

WEATHERING THE PANDEMIC TO BUILD BACK BETTER

Addendum of options for supporting SMEs in Nigeria

ADDENDUM | 17 December 2020



FOOD | SYSTEMS | FORESIGHT

ABOUT THIS ADDENDUM

This document is an Addendum to the Global Options Paper, *Weathering the Pandemic to Build Back Better: Options for Supporting SMEs in Low- and Middle-Income Countries*. The Global Options Paper is a rapid review and analysis of the challenges facing agri-food SMEs and the interventions stakeholders have implemented to support those businesses. While this Addendum offers a synopsis of the methodology and findings of the Global Options Paper, it is intended to be read as a complement to the Global Options Paper rather than as a stand-alone document.

This Addendum applies the findings of the Global Options Paper to the Nigerian context. It presents an overview of how the Nigerian food system has been impacted by the COVID-19 crisis, summarises the interventions implemented, identifies gaps in the response to the crisis, and offers four options for priority actors to support agri-food SMEs in Nigeria. While it seeks to be as comprehensive as possible, the findings should be viewed as applied analysis, and any findings offered in this Addendum should be further validated by field research before being acted upon.

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1. INTRODUCTION

Agri-food small and medium-sized enterprises (SMEs) are vital elements of functioning food systems and markets. In Nigeria, like in many low- and middle-income countries (LMICs) as much as 80% of all food consumed is handled by SMEs.¹ The COVID-19 pandemic, public health response, and ensuing economic crisis has threatened the survival of these businesses, thereby jeopardising food security for the people who rely on these businesses for food access.

The Global Alliance for Improved Nutrition (GAIN) and its Keeping Food Markets Working (KFMW) programme set out to understand how stakeholders can support agri-food SMEs to adapt to the challenging dynamics presented by the pandemic and economic crisis. KFMW commissioned the research presented in this Addendum and in the Global Options Paper, *Weathering the Pandemic to Build Back Better: Options for Supporting SMEs in Low- and Middle-Income Countries*, to advance that understanding in Nigeria.

2. COVID-19 IN NIGERIA

Nigeria is the most populous country in Africa with a population of nearly 200 million people and a dynamic economy to match.² However, it also faces significant socio-economic challenges as a result of its rapid growth rate—large numbers of Nigerians face challenges including poverty, hunger, and malnutrition. Nigeria experienced a recession in 2016, and, until the recent crisis catalysed by COVID-19, the country had been on a trajectory of recovery and growth.³

Nigeria recorded its first case of COVID-19 in February, 2020.⁴ The federal government responded by creating a task force to consider strategies for containing the outbreak.⁵ However, over the next several weeks and months it was largely state governments that instituted public health measures to contain the virus' spread, such as: border closures,⁶ school closures,⁷ curfews,⁸ restrictions on gatherings,⁹ mask mandates,¹⁰ and stay-at-home orders.¹¹ On 2 May 2020, Lagos and Ogun states began a gradual easing of lockdown measures, which allowed for reopening of some businesses. Since June 2020, the federal government has extended the second phase of easing lockdown restrictions three times, set to end at the end of September 2020.¹² Since September, major steps forward include the reopening of international travel and educational institutions.¹³ While curfews have been eased countrywide, some have remained in place in larger cities due to political unrest unrelated to COVID-19.¹⁴

Mirroring the reality felt around the globe, the public health measures introduced to contain the virus had ripple effects in all parts of the Nigerian economy. These effects compounded with the government's devaluation of the Naira due in part to reduced oil demand, which strain the national budget.¹⁵ To reduce the shock of the economic damage caused by the virus, the Nigerian government adopted several policies. A fiscal stimulus of 500 billion NGN (1.3 billion USD) was largely targeted at vulnerable individuals and households through conditional cash transfers and expanding the social register to cover more people.¹⁶ An additional 500 billion NGN (1.3 billion USD) was introduced for businesses.¹⁷ Other measures intended to support the economy focused on reducing Central Bank interest rates, increasing the liquidity of lending institutions, and a 50 billion NGN (130 million USD) SME credit facility.¹⁸

