



Impact of COVID-19 on Nigeria's Food Systems

SITUATION REPORT – EDITION 3
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TABLE OF CONTENTS

Key Messages	3
1 Scope and Purpose.....	3
2 COVID-19 Measures & Support for the Vulnerable	4
3 Impacts of COVID-19 on Local Food Systems and FSN	6
4 Price and Availability Changes.....	7
5 Consumer Preferences.....	9
6 Moving Forward: Support for Food System SMEs.....	11
7 Conclusion	12

List of Abbreviations

AU	African Union
Bol	Bank of Industry
CBN	Central Bank of Nigeria
DBN	Development Bank of Nigeria
FAO	Food and Agriculture Organisation
FEWS NET	Famine Early Warning System Network
FPMA	Food Price Monitoring and Analysis
FSN	Food and Nutrition Security
GDP	Gross Domestic Product
IPC	Integrated Food Security Phase Classification
NBS	National Bureau of Statistics
NESP	Nigerian Economic Sustainability Plan
NGN	Nigerian Naira
NIRSAL	Nigerian Incentive-based Risk Sharing System for Agricultural Lending
NNPC	Nigerian National Petroleum Corporation
PAN	Poultry Association of Nigeria
PSC	Presidential Steering Committee
PTF	Presidential Task Force
QEMS	Journal of Quantitative Economics and Management Studies
SMEs	Small and Medium sized Enterprises
USAID	United States Agency for International Development
VSF	Victims Support Fund
WFP	World Food Programme

KEY MESSAGES

- **15 months after the first cases of COVID-19 were recorded in Nigeria, households are still struggling with the effects of COVID-19 control measures**, including income losses, trade disruptions and increasing food prices.
- **Following in the footsteps of COVID-19-related disruptions, the food system is being further disrupted by increasing incidence of communal conflicts**, the presence of militant groups like Boko Haram, violent clashes between herders and farmers, banditry and kidnappings.
- **Conflict and COVID-19-related disruptions created supply shocks, which continue to translate into high food prices**: the general food price index recorded a slight drop in April 2021 compared to March 2021, but **the average prices of selected staple foods**, both on year-on-year and month-on-month, are still rising.
- Over 4,000 youths launched a social accountability initiative to track use of COVID-19 relief funds and amplify the voices of people in marginalised communities.
- **The Central Bank of Nigeria announced the addition of NGN 50 billion (USD 120 million) to its Targeted Credit Facility**, a stimulus program for micro, small and medium-sized enterprises as well as households affected by the pandemic.

SCOPE AND PURPOSE

The coronavirus (COVID-19) pandemic continues to disrupt life around the world, with a toll on human lives and economic activities. Its rapid global spread has affected millions of people already vulnerable to food insecurity and malnutrition due to the effects of conflict and other disasters.¹ In response, the Global Alliance for Improved Nutrition (GAIN) developed the Keeping Food Markets Working (KFMW) programme to provide targeted support to help sustain core food systems, workers and markets during the COVID-19 emergency. The programme's objective is to mitigate the risk of the collapse of food systems and ensure the availability and affordability of nutritious food. **This report summarises the current situation of Nigeria's food system amidst COVID-19, with a special emphasis on small and medium-sized enterprises (SMEs) and how nutritious foods value chains are changing.**

The information used for this report draws on secondary data and primary research from GAIN and its partner initiatives. To substantiate the report, a thorough desk review of available secondary data was conducted, drawing primarily on information sourced from the Food and Agriculture Organization (FAO) Big Data tool on food chains under the COVID-19 pandemic; FAO Food Price Monitoring and Analysis; Cadre Harmonisé; the International Food Policy Research Institute (IFPRI) and the World Bank. The information is current as of 14 June 2021.

