

ECONOMIC POLICY MEASURES TAKEN BY THE NIGERIAN GOVERNMENT IN THE WAKE OF THE COVID-19 CRISIS

In Nigeria as in most developing economies, the COVID 19 outbreak puts enormous strain on the economy, even as it is still recovering from the 2016 economic recession which was as a result of a fall out of the global oil price crash and insufficient foreign exchange earnings to meet import costs. COVID 19's effect on the Nigerian economy is double-barreled- Nigeria is an oil dependent country and it not only facing the effects of COVID 19 on supply chains, it is also battling a devastating fall in global oil prices.

Nigeria is a major importer of goods and services and a report published in 2019 noted that the country imported goods worth ₦4.3 trillion from China alone. With the current spread of the virus, most countries have shut their borders and restricted travel to their countries, in an effort to stop the alarming spread of the virus. This had led to a drastic drop in the demand for goods and services and external trade activities in Nigeria's domestic economy as well as reduction in the demand for Nigeria's crude oil, its major export and source of economic sustenance. In addition, the Foreign Exchange Market is being affected because Foreign Portfolio Investment (FPI) being a major source of foreign exchange inflow in Nigeria's economy and capital market is largely dependent on the government's ability to control its exchange rates and reserves as well as the Central Bank of Nigeria's access to trade lines with international banks.

The Nigerian government has risen to the challenge, and has through its regulatory agencies and stakeholders set several measures to mitigate the effects of the pandemic on the Nigerian economy as a whole. Some of the key policy measures undertaken by the government have been highlighted below:

1. The Federal Government's decision to reduce fuel prices under a price modulation arrangement is one of such measures. The cut is expected to curb rising inflation, especially food price inflation which is expected to benefit the poor. It is also expected

that the government will use this opportunity to completely deregulate the petroleum industry in line with existing suggestions and reports.

2. The Federal Government's issuance of the COVID 19 Regulations 2020¹ as subsidiary legislation to The Quarantine Act² and the regulations provide the following amongst other things:
 - a. Deployment of relief materials to residents of satellite and commuter towns and communities whom are likely to be most affected by the virus.
 - b. Introduction of a 3-month moratorium for all TraderMoni, MarketMoni, FarmerMoni loans as well as Federal Government loans issued by the Bank of Industry, Bank of Agriculture and the Import Export Bank.
 - c. Development financial institutions have been directed to engage international and multilateral development parties as regards on-lending facilities and negotiate concessions to ease strain on borrowers.
3. The Federal Government has through the Ministry of Finance, Budget and National Planning announced the following as fiscal stimulus:³
 - a. COVID-19 Crises Intervention Fund: A ₦500 billion COVID-19 Crisis Intervention Fund will be established to upgrade healthcare facilities and fund Special Public Works Program to generate employment.
 - b. International Support:
 - Nigeria will draw down on World Bank facility (US\$82 million) and additional financing from the REDISSE (US\$100 million) project to meet COVID-19 emergency needs by States and the FCT.
 - US\$150 million to be withdrawn from the Nigeria Sovereign Investment Authority ('NSIA') Stabilization Fund to support the June 2020 FAAC disbursement.
 - Obtain funding from IMF's COVID-19 Rapid Credit Facility. Nigeria does not intend to negotiate or enter into a formal program with the IMF

¹ Federal Government of Nigeria COVID -19 Regulations 2020

² Cap Q2 LFN 2004

³ Ministry of Finance, Budget and National Planning Press Statement on Fiscal Stimulus Measures to the COVID-19 Pandemic and Oil Price Fiscal Shock

c. Budget Revision and Funding

- Revision of the benchmark oil price for 2020 to US\$30/barrel and oil production to 1.7mbpd.
- Concessional funding from World Bank, ADB and the Islamic Development Bank for the 2020 Budget.
- Downwards adjustment of non-oil Revenue projections including various tax and customs receipts, as well as proceeds of privatization exercises.
- The Budget Office is currently working on a revised 2020 – 2022 Medium Term Expenditure Framework / Fiscal Strategy Paper as well as an Amendment to the 2020 Appropriation Act.

4. President Muhammadu Buhari, on Monday April 13th, 2020, while extending the lockdown in Abuja, Lagos State and Ogun State, directed some ministers, namely the Ministers of Industry, Trade and Investment, Communication and Digital Economy, Science and Technology, Transportation, Aviation, Interior, Health, Works and Housing, Labour and Employment and Education to jointly develop a comprehensive policy for a “Nigerian Economy Functioning with COVID-19.” This policy is expected to address other anticipated problems the pandemic may cause to the Nigerian economy and provide measures to mitigate these issues.