3. COVID-19 AND CONTEMPORARY FOOD SYSTEMS

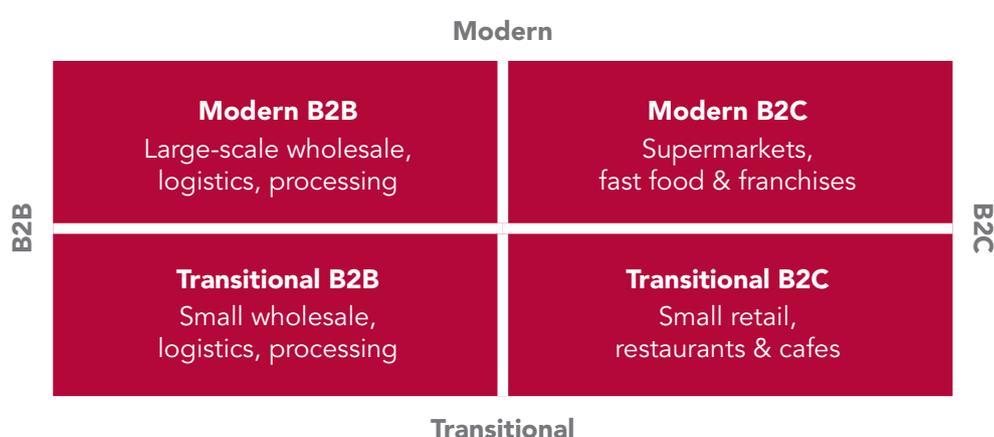
The Global Options Paper highlights the challenges COVID-19 has created within food systems as well as interventions that have been implemented in order to address them, all in an effort to identify leading options available to GAIN and its stakeholders for action in support of agri-food SMEs and better functioning food systems.

The Global Options are organised around a framework for understanding contemporary food systems. This framework centred on two key characteristics: (a) the level of modernisation of businesses, ranging from traditional to transitional and finally modern, and (b) the phase of the value chain, from upstream, primary production, to midstream processing and transport (business-to-business, B2B), to downstream retail and food service (business-to-consumer, B2C).¹⁹

The Options Paper and this Addendum are oriented toward SMEs operating in the B2B and B2C phases of the value chain that exhibit transitional or modern business formulations. This focus does not exclude vertically integrated B2B SMEs involved in upstream activities, as they would be represented in the transitional quadrant, as illustrated in Figure 1 below.

Using this framework, this Nigeria Addendum seeks to identify the impact of COVID-19 on Nigerian food systems, the initial response to those impacts, and how the options identified in the Global Options Paper can best be applied to the challenges observed in the Nigerian context.

Figure 1. Agri-Food Market Framework



4. NIGERIAN FOOD SYSTEMS

Nigeria’s food system is largely characterised by transitional supply chains and retail, with Modern B2B and B2C enterprises primarily concentrated in urban centres. While people and businesses providing essential services, including many food businesses, were largely exempted from the stay-at-home orders, these businesses still felt the effects of the pandemic and public health response. In June 2020, GAIN, the Scaling Up Nutrition Business Network (SBN), and World Food Programme (WFP) conducted an online survey to understand how the pandemic was affecting Nigerian agri-food SMEs. 98% of survey respondents reported being affected by the pandemic, with 58% reporting considerable or severe difficulty as a result.²⁰ Mirroring the findings in the global options paper, the top impact reported by Nigerian SMEs was decreased sales (70% firms reporting), which had cascading impacts in the form of decreased production volumes (82%), price changes (65%), and closed retail or sales outlets (50%).²¹

These impacts largely begin at the plate (i.e., the point of consumption, including households and institutions); COVID-19’s economic impact dampened demand from both consumers and institutions. From the plate, these impacts flow back through the supply chain (i.e., businesses) and to the farm.²² In the absence of COVID-19, Nigerian food supply chains that bring food from farm to plate are characterised by inefficiencies and large volumes of post-harvest losses.²³ With the additional shock of the pandemic and resultant economic crisis, these businesses face significant challenges layered on top of an already difficult business environment.

The government's initial response for food systems was to provide food from the national grain reserves as a means of avoiding mass hunger—a useful short-term approach to the crisis but unlikely to improve nutrition or resilience in the long-term.²⁴ In June 2020, the government announced its Nigerian Economic Sustainability Plan, which included 600 billion NGN in spending for a large agricultural programme to ensure continued production and create 5 million jobs directly and indirectly.²⁵ Other interventions to support the SME sector of the national economy should provide direct or indirect benefits to food businesses, such as the SME credit facility, interest rate reductions, and stimulus for households.²⁶ These programmes, however, will largely benefit modern enterprises with access to formal financial services and the transitional business-to-consumer (B2C) businesses that serve as the food access point for large portions of the Nigerian population.²⁷