¹ 8

COVID-19 MEASURES & SUPPORT FOR THE VULNERABLE

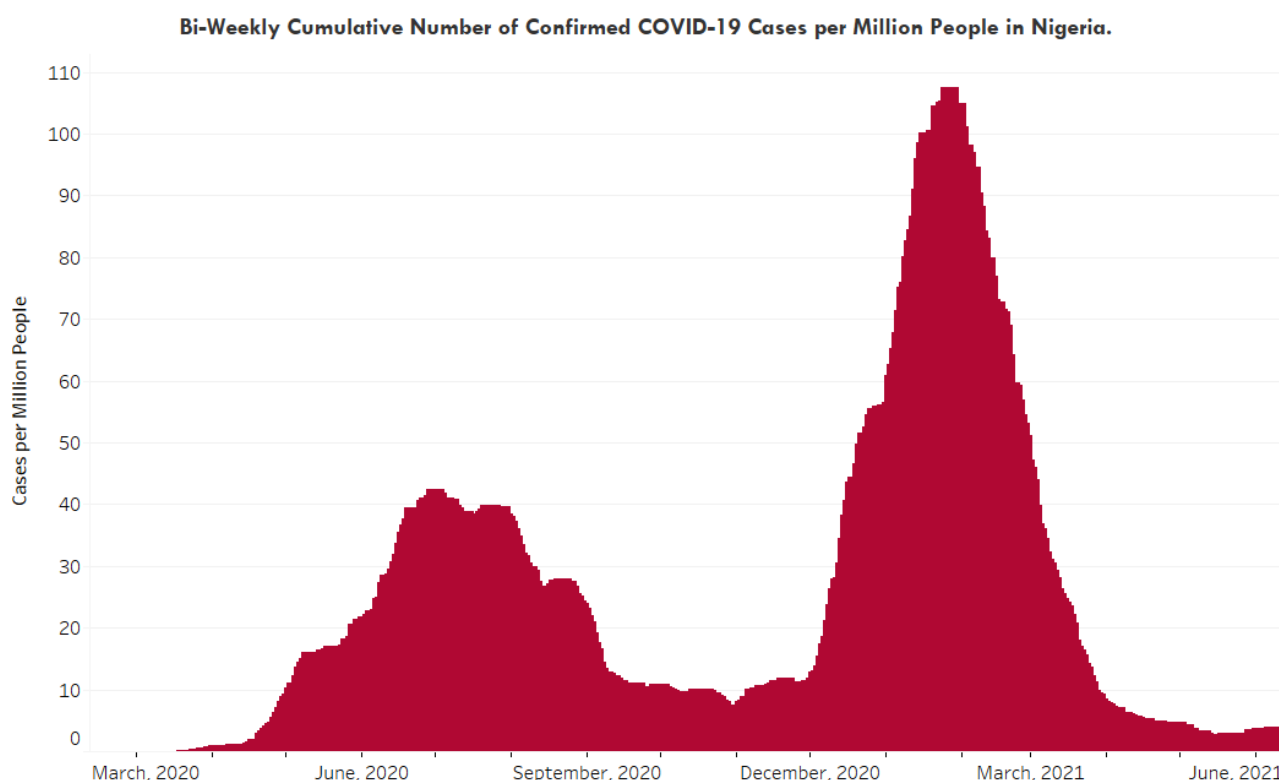


Figure 1: Bi-Weekly Cumulative Number of Confirmed COVID-19 Cases per Million People in Nigeria

Source: <https://ourworldindata.org/coronavirus> – Last updated 14 June 2021.

Nigeria recorded its first case of COVID-19 on 27th February 2020. This case was announced in Lagos, which eventually became the virus's epicentre in Nigeria.² As of 25th May 2021, 1,66,098 cases have been confirmed and 2,071 deaths have been recorded nationwide.³ In line with the increasing risk of a surge in cases, the Presidential Steering Committee (PSC) re-instituted the enforcement of the COVID-19 Health Protection Regulations (Phase 4). Effective from 11th May 2021, event centres, bars and nightclubs must remain closed until further notice and restaurants are to provide eat-in dining at 50% capacity and provide takeaways, drive-throughs and home delivery. There is a restriction on mass gatherings outside workplace settings, with a maximum number of 50 people in enclosed spaces (weddings, funerals, etc.). Temperature checks and the "No-Mask, No-Entry" policy applies in all public settings, workplace buildings, businesses, places of worship, recreational facilities, markets and motor parks. These measures are to mitigate the risk of a spike in new cases as the nationwide vaccine rollout continues.⁴

The following Key Policy Responses are in place:

- To mitigate the impact of the resulting decline in economic activities, the Nigerian government launched the Nigerian Economic Sustainability Plan (NESP), which involved the phased disbursement of NGN 2.3 trillion in critical sectors (agriculture, housing construction, renewable energy, infrastructure, manufacturing and digital economy) and among critical demographics.⁵
- As of 8th April 2021, the Victims Support Fund (VSF) provided a total of NGN 3.3 billion in COVID-19 interventions across 30 States in Nigeria.⁶ Some of the benefiting states got food items, medical supplies, Solar Powered Borehole Facilities, Automated Foot Pedal Hand Washing Stations for secondary schools and technical equipment and financial support to some federal MDAs including the Ministry of Health.⁷

² <https://yourbudgetit.com/wp-content/uploads/2021/04/Pattern-of-Palliative-Distribution-Web.pdf>

³ <https://covid19.ncdc.gov.ng/>

⁴ https://covid19.ncdc.gov.ng/media/files/F4_-_IMPLEMENTATION_GUIDELINES.pdf

⁵ <https://yourbudgetit.com/wp-content/uploads/2021/04/Pattern-of-Palliative-Distribution-Web.pdf>

⁶ Cross River, Gombe, Imo, Kogi, Sokoto and Rivers States did not receive the VSF support, possibly due to the relatively lower case numbers in these states.

⁷ <https://yourbudgetit.com/wp-content/uploads/2021/04/Pattern-of-Palliative-Distribution-Web.pdf>

- The coverage of the conditional cash transfer programme has been broadened, and an allocation of NGN 150 billion to support state and local governments' spending needs has been made available through the budget. Import duty waivers for pharmaceutical firms were introduced.⁸
- The Central Bank of Nigeria granted NGN 253.4 million to beneficiaries of the Health Sector Research and Development Intervention Scheme as part of measures to support the growth of the Nigerian healthcare sector and strengthen its capacity to meet the increasing demand for healthcare products during the pandemic.⁹
- In April 2021, the Lagos State Government launched the "Lagos Cares" Initiative to alleviate the burden of the pandemic on the most vulnerable, especially in the areas of food security and health management. The project, which will run until 2023, will provide economic relief and recovery support to identified vulnerable persons for 24 months.¹⁰

In addition, the United Nations (UN), civil society and the private sector also took action, such as:

- On 25th March 2021, Total and 30 other upstream operators in Nigeria's Oil and Gas Industry, led by the Nigerian National Petroleum Corporation announced a donation of NGN 21 billion to the government's COVID-19 effort.¹¹
- The Government of Japan announced a grant to fight malnutrition, which has been exacerbated by the pandemic in Northeast Nigeria. The new grant will aid in the early detection and prompt treatment of children suffering from acute malnutrition and build a network of community nutrition responders.¹²
- On 21st March 2021, the Presidential Task Force (PTF) received 300,000 doses of the Oxford-AstraZeneca vaccines from MTN Nigeria as part of its USD 25 million pledge with the African Union (AU) to donate COVID-19 vaccines to member countries of AU.¹³

Table 1 summarizes the cash contributions from international donor organisations, development partners and the private sector.

