Enhancing Financial Innovation & Access

EFInA COVID-19 Scenarios

July 2020

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Driving Question For EFInA Scenarios

How can **digital financial services enable the resilience and recovery** amongst **low income households and their businesses**?




Scenario Logic

- Scenarios are **plausible stories,** not forecasts or predictions
- They create different **canvases/ worlds** in which to consider the robustness of different actions
- In the fast-moving setting of Covid -19, they help to:
  - **Build a shared language around which to develop new approaches**
  - Decide **which indicators to watch**
  - **Stress test actions** under different outcomes

We're looking for non-obvious insights...

How does a pandemic lead to a loss in girls' educational attainment?

Scenarios Result from Combinations of Uncertainties

	BOUNCE BACK	LIMP BACK	FALL BACK
1. Health	**SHORT** Local and regional control established quickly	**LONGER** Control takes longer to establish and maintain	**VARIABLE; MAYBE RECURRING**
2. Restrictions	**STRICT** Imposed fast and relaxed early	**STRICT** Continue at a strict level for a longer period	**VARIABLE** Substantial restrictions remain over long term
3. Stimulus	**STRONG** Effective large enough stimulus	**MILD**	**WEAK**
4. Social cohesion	**STRONG** Government trusted and civil society strong	**MIXED** Government or civll society may be strong	**WEAK** Government not trusted and weak civil society
Likelihood	Based on plausible assumptions, seems least likely as time passes	Still feasible but requires government action to establish and maintain	Most likely scenario given opening position of petroleum prices and pandemic developments

Net economic pain

Meet the Personas

We expanded on four personas developed for the Human Account project to understand what could happen to their lives during the COVID-19 crisis and economic recovery. Each persona was developed in one of the scenarios, to examine in depth what happens to their lives as the scenario unfolds

Scenario 1

Yomi

Name: Yomi, Male
Age: 25 years old
Family: No kids, 2 dependents
Education: Has a diploma in computer science + digital TV installation
Location: Ibadan
Financial instruments: MFI, ROSCA, Bank. Not a user of DFS before Covid-19.
Source of income: Electrician, owns a phone accessory shop, installs satellite dishes
Owns and leases land
Food insecurity: Low

Scenario 2

Zainab

Name: Zainab, Female
Age: 24 years old
Family: Has 5 children
Location: rural, Gombe state
Financial instruments: member of a women's group, No DFS
Source of income: small scale farmer, trades in the local market
Phone: Uses the brother in law's
Food insecurity: High

Scenario 3

Chigozie

Name: Chigozie, Male
Age: 50 years
Family: no kids, has a wife who is a schoolteacher
Education: primary school, masonry training
Location: Anambra state
Financial instruments: Bank, part of a savings group, MFI, no DFS before Covid-19
Source of income: Small scale farming growing yams, cassava, masonry
Food insecurity: Low