In the GAIN/SBN survey, businesses also reported their attempts and ambitions to adapt to the changing dynamics presented by COVID-19. While the challenges were felt most acutely by transitional enterprises operating in B2B or B2C roles in the supply chain, many of the solutions these businesses envisioned involved adopting certain characteristics of modern enterprises. For instance, businesses reported considering a variety of e-commerce solutions (e.g., social media marketing and online sales), and a common technical assistance request was for better connections to logistics/distribution channels.²⁸

5. IDENTIFYING GAPS IN FOOD SYSTEMS RESPONSE

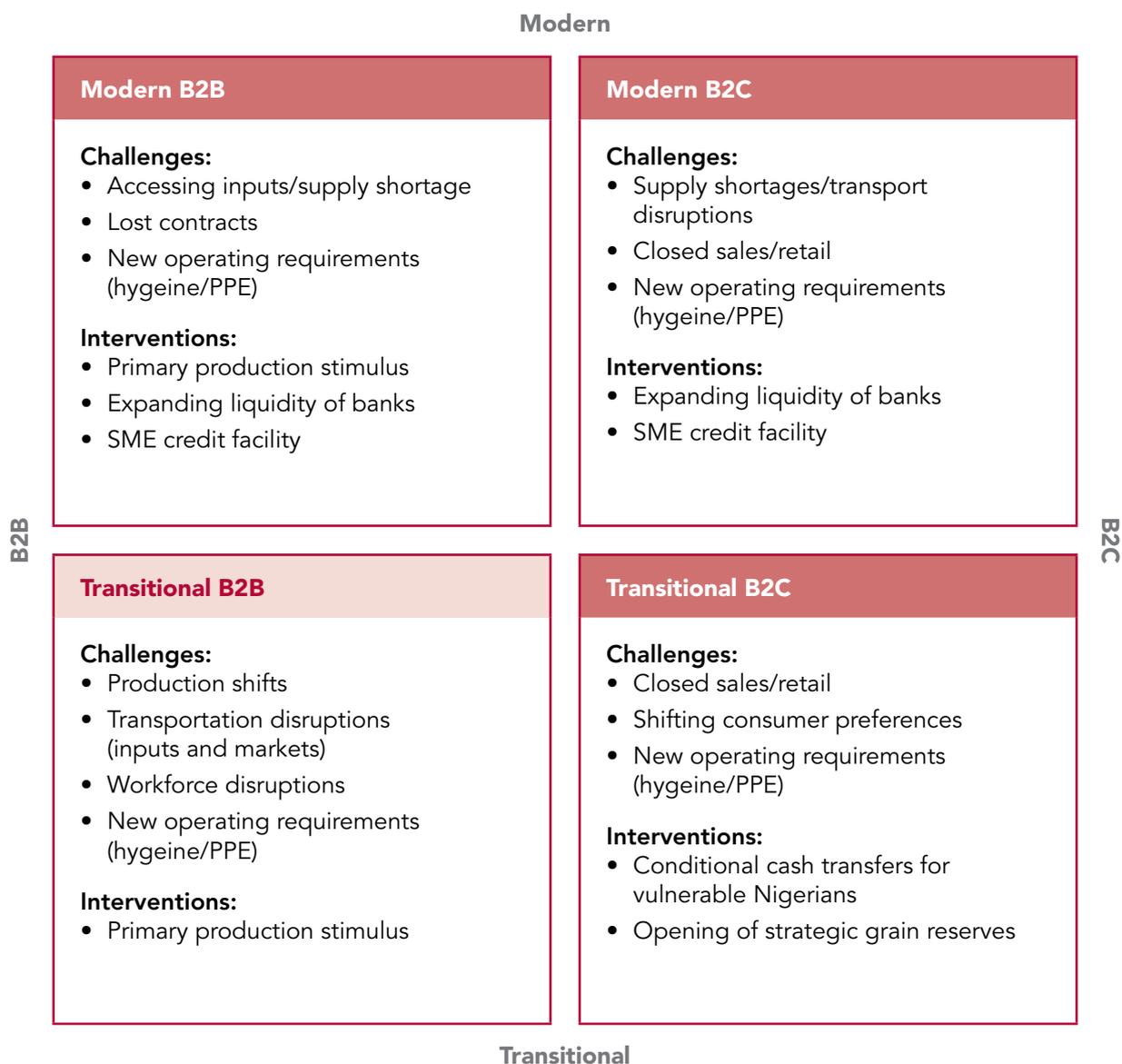
The Global Options Paper organises the challenges facing food systems according to the agri-food SME categories above, based on a review of over 70 resources documenting challenges impacting SMEs around the world and more than 150 discrete interventions being implemented by governments, international donors, development partners, large enterprises, financial institutions, multi-laterals, and accelerators and other business support organisations to support SMEs. The Global Options Paper summarises food systems interventions made by all types of actors across the globe and assesses them using the criteria in Figure 2 below.