However, organisations are beginning to hold the government to transparency in the use of COVID19 relief funds. Follow the Money, a social accountability initiative made up of over 4,000 youths, is tracking funds, documenting procurement processes, monitoring the distribution of palliative initiatives and cash transfer programs and amplifying the voices of people in marginalised communities who are not beneficiaries of COVID-19 relief efforts.¹⁴

Table 1: Other COVID-19 Support to Nigeria

S/N	Institution/Sector	Approx. Amount (NGN billions)
1	CACOVID	27.8
2	Donations from the Presidential Task Force	24.8
3	United Nations Basket Fund	23.8
4	Nigerian Oil and Gas	21.4
5	Development Partners Group for Health (DPG-H)	1.2
6	Others	0.305
Total		99

Source: BudgIT, 2021.

⁸ <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#N>

⁹ <https://www.cbn.gov.ng/FeaturedArticles/2021/articles/Covid19Grant.asp>

¹⁰ <https://www.vanguardngr.com/2021/04/covid-19-lagos-to-support-over-125000-vulnerable-residents/>

¹¹ <https://guardian.ng/news/nigeria/total-contributed-n1-2bn-to-fight-covid-19-in-nigeria/>

¹² <https://www.unicef.org/nigeria/press-releases/government-japan-announces-grant-fight-malnutrition-north-east-nigeria>

¹³ [https://www.thisdaylive.com/index.php/2021/04/05/mtn-donates-300000-covid-19-vaccines-to-nigeria/-](https://www.thisdaylive.com/index.php/2021/04/05/mtn-donates-300000-covid-19-vaccines-to-nigeria/)

UN%20ALLOCATES%20EMERGENCY%20%2415%20MILLION%20TO%20FIGHT%20RISING%20HUNGER-%2018112020.pdf

¹⁴ <https://www.connecteddevelopment.org/a-year-later-youths-are-still-tracking-covid-spending-in-nigeria/>

IMPACTS OF COVID-19 ON LOCAL FOOD SYSTEMS AND FSN

Nigeria's already fragile food system was disrupted by the COVID-19 control measures imposed in 2020.¹⁵ **However, in recent times, more than COVID-19-related disruptions, the increasing levels of conflict, banditry, kidnapping and communal clashes in the Northeast, Northwest and Northcentral states is having a greater impact on food systems and food insecurity in the country.**¹⁶ According to the Integrated Food Security Phase Classification (IPC) report on Northeast Nigeria in March 2021, the drivers of malnutrition in the region are chiefly conflict and insecurity, followed by the lingering impact of COVID-19. These are expected to further exacerbate the food crisis in the region, leading to decreased food accessibility for millions of children and households.¹⁷

Despite the easing of COVID-19 related restrictions, the economic setbacks experienced by vulnerable populations in 2020 remain, as **poor macroeconomic conditions continue to make recovery and access to food difficult.** Food trade is continually affected by the depreciation of the Naira and high inflation coupled with the restrictions at Nigerian land borders, despite the official reopening.¹⁸ The local currency depreciation and high inflation rate stem from declining foreign reserves and economic damage caused by COVID-19 control measures in 2020, leading to more pressure on already stressed markets.¹⁹ According to a GeoPoll study on the impacts of COVID-19 in six African nations, 68% of respondents in Nigeria indicated that their spending on food and other necessities had increased in the three months before April 2021 because of the constant rise in food prices.²⁰ **The persistent increase in food inflation rates is putting more pressure on households already faced with rising unemployment and declining incomes.**

COVID-19 has had both negative and positive effects on food systems SMEs in Nigeria: while some are still struggling to stay in business, others have accelerated operations using innovative technologies. Most food SMEs were severely hit at the onset of the pandemic; however, some of them have since taken advantage of the pandemic to innovate and expand. This has helped reduce the negative impacts of COVID-19 on Nigeria's food security by increasing the accessibility of high-quality food items and agricultural inputs. For example, Pricepally, which was established in November 2020, launched a group-buying platform in Lagos in February 2020 to aggregates consumer food demand and matches it with supplies directly from farmers and wholesalers.²¹ Pricepally seems to be taking advantage of the disruption in the food supply chains caused by Covid-19 and structural factors in the country. Currently, the company is planning an expansion to Abuja and Port Harcourt while targeting Nairobi, Kenya for future expansion.²² Also, OliliFood an online food delivery start-up that launched operations in February 2020 in Asaba, provides customers with meals within minutes of placing orders. As noted by the management, the start-up which started just a month before the pandemic has experienced accelerated growth due to the persistent impact of COVID-19. The start-up which started with only two riders and sales agents, at present has processed over 14,000 Deliveries with about 3,400 users in Asaba.²³ However, according to an online survey conducted by GAIN and partners on the impacts of COVID-19 on SMEs in the Nigerian Food System (March 2021), about 99% (n=71) of SME operators reported that the pandemic still had impacts on their business (such as decreased sales, difficulty accessing inputs, difficulty paying staff and downsizing staff), while about 3% of them reported that their businesses were back to normal. To keep their businesses running, about 90% of the SME operators noted having taken actions to mitigate negative impacts of the pandemic by increasing social media engagement as well as adapting supply chains, increasing communication with clients and customers, promoting online sales and downsizing staff.²⁴