5. The European Union (EU) Ambassador to Nigeria, Mr. Ketil Karlsen also announced that the EU would be donating €50m (\$55m; £44m) to Nigeria (the largest support the EU was providing anywhere outside Europe to fight the pandemic so far) to help in its fight against the coronavirus. In response, President Muhammadu Buhari, stated he was deeply touched and grateful that the EU had the foresight to help its allies around the world, despite the fact that its member countries were also struggling with the coronavirus pandemic. He stated that the funding will greatly help Nigeria in containing the virus and revitalize its healthcare system and saving millions of lives.⁴

⁴ <https://www.ghanaweb.com/GhanaHomePage/africa/EU-donates-50m-to-Nigeria-to-fight-coronavirus-923860>

6. Establishment of an Emergency Operation Center

The Federal Government has through the Ministry of Industry, Trade and Investment set up an Emergency Operation Center to monitor the supply of essential commodities in mitigating the effects of COVID 19 on Nigerian citizens. According to the Minister, this center will be housed at the ministry to ensure proper monitoring of transportation and delivery of essential goods to cut down difficulties faced by manufacturers, transporters and distributors of essential commodities nationwide. The ministry is working in association with the Manufacturers Association of Nigeria (MAN), the Nigerian Association of Chamber of Commerce Industry Mines and Agriculture, National Association of Nigerian Traders and other Stakeholders. The cooperation of these organizations is essential to guarantee the production and distribution of essential items like food and medical supplies.

7. The Minister of Education, Mr. Adamu Adamu, as part of the sector's effort to curb the impact of the coronavirus pandemic on the education sector, announced at the COVID 19 Presidential Task Force briefing on Tuesday, April 14th, 2020 that there is an ongoing effort by the government for students in higher institutions to receive lectures via Nigeria's Television Authority (NTA) and the Federal Radio Corporation of Nigeria (FRCN), (both Federal Government owned broadcasting platforms with coverage across the country. According to him, the measure was put in place due to mitigate the outbreak of the coronavirus in the country. He also added that some tertiary institutions have already started giving their lectures online. He was however optimistic that the palliative will become a permanent feature of Nigeria's educational system.⁵

8. The Financial Reporting Council (FRC) in expressing concerns about the "financial health of corporate entities" as usually reported in financial statements especially during the coronavirus pandemic released its guidelines to assist external auditors

⁵<https://www.thecable.ng/covid-19-students-to-receive-lectures-via-nta-frcn-says-education-minister>

with assessing financial statements during the COVID 19 lockdown. It therefore classified the situation into three major categories namely:

a. Audit of financial statements that have been completed

The FRC classified the situation into three major audit categories; for audits that have been completed, audit opinion issued, and report already released to shareholders, it stated that there would be no impact of the virus, only accounting issues in first-quarter reports and onwards.

b. For ongoing audits of 2019 financial statements with respect to periods ended on or before December 31, 2019, FRC asked auditors to consider the adequacy of disclosures included in the financial statements “as companies are required to disclose the nature of the event and an estimate of its financial effect, or a statement that such an estimate cannot be made” for each material category of non-adjusting events after their reporting period.

c. For an audit of 2020 financial statements (accounting periods ending on or after January 1, 2020), the guidelines contain actions to be taken when carrying out audits during the COVID-19 crisis in the following areas: new audit engagement; audit planning, execution and reporting; assessing the impact of COVID-19; events after the reporting date; going concern; and audit of 2020 financial statements (audit and accounting issues).

In addition, the guidelines further direct practitioners to demonstrate flexibility in their work pattern, which includes work from home arrangements, use of video/telephone conferencing, and electronic evidence. However, auditors are also to apply alternative procedures if they are still not able to obtain sufficient appropriate audit evidence as a result of differing levels of infrastructure in the country”. The FRC added that “If auditors are still not able to obtain sufficient appropriate audit evidence, then they should consider modifying the opinion on the financial statements in line with ISA.” The audited financial statements containing the modified opinion must also be brought to the council’s attention in accordance with the provisions of the FRC Act.”FRC said auditors may encounter scope limitations or complex auditing and accounting issues which may require audit teams to consider modifications to audit opinions due to the

severity of the pandemic and its impacts on mobility, employees and economy. According to FRC the impact of COVID-19 outbreak is considered to be material.⁶

In our opinion, the measures so far introduced were commendable, they are not enough. Additional policies such as those enabling online business platforms need to be put in place to further boost the economy. According to a report by the BBC Amazon Boss, Mr. Jeff Bezos has gained \$24billion in business, due to the soaring demand for online shopping due to the pandemic. In addition to his swelling income, he has also recruited thousands of workers to further cope with the demand.⁷ The Lagos Chamber of Commerce and Industry through its Director-General, Muda Yusuf has opined that to save the economy from collapse, the following measures need to be adopted; tax breaks and concessions for investors, fiscal policy palliatives for the real sector, aviation sector palliatives and deregulation of the downstream sector among others.

In conclusion, these measures being implemented by the Nigerian government are designed to be temporary in nature and the government will do well to make some long-term decisions which will improve the country's ability to deal with future economic challenges.

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⁶ <https://www.thecable.ng/frc-publishes-guidelines-for-external-auditing-during-covid-19-lockdown>

⁷ <https://www.bbc.com/news/business-52289657>

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