Figure 2. Assessment Criteria

Metric	Icon	Unfavourable	Fair	Favourable
Cost How expensive is the intervention for the implementing stakeholder?		Prohibitively costly	Manageable costs	Relatively inexpensive
Complexity How many stakeholders would be involved for successful implementation?		Many diverse stakeholders	Some coordinated action	Few core stakeholders
Gender To what degree are women-led SMEs considered in intervention design? ²⁹		Gender unequal or blind	Gender sensitive	Gender specific or transformative
Nutritious Food Impact Does the intervention improve food security and nutrition through: (1) availability; (2) access; (3) utilisation; (4) stability? ³⁰		Targets no food security pillars	Targets one or two of the four pillars	Targets three or four pillars

Nigeria’s overall response to COVID-19 has been fragmented. Figure 3, below, offers a snapshot of the challenges observed in Nigerian food systems, interventions undertaken by the national government, and an estimation of the gaps in food systems response. It should be noted that this gap analysis does not reflect the measures that agri-food SMEs themselves have undertaken to adapt to the changing dynamics of the pandemic.

Figure 3. Gaps in the Food System Response



LEGEND: ■ Few gaps ■ Some gaps ■ Many gaps

As Figure 3 shows, the pandemic response of the Nigerian government has been largely directed toward Modern B2B and Modern B2C enterprises, as these enterprises have comparatively stronger links to formal channels of assistance. Businesses in the transitional B2C quadrant have received some benefits from the government’s pandemic response, especially those intended to stimulate household consumption and prevent mass hunger. Transitional B2B businesses have the largest gap between needs and response, as the only intervention benefiting that sector is the primary production stimulus, which provides indirect benefits.

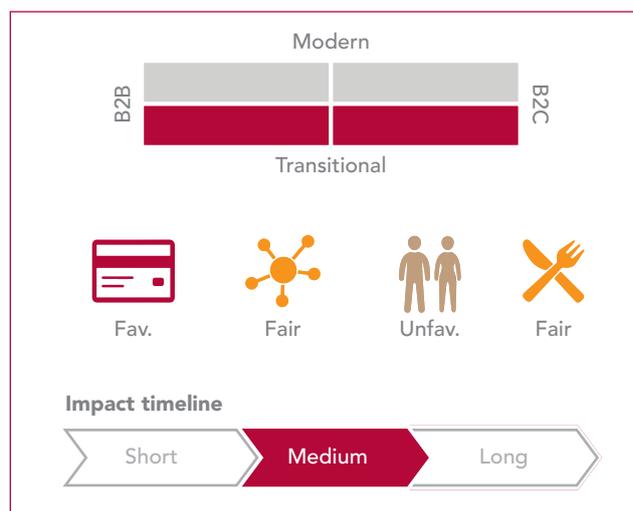
6. OPTIONS TO SUPPORT NIGERIAN SMES

The most significant gaps in the Nigerian food system response are in the Transitional B2B quadrant, though the other three quadrants face gaps as well. Four options that are well-positioned to Nigerian agri-food SMEs are presented here. Options are associated with the type of actor for which they are most relevant: accelerators and business support organisations, development partners, donors, or local/national governments.³¹

6.1 ACCELERATORS AND BUSINESS SUPPORT ORGANISATIONS (BSOS)

Provide online, publicly accessible training classes and workshops

Accelerators and BSOs can make training classes and workshops publicly available online for on-demand access. Publicly available materials reach a wider audience, particularly when published on highly trafficked social media platforms, which allow people to share and re-share them to wider audiences. This option is well-suited for Nigeria due to the widespread use of the popular social media platform Facebook. Potential topics for classes include digitising business in terms of inventory management, food delivery, and web- and app-based purchasing. Classes could also broadly target SMEs with financial and business management training.



Creating on-demand materials reduces the opportunity cost of participating in training by allowing SME owners to decide when to engage with the materials. Additionally, it allows for SME owners with unstable access to the internet to engage with the materials when optimal internet conditions arise. Finally, these materials may raise awareness of existing support measures available to SMEs and provide troubleshooting advice for common, avoidable problems. This option is low-cost as it leverages existing platforms to disseminate existing training material.