15 <https://www.theafricareport.com/75538/food-inflation-may-be-nigerias-biggest-hit-from-covid-19/>

16 <https://fews.net/west-africa/nigeria/food-security-outlook-update/april-2021>

17 http://www.ipcinfo.org/fileadmin/user_upload/ipcinfo/docs/IPC_Nigeria_Acute_Malnutrition_2020Sept2021Aug_Report.pdf

18 <https://fews.net/node/24724>

19 <https://fews.net/west-africa/nigeria/food-security-outlook-update/april-2021>

20 <https://www.geopoll.com/blog/covid19-tracker-sub-saharan-africa-2021/>

21 <https://disrupt-africa.com/2021/04/01/nigerian-digital-food-cooperative-pricepally-raises-6-digit-pre-seed-funding-round/>

22 <https://www.theafricareport.com/80460/nigerias-pricepally-plans-expansion-as-food-inflation-jumps-again/>

23 <https://techcabal.com/2021/03/24/olilifood-the-food-delivery-startup-aiming-to-conquer-nigeria/>

24 <https://www.gainhealth.org/sites/default/files/publications/documents/impacts-of-covid-19-on-small-and-medium-sized-enterprises-in-the-nigerian-food-system.pdf>

Food Security and Nutrition in Focus

According to a WFP report, **Northeast Nigeria is currently facing famine risk, particularly in the inaccessible areas of Borno, Adamawa and Yobe states.** It

was reported that there are severe food consumption gaps in the area, as people have limited or complete lack of access to livelihoods and farmland, markets, and healthcare due mainly to conflict and insecurity in the region.²⁵ However, there is a possibility that the earlier COVID-19 impacts may have contributed to the increased conflict, as loss of livelihoods and income-earning opportunities may have driven more people to join criminal groups.

Generally, the reduction in essential nutrition services coverage has contributed to the deteriorating nutrition situation across the 16 northern states

and Abuja.²⁶ According to Cadre Harmonisé Analysis (April 2021), 9.2 million people in 14 Northern states and the Federal Capital Territory (FCT) were in Crisis (Phase 3) or worse between March and May 2021; this is projected to increase to about 12.8 million people in 16 Northern states and FCT between June and August 2021 (**Error! Reference source not found.**). Lower-income households, particularly in Northwest and Northcentral states, will have trouble meeting their food and non-food needs due to the persistent staple food price increases across the markets as the lean season peaks from June to September and as result will likely face Crisis (IPC Phase 3). Figure 2 shows that since the onset of COVID-19 in Nigeria, the estimated number of people experiencing food and nutrition insecurity in Phase 3-5 has persistently increased due to the impact of the pandemic and other above-mentioned factors.

Estimation of food and nutrition insecure people in phase 3-5 in Nigeria

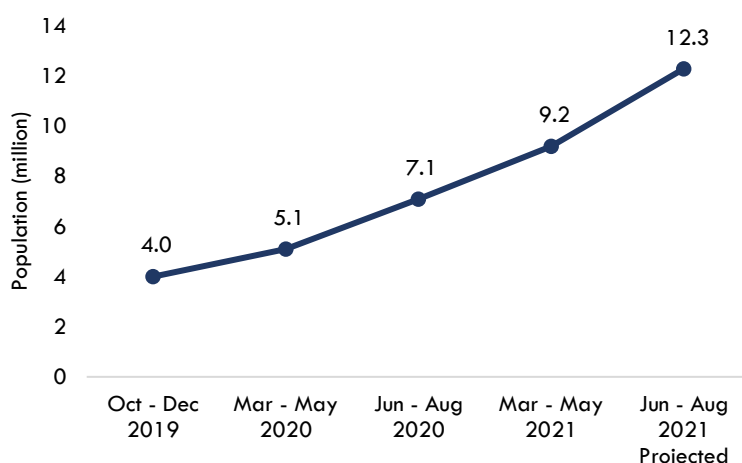


Figure 2: Estimation of food and nutrition insecure people in phase 3-5 in Nigeria

Source: Food security Highlights (Cadre Harmonisé, 2021)

https://fscluster.org/nigeria/documents?f%5B0%5D=field_core_themes%3A225

PRICE AND AVAILABILITY CHANGES

According to a WFP report in April 2021, **rising food prices have persistently pushed millions of poor households who were already struggling to meet their basic food needs deeper into food insecurity.**²⁷ FEWS NET reported in April 2021 that food supply was below average amidst above-average demand due to early depletion of household stocks and increased market dependence in March 2021, while prices were above the previous year and average levels due to supply/demand trends, higher transportation costs and the depreciation of the national currency (Naira) against the US Dollar.²⁸

The FAO Food Price Monitoring and Analysis (FPMA) monthly report on domestic food price trends in Nigeria (May 2021), reported that the prices of coarse grains in March 2021 were above the previous year prices of domestically produced coarse grains. The increase was attributed to seasonal upward pressure due to strong market demand because of shortages in local production, particularly in many rural markets where the elevated transport costs limited the ability to supplement market availability with imported commodities. According to the report, the prices of maize rose sharply in several markets in Kano state and peaked at above 100% in the Dawanau market compared to the previous year prices. The soaring prices of cereals in Northern states in March were mainly due to the poor socioeconomic conditions in the region.²⁹ Across the Lagos markets in May 2021, the prices of tomatoes, onions, rice,

25 https://api.godocs.wfp.org/api/documents/f129543809d94cee830cce3637189eea/download/?_ga=2.258357710.55780510.1621868096-1450285185.1611570810

