March 2020 and March 2021, only 4% of Nigeria's poor households received support in the form of cash from federal, state, and local governments (Lain & Vishwanath, 2021) despite the upscaling of the National Social Register. This coverage was insignificant when compared to the widening effects of poverty that COVID-19 caused.

The outbreak of the disease exposed the gap in the data strength of the country as no intervention can be successful without reliable data. The approach to eradicating poverty starts with having data on all citizens in both rural and urban areas and analyzing such data to know the poorest of the poor and their location for necessary intervention. If such data existed, identifying the most vulnerable individuals and their location would not have been a challenge for the government during the lockdown. It would have also helped the government to identify other families whose earning power might have dropped during the lockdown. The non-digitalization of the process of the National Conditional Cash Transfer Program also presented a challenge during the lockdown. For instance, Dixit et al. (2020) opined that the National Conditional Cash Transfer Program during the lockdown did not achieve the set objective due to the lack of transparency in the system. Dixit et al. noted that the country lacks an adequate information management system that makes electronic payment possible for poor households, which would have made the cash transfer transparent.

The whole process was marred by corruption and politics as most of the intended individuals did not get the funds. The outbreak of the disease also revealed a lack of formal protective systems for informal businesses in Nigeria. The informal sector of the economy, no doubt, employs a substantial number of Nigerians and contributes so much to the national economy with a 65% contribution to Nigeria's gross domestic product (GDP) (IMF, 2020). Over the years, the sector has been neglected with no considerable attention except in the year 2016 when the trader money program was initiated to help market women (Bank of Industry, 2018), but it was not strategically planned and had no significant impact. Having an existing structure and mechanism for helping the informal sector would have actually made the distribution of socioeconomic relief for the people within the sector easier, thereby mitigating the socioeconomic strain of COVID-19 on families.

The Economic Stimulus Bill was one-sided as it was only favourable to formal sectors but did not take the peculiarities of the informal sector into consideration (Obiakor et al., 2021). The contents of the bill already suggest the exclusion of informal workers in urban and rural areas. In the same vein, the Economic Sustainability Plan, which was later proposed to help micro, small, and medium enterprises and other informal sector workers, also excluded rural informal workers.

The process stipulated that interested artisans should apply online without taking the unavailability of digital infrastructure in villages into consideration. Even in cities, stories

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abound about no clear-cut guidelines for the registration process, criteria for selection, the deception and manipulations that marred the process, and how various artisans waited endlessly for this glimmer of hope, which never came, although the government had released huge statistics of beneficiaries (Agbor, 2021; Chijioke, 2021; Alimi, 2021). The EndSARS protest that occurred in October 2020 was attributed to the menace of police brutality in Nigeria but went beyond this obvious reason. Instead, Nigerians saw the campaign as an avenue to protest against the hunger and hardship, occasioned by COVID-19 containment measures, with no adequate palliatives to mitigate the effect (Ekpei 2020; Adediran, 2020). During the protests, government agricultural storage facilities, government food warehouses as well as grocery shops, were widely looted across the country.

CONCLUSION

COVID-19 has further revealed that the social security system in Nigeria is fragile. The few existing platforms cannot be used to provide proactive responses and reduce vulnerabilities during crises like epidemics, which affect the socioeconomic life of the people. As the world prepares for future pandemics, concerned policy stakeholders in Nigeria should reflect on the social protection programs. The following recommendations are suggested for the government:

RECOMMENDATIONS

- The government should overhaul the existing social protection programs on poverty eradication, in Nigeria, by looking for more effective and strategic ways that such programs can achieve desirable results, especially through digitalization of disbursement of cash transfer programs. This can reduce corruption and politicization of the process.
- The government should invest more in social protection programs to ensure wider coverage.
- The Social Protection Programs must be sustained and should not be politicized. The implementation of these programs can be concentrated in a separate agency that continues to implement such programs even when there is a change of government. Appointment of people into this agency should not be based on political affiliation but on capacity and proven integrity.
- The duplication of social protection programs must stop while existing ones should be strengthened with adequate budgetary allocation.
- The socioeconomic aid provided by the government, such as the market trader program, can be restructured by—first of all—getting the data of all traders in the Nigerian market through their various associations. Then, provide economic relief for them, as a majority are yet to recover from the economic disruption occasioned by the pandemic.
- The government should address the high rising cost of food in the market, as many families (who have been made poor by the outbreak of COVID-19) may be confronted with the inability to afford food products. The government can also open palliative

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centres in urban slums and rural areas where the most vulnerable individuals can have access to food.

- The government needs to have the data of all Nigerians, and each individual should have a social security number. This can help in effective socioeconomic response to future pandemics.

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