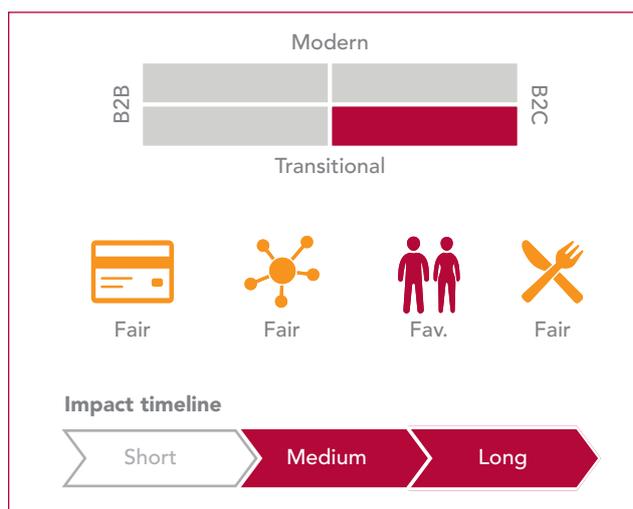
<p>Pros</p> <ul style="list-style-type: none"> • Opportunity for wide reach and broad inclusivity • Decreased opportunity cost of participation • Does not exclude informal SMEs 	<p>Cons</p> <ul style="list-style-type: none"> • Excludes SMEs with poor internet access • Offers generalised rather than customised business support
<p>Key enablers and considerations</p> <ul style="list-style-type: none"> • Nigeria has more than 100 million internet users,³² and Facebook is used by more than half of all internet users in Nigeria,³³ offering readily accessible channels for content dissemination 	

6.2 DEVELOPMENT PARTNERS

Provide one-on-one business counselling services to agri-food B2C SMEs selling nutritious foods

Provide business development services through one-on-one business counsellors targeting agri-food SMEs. In times of crisis this approach can build rapport and trust to improve the efficacy of these services and can be designed to target transitional B2C SMEs selling nutritious foods such as neighbourhood produce vendors or small restaurants. These SMEs serve as a critical food access point for many consumers, especially those in low-income settings.

As these transitional businesses have lower levels of digitisation, these support services are most aptly provided through common communication channels like mobile phone calls, text messaging, and audio and video messages. As development partners improve their capacity to deliver these tailored services, business development services and programmes can be scaled to reach more businesses more efficiently, effectively, and inexpensively. A gender component can be layered into programme design to achieve an impact on women-led SMEs, which may be disproportionately affected by the pandemic.



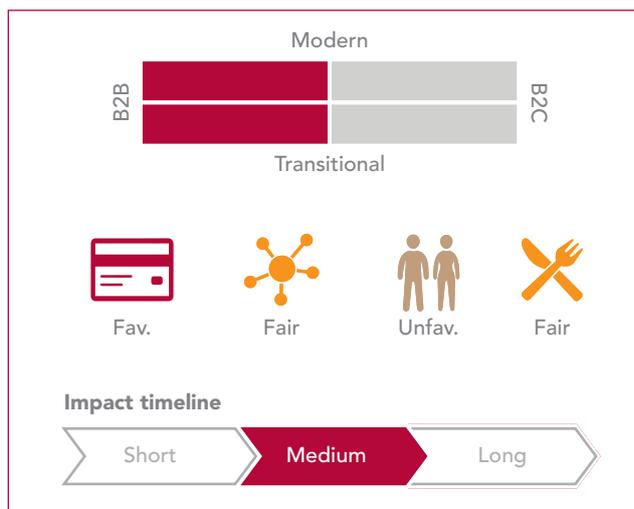
<p>Pros</p> <ul style="list-style-type: none"> • Includes SME owners with low digital literacy • Provides assistance with avoidable problems 	<p>Cons</p> <ul style="list-style-type: none"> • Reaches few SMEs • Risk of 'choosing winners' through programme selection processes
<p>Key enablers and considerations</p> <ul style="list-style-type: none"> • More than 90% of Nigerians have 2G mobile coverage³⁴ • WhatsApp is already used by many Nigerian SMEs³⁵ 	

6.3 DONOR COMMUNITY

Make private-sector programming to refocus resources in times of crisis

Nigeria is one of the largest recipients of development assistance,³⁶ as such there are many examples of donor-backed private-sector development programmes. In times of crisis it may be necessary to refocus these resources on the most critical facets of the economy (e.g., food markets) to maintain stable and functioning societies.