26 https://fscluster.org/sites/default/files/documents/fiche-nigeria_march_2021_final.pdf

27 <https://www.wfp.org/news/explosive-mix-soaring-food-prices-and-conflict-drives-hunger-third-across-west-africa>

28 https://fews.net/sites/default/files/documents/reports/PW_Global_202103_FINAL_2.pdf

29 <http://www.fao.org/3/cb4720en/cb4720en.pdf>

beans and other staple food items were reported to have increased due to the scarcity of food items and price manipulations by traders driven by the Eid al-Fitr celebration.³⁰

According to WFP monthly report on Borno and Yobe States Market Monitoring (March 2021), the prices of staple foods increased in March 2021 by 81.2% year-on-year and 16.5% month-on-month, while food supplies in the markets were lower. There is increasing cost of living in both states; for example, the cost of Survival Minimum Expenditure Basket (SMEB)³¹ for a family of five was noted to have slightly risen from NGN 20,650 in February to NGN 20,657 in March 2021 in Maiduguri and Jere in Borno state, while there was a 6% increase from NGN 19,194 to NGN 20,376 in the same period in Yobe state due to increasing prices of red beans, groundnut, onions and cooking oil.³²

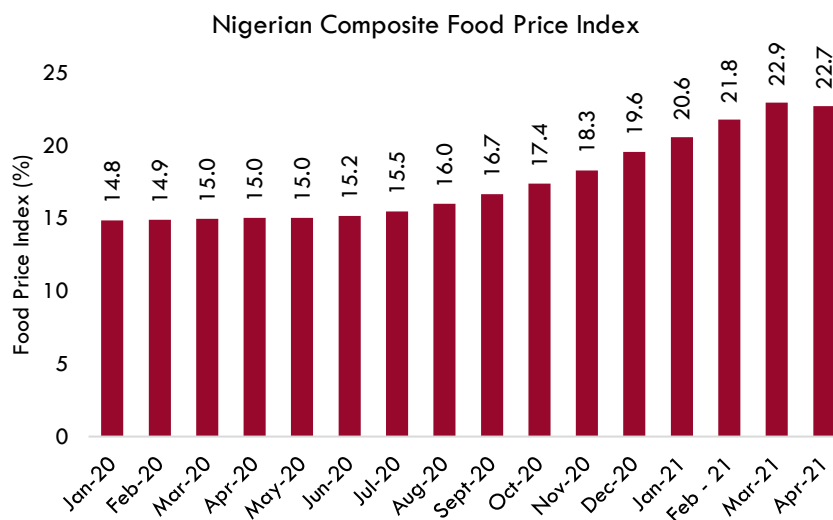


Figure 3: Nigerian Composite Food Price Index (%) (NBS 2021).

Note: The CPI (Composite Price Index) measures the average change over time in prices of goods and services consumed by people for day-to-day living (i.e., inflation). The Food Price Index includes food, breads and cereals, meat, fish, milk, cheese and eggs, oils and fats, fruit, vegetables, potatoes, yam and other tubers, food products, coffee, tea, cocoa and soft drinks. Source: NBS: May 2021. <https://niaerianstat.aov.na/elibrary>

In terms of food availability, the dry season harvest for rice, maize and vegetables, which started in April 2021 in the Northern region, is gradually increasing market supply and household food stocks. However, market supply was below average while demand was high due to the increase in purchase around Ramadan in May. The persistent conflict and insecurity in the Northern region have continued to disrupt farming activities, including land preparation for the upcoming season. This has led households to depend largely on markets for food.³³

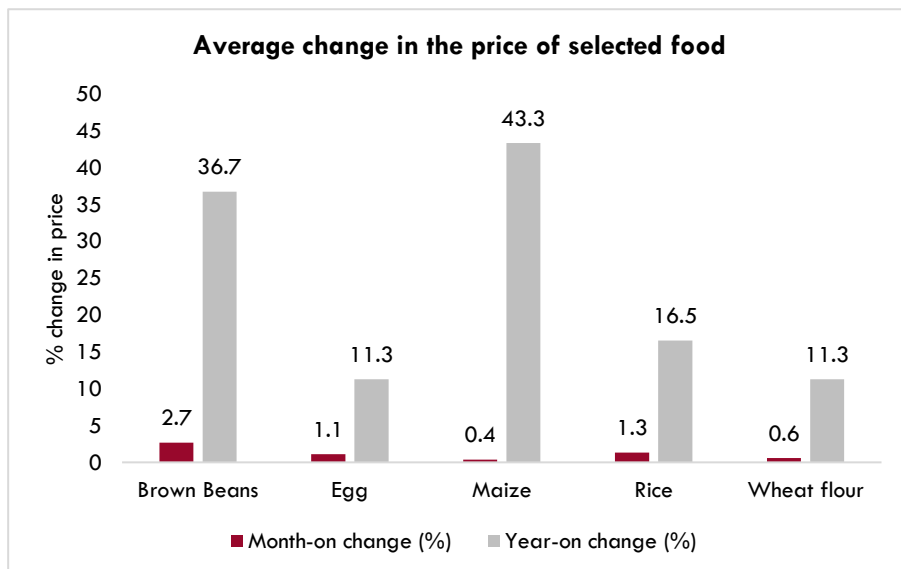


Figure 4: Average change in the price of selected food between March 2021 and April 2021 and between April 2020 and April 2021 (NBS 2021)

The national food index dropped slightly in April 2021, from 23.0% in March 2021 to 22.7%. Inflation rates reached a peak in March and could stabilise or be on their way down.³⁴ The decrease in food inflation on a month-on-month basis seems to be connected to the marginal GDP growth of 0.51% recorded in Q1 2021. The GDP growth could indicate that the economy is recovering from the contractions witnessed in the previous year. Despite the shocks recorded in the agricultural sector due to COVID-19, the agriculture sector was reported to be one of the drivers of the GDP growth in non-oil sectors.³⁵

30 <https://nairametrics.com/2021/05/14/food-prices-surge-across-lagos-markets-amid-eid-el-fitr-celebrations/>

31 The Survival Minimum Expenditure Basket (SMEB) The SMEB is the absolute minimum amount required to maintain existence and cover lifesaving needs, which could involve the deprivation of certain human rights (<https://docs.wfp.org/api/documents/WFP-0000074198/download/>)

32 https://reliefweb.int/sites/reliefweb.int/files/resources/BornoYobe_Market_Monitoring_Report_March_2021.pdf

33 https://fews.net/sites/default/files/documents/reports/NIGERIA_Food_Security_Outlook_Update_April%202021_Final.pdf

34 <https://nairametrics.com/2021/05/17/nigerias-inflation-rate-drops-to-18-12-in-april-2021/>

35 <https://nairametrics.com/2021/05/23/nigerias-gdp-grows-marginally-by-0-51-in-q1-2021/>

Average prices of the selected staple foods on a year-on-year and month-on-month basis have consistently increased. National Bureau of Statistics (NBS) data³⁶ from March to April 2021 showed that the average price of 1 kg of brown beans increased by 36.7% year-on-year and month-on-month by 2.7% (NGN 368 to NGN 378); the price of 1 dozen eggs increased year-on-year by 11.3% and month-on-month by 1.1% (NGN 524 to NGN 530); the average price of 1 kg of local rice increased year-on-year by 16.5% and month-on-month by 1.3% (NGN 393 to NGN 399); the average price of 1 kg of yellow maize increased year-on-year by 43.3% and month-on-month by 0.4% (NGN 237 to NGN 238), and the average price of 2 kg of prepacked wheat flour increased year-on-year by 11.3% and month-on-month by 0.6% (NGN 766 to NGN 770).³⁷

Protein-rich foods

Persistent increases in the prices of protein-rich foods such as eggs and beans are threatening millions of Nigerians that rely on them for their protein needs. The prices of eggs and beans in April 2021 increased compared to the same month in 2020. The sharp increase in egg prices is due to the rising prices of maize and soya, the main ingredients in poultry feeds. Figure 4 shows that, among the examined foods, maize recorded the highest increase in prices on a year-on-year basis at 43.3%; this is mainly due to the ban on the importation of maize. The federal government, through the Central Bank of Nigeria, on 13 July 2020 banned importers of maize from accessing foreign exchange markets³⁸; the ban was intended to safeguard rural livelihoods of smallholder farmers and preserve jobs amid the increasing unemployment stemming from COVID-19.³⁹ Further, the supply of maize and soya were below average due to conflict and insecurity, COVID-19 disruptions, weather changes and challenges with importation as local farmers struggled to meet domestic demand, particularly for maize.⁴⁰ The current ban has prevented maize importers from accessing foreign exchange, and this has limited the import volume, thus contributing to the scarcity of maize for poultry feed and domestic consumption. To cushion the current scarcity, the Poultry Association of Nigeria has proposed that the government permit the association to import maize by implementing reduced or zero duties for maize imports.⁴¹ Also, the price of beans (an alternative source of protein especially for low-income households) rose more than that of eggs, making it difficult for poor household to afford and thus threatening their main source of protein.

To analyse the FSN situation closer, a combination of FAO's dimensions of food security⁴² and GAIN's Supply Chain Analysis for Nutrition (SCAN)⁴³ tools were used (see Figure 5).

CONSUMER PREFERENCES

Loss of income and high inflation rates have continued to affect consumer behaviour: Nigeria's inflation rate rose to 18.17% in March 2021, hitting a four-year peak. Food inflation, in particular, rose to 22.95%, putting pressure on households that at the same time faced reduced income-earning opportunities.⁴⁴ In a survey carried out by Geopoll between March and April 2021, 68% of respondents stated that their spending on food and other necessities has increased since January 2021, with almost half (47%) stating it has increased significantly. The overwhelming reason for this increase is the rise in food prices. Also, about 60% of survey participants reported decreased spending on non-essential items.⁴⁵

36 <https://nigerianstat.gov.ng/elibrary>

37 <https://www.nigerianstat.gov.ng>

38 <https://www.vanguardngr.com/2020/08/stakeholders-commend-cbns-forex-restriction-for-maize-importation/>

39 <https://allianceforscience.cornell.edu/blog/2020/09/nigerias-maize-import-ban-could-boost-adoption-of-gm-varieties/>

40 <https://brandsprung.com/2021/04/06/nigerias-poultry-egg-prices-highest-ever-amidst-inflation-insecurity/>

41 https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Grain%20and%20Feed%20Annual_Lagos_Nigeria_03-15-2021

42 Note: According to FAO, the four dimensions of food security are: availability of food, access to food, food utilization and stability of the three dimensions over time. SCAN is a tool to understand how the various stages of the supply chain contribute to the accessibility, desirability and quality of the food in question.