Flexible, context-sensitive programming approaches can make it easier for donors to pivot existing programmes targeting non-essential sectors or those rendered non-competitive by a crisis (such as tourism during the pandemic) towards essential sectors like agri-food. For instance, initiatives centred on connecting businesses to global expertise and markets can pivot by tailoring this offering to agri-food, connecting SMEs with a broader set of food systems partners, suppliers or offtakers to stimulate innovation and diversify relationships to smooth gluts and shortages. In the face of COVID-19 and other crises, this can improve the resilience of local markets and supply chains, while on-going engagement in this space may produce lessons for future initiatives and interventions. While some donors may already have mechanisms in place that allow them to pivot in times of crisis, others may need to adapt their programming to be more flexible or scale-up the use of those mechanisms available.



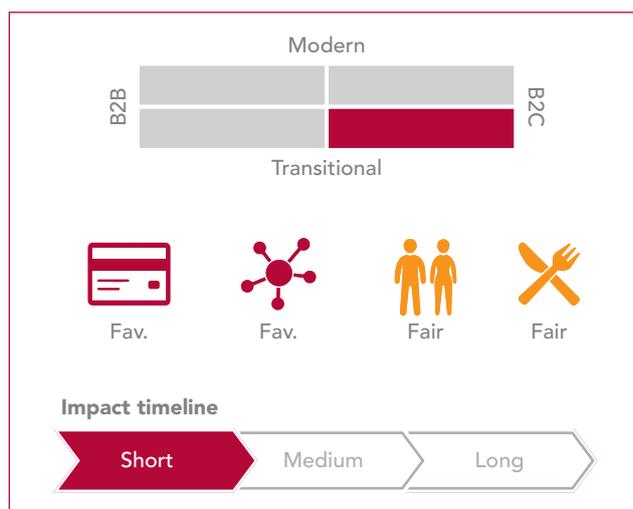
<p>Pros</p> <ul style="list-style-type: none"> • Leverages existing partnerships • Maintains employment 	<p>Cons</p> <ul style="list-style-type: none"> • Excludes smaller enterprises • Redirects support from other sectors that may be impacted
<p>Key enablers and considerations</p> <ul style="list-style-type: none"> • The Nigerian government announced a large stimulus package directed toward primary production, creating impactful opportunities to redirect development investments to agri-food processing³⁷ • Many donors (USAID, DFID, AfD, GIZ) with large footprints in Nigeria and strong interest in private-sector programmes and/or rural development 	

6.4 GOVERNMENTS

Implement and harmonise safety measures in public commercial spaces (markets, transport hubs, etc.)

Scale-up implementation of safety measures in public commercial spaces, such as markets and transportation hubs. These measures may include hand-washing facilities at entrances, informational signage on prevention measures, and PPE. Measures may also include increased cleaning and disinfecting of the space.

Making these spaces safe to reopen and allow SMEs to reach consumers to sell their products is crucial to keeping markets working. It is important to make these measures visible to the public to ensure both that the public is safe and that they perceive these spaces as safe, so they continue to frequent them.



<p>Pros</p> <ul style="list-style-type: none"> • Targets lower-income and more food insecure populations • Maintains employment 	<p>Cons</p> <ul style="list-style-type: none"> • Challenging to control consumer behaviour
<p>Key enablers and considerations</p> <ul style="list-style-type: none"> • Informal, open-air markets are essential points of food access in Nigeria, but implementation of public safety measures has not been uniform, with individual markets and/or vendors often taking their own approach to virus safety³⁸ 	

7. CONCLUSION

Many agri-food SMEs in Nigeria face common challenges. New operating requirements are introducing new costs, while consumer preferences shift in unpredictable ways. Nigeria's large number of transitional agri-food SMEs face added challenges and could benefit from mentoring. Harmonisation of regulations and safety measures may help agri-food SMEs adapt to new realities. Systemically oriented interventions can strengthen actors' ability to probe, listen, and respond to Nigerian food systems as they adapt to meet changing consumer needs.

While this Addendum provides insight into the Options available to priority actors to respond to the impacts of the COVID crisis on Nigerian food systems, these Options are not meant to be considered in isolation. Some actors may be able to deliver on one or more of the Options presented, while others may be better suited to play a facilitating role, connecting disparate nodes of the system to bring solutions to life. Overall, there are no silver bullets to solving the crisis, but every actor in the food system can play a role in the response. By working together to financial and technical support to agri-food SMEs every actor can maximise their impact, helping agri-food SMEs to weather the pandemic and build back better.

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