43 <https://www.gainhealth.org/resources/reports-and-publications/supply-chain-analysis-nutrition-tool-scan>

44 https://www.geopoll.com/blog/economic-impact-of-covid/#Consumer_Spending_Changed

45 https://www.geopoll.com/blog/economic-impact-of-covid/#Consumer_Spending_Changed

Key Influencer	Sub-Influencer	Underlying Factor	Impact on FSN	Context
Accessibility	Availability	Supply shortfall	Strong	<ul style="list-style-type: none"> Food supply was reported to be below average amidst above-average demand due to early depletion of household stocks and increased market dependence in March 2021 The dry season harvest for rice, maize and vegetables such as onion, tomatoes and peppers, which started in April 2021 in the Northern region has gradually increase market supply and household food stocks.
		conflict and insecurity	Strong	<ul style="list-style-type: none"> The persistent conflict and insecurity in the Northern region have continued to disrupt farming activities, including land preparation activities for the upcoming season.
		Availability of poultry feeds	Strong	<ul style="list-style-type: none"> Maize and soya which are the main were ingredients for poultry feeds are in short supply due to conflict and insecurity in the North, COVID-19 disruption, weather changes and ban on the importation of maize.
	Affordability	Food inflation/poor macroeconomic conditions	Strong	<ul style="list-style-type: none"> The national food index recorded a slight drop in April 2021, from 22.95% in March 2021 to 22.72% while the average prices of the selected staple foods on a year-on-year and month-on-month increased persistently. FEWS NET reported in April 2021 that food prices were above the previous year and average levels due to supply/demand trends, higher transportation costs and the depreciation of the national currency (Naira) against the US Dollar.
		Eid al-Fitr celebrations	Strong	<ul style="list-style-type: none"> The prices of tomatoes, onions, rice, beans and other staple food items increased across the Lagos markets in May 2021 due to the scarcity of food items and price manipulations by traders because of the Eid al-Fitr celebration.
Desirability	Convenience	Increased adoption of e-commerce	Less Strong	<ul style="list-style-type: none"> Interest in e-commerce and remote approaches to business continue to grow. During the pandemic, most consumers were interested in increasing their use of electronic payment methods relative to cash and a quarter of small businesses were interested in sourcing goods online. In factual terms, 62% of businesses who participated in a survey by Private Enterprise Development reported that they advertised and sold on social media during the pandemic, while 80% planned to sell through social media in the next six months pandemic
	Perception	Reduced income	Strong	<ul style="list-style-type: none"> According to a survey by World Food Programme (April 2021), at least 50 % of households for many job categories experienced either a reduction in their income or completely lost income, thus causing a reduction in household demand for food.
Quality	Nutrition	Price hike	Strong	<ul style="list-style-type: none"> The prices of eggs and beans in April 2021 increased, the sharp increase particularly for the price of eggs was due to the rise in the prices of maize and soya. The price of beans continued to rise even higher than the increase in the prices of eggs, making it difficult for poor household to afford and thus threatening their main source of protein.
	Awareness	Change in diet	Strong	<ul style="list-style-type: none"> Aware of the hike in food prices, consumers are favouring the consumption of cereals and roots and tubers and reducing their intakes of fruits, vegetable and protein. In the future, this might aggravate the double burden of malnutrition and obesity.

Figure 5: Matrix of Key Factors Influencing Food and Nutrition Security (FSN) in Nigeria Amidst COVID-19.

Note: Darker colouring indicates a stronger impact on the availability, convenience and affordability of food between March and May 2021 based on an internal evaluation

Sources: Alliance for Science, FEWS NET, Nairametrics, National Bureau of Statistics (NBS), Private Enterprise Development, World Food Programme (WFP).

Strong	Less Strong
Weak	Very Weak

MOVING FORWARD: SUPPORT FOR FOOD SYSTEM SMES

SMEs in Nigeria, including those operating in the food systems, had to deal with uncertainties, challenges with cash flow and customer retention and disruption in essential operation processes.⁴⁶ In a March 2021 study published in the *Journal of Quantitative Economics and Management Studies* involving 422 SMEs in Nigeria, 89% reported being negatively affected by the pandemic, with 71% laying off employees to survive.⁴⁷ Although sales rebounded after the government partially eased lockdown restrictions, they did not return to pre-pandemic levels. In Lagos, traders reported low sales, lack of cash-in-hand and challenges with sourcing as significant problems caused by the pandemic.⁴⁸ Conversely, the pandemic also accelerated the adoption of digital marketing by some SMEs. 62% of business representatives who participated in a survey by Private Enterprise Development reported that they advertised and sold on social media during the pandemic, while 80% planned to sell through social media in the next six months.⁴⁹

Support Responses for Food System SMEs

The Nigerian federal government, civil societies and the private sector established several support schemes geared towards helping SMEs deal with the effects of the pandemic, as described below.

Government Policy Responses

- In March 2021, the Central Bank of Nigeria (CBN) announced the addition of NGN 50 billion (USD 120 million) to its Targeted Credit Facility, a stimulus program for MSMEs as well as households affected by the pandemic. The funding will be disbursed through the Nigerian Incentive-based Risk Sharing System for Agricultural Lending Microfinance Bank at an interest rate of 5% per annum until 28 February 2022, after which the interest rate will rise to 9% per annum.⁵⁰
- The Development Bank of Nigeria (DBN) approved the first tranche of NGN 1 billion to Living Trust Mortgage Bank for disbursement to MSMEs.⁵¹
- Under the supervision of the Federal Ministry of Industry, Trade and Investment, in March 2021, the Bank of Industry secured a USD 1 billion syndicated loan to support MSMEs. The loan, which is being implemented in conjunction with international partners, has a long-term tenor, alongside moratorium benefits.⁵²
- In May 2021, Edo State Government announced the allocation of NGN3 billion as a post-COVID-19 intervention grant to cushion the effects of the COVID pandemic on SMEs in the state. The loan will be disbursed as grants to affected businesses to meet their debt obligations.⁵³

Private-Sector Responses

- In March 2021, Lagos-based private equity fund manager CardinalStone Capital Advisers secured the close of a USD 64 million fund, which will be used to invest in the growth and institutionalisation of SMEs in Nigeria and Ghana.⁵⁴ In the same period, private equity firm TLG Capital announced a partnership with Fidelity Bank Plc to invest USD 20 million in SMEs in the healthcare, education and consumer sectors in Nigeria.⁵⁵
- In April 2021, Uhuru Investment Partners, a middle-market private equity firm, announced the first close of Uhuru Growth Fund at USD 113 million, with capital support from CDC Group, the UK's development finance institution, along with other commercial investors. The fund will support the economic revival of local businesses from the COVID-19 pandemic and boost trade across the continent through investment in SMEs across the West African region including Nigeria, Ghana, Côte d'Ivoire and other Francophone markets.⁵⁶

⁴⁶ <https://www.pwc.com/ng/en/assets/pdf/covid19-focus-on-smes.pdf>

⁴⁷ <http://jurnal.ahmar.id/index.php/qems/article/download/305/254>

⁴⁸ https://pedl.cepr.org/sites/default/files/C19%206821%20BishiGrossmanStartz_.pdf

⁴⁹ https://pedl.cepr.org/sites/default/files/C19%206821%20BishiGrossmanStartz_.pdf

⁵⁰ <https://www.findevgateway.org/news/cbn-adds-120m-covid-19-pandemic-relief-fund-loans-msmes-households-nigeria>

⁵¹ <https://nairametrics.com/2021/03/12/dbn-gives-first-tranche-of-n1-billion-msmes-fund-to-livingtrust-mortgage-bank/>

⁵² <https://www.thecable.ng/trade-minister-fg-will-support-msmes-with-1bn-syndicated-loan>

⁵³ <https://tribuneonlineng.com/edo-earmarks-n3bn-as-post-covid-19-intervention-grant/>

⁵⁴ <https://iclg.com/alb/15970-private-equity-fund-brings-backing-for-west-african-smes>

⁵⁵ <https://nairametrics.com/2021/03/30/tlg-capital-and-fidelity-bank-to-invest-20-million-on-nigerian-smes/>

⁵⁶ <https://www.cdcgroup.com/en/news-insight/news/cdc-group-supports-uhuru-growth-fund-i-in-reaching-113m-first-close/>

- First Bank of Nigeria Limited, one of Nigeria's tier-1 banks, launched specific accounts to support the growth of SMEs. The accounts, FirstSME Classic and FirstSME Deluxe are offered to SMEs irrespective of their industry and are tailored to give the businesses exposure to services and opportunities essential for their continued growth (e.g., digital platforms, business promotional and networking opportunities, temporary overdrafts).⁵⁷

Responses from Non-Governmental Organisations

- In April 2021, the United States Agency for International Development (USAID) in Nigeria launched a COVID-19 Food Security Challenge that will provide USD 3 million in grant funding and technical assistance to youth-led and mid-stage companies working in food value chains in Nigeria. The Challenge will award 15 to 25 youth-led companies up to USD 75,000 each and award 10 to 15 mid-stage companies up to USD 150,000 each. Winners will receive funding and technical assistance to rapidly expand their activities to mitigate the effect of COVID-19 on Nigeria's food value chains and improve the resilience of vulnerable households to the negative impacts of the pandemic.⁵⁸
- In May 2021, Mastercard launched its SME Dining Series in support of small businesses in Abuja and Lagos. The series seeks to support and promote SMEs in Nigeria, as they build their businesses in response to changing consumer behaviour due to the impact of the pandemic.⁵⁹

CONCLUSION

15 months after the first cases of COVID-19 were recorded in Nigeria, this analysis finds that households are still struggling with the effects of COVID-19 control measures, including income losses, trade disruptions and increasing food prices. Alongside COVID-19-related disruptions, the food system is being disrupted by increasing incidence of communal conflicts, the presence of militant groups, violent clashes between herders and farmers, banditry, kidnappings and Boko Haram who recently attacked and hoisted their flag in some villages in Northern Nigeria.⁶⁰ Their activity contributes to food insecurity by disrupting food production and supply chains. As unemployment correlates positively with crime, these developments were likely exacerbated by COVID-19, as the loss of livelihoods and income-earning opportunities caused by the pandemic may have driven many youths to join criminal groups.

SMEs are indirectly affected by shortages in supplies of agricultural products, continued decreased consumer spending and persistent restrictions. Given the absence of active commodity exchanges and significant food reserve storage systems, the disruptions to crop production create a supply shock that translates into high food prices. This situation could be further worsened if the proposed increase in fuel prices is implemented. As a temporary resort, the Nigerian government might need to allow the importation of key food items to help contain food prices.

⁵⁷ <http://www.financialnigeria.com/firstbank-unveils-accounts-to-support-growth-of-smes-sustainable-photovideo-details-1396.html>

⁵⁸ <https://www.usaid.gov/nigeria/press-releases/usaid-launches-3-million-grants-support-food-security#:~:text=Abuja%20%E2%80%93%20On%20April%2012%2C%202021,food%20value%20chains%20in%20Nigeria.>

⁵⁹ <https://newsroom.mastercard.com/mea/press-releases/mastercard-launches-sme-dining-series-campaign-start-something-priceless/>

⁶⁰ <https://www.aa.com.tr/en/africa/boko-haram-seizes-nigerias-northern-region/2222028>