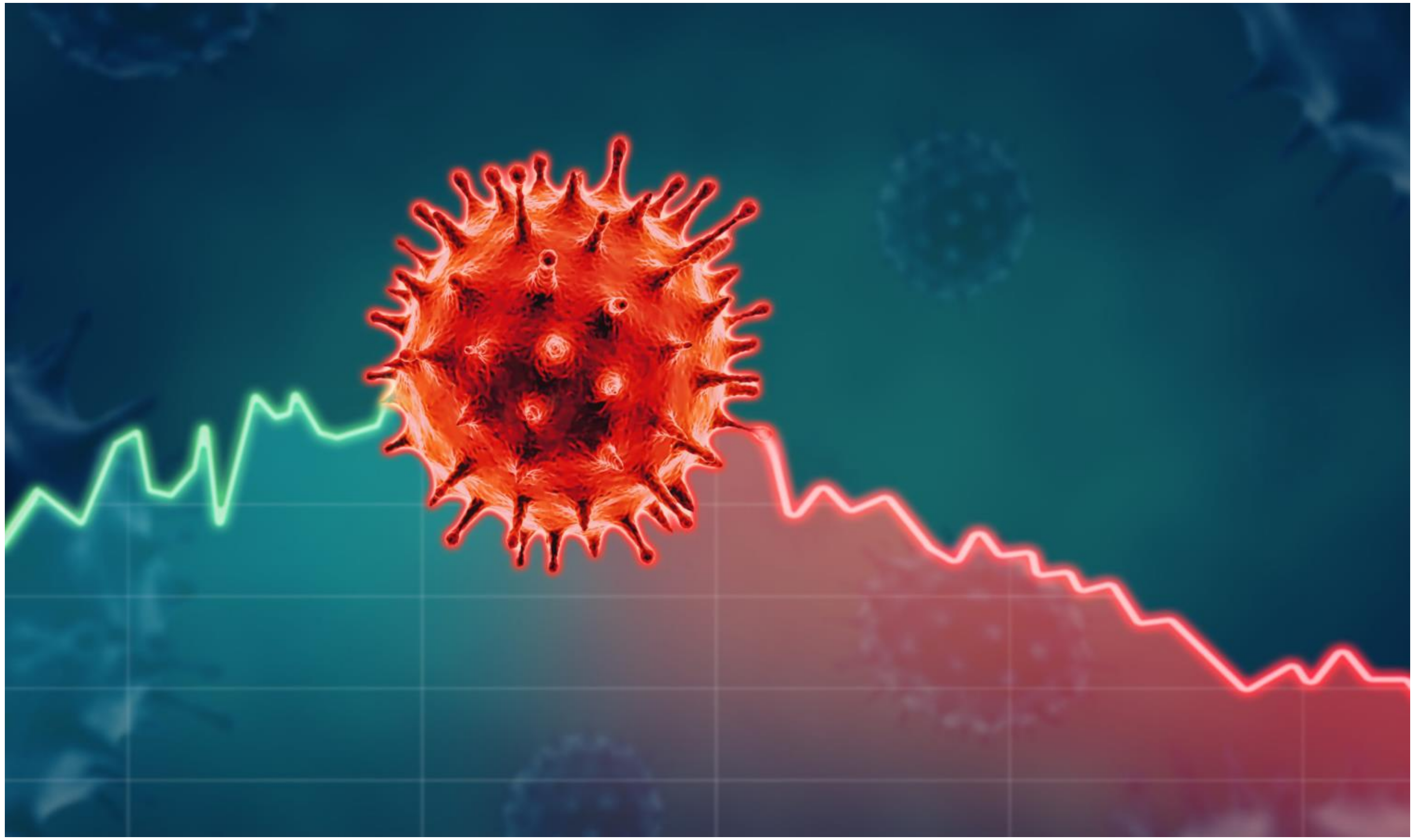
Scenario 4

Victoria

Name: Victoria
Family: She currently lives with her aunt, uncle and two cousins
Education: Secondary (failed final exams)
Line of Work: Works in sales at a salon, with hopes to one day start her own salon
Location: Lagos
Financial instruments: Local bank account, mobile money wallet (**DFS**) and part of a savings group.
Source of income: Monthly salary
Food insecurity: medium

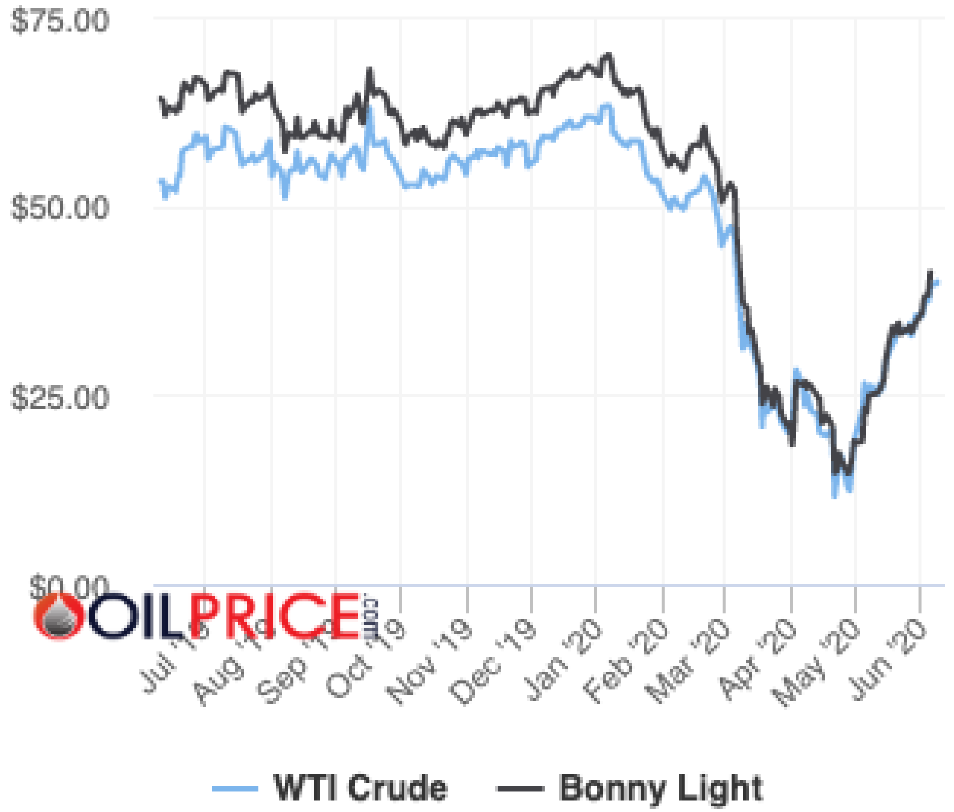
Macro Scenarios

Macro scenarios are the possible worlds against which the personas' trajectories unfold.



Macro Scenarios for Nigeria: Situation in June 2020

Nigeria enters the Covid-19 pandemic with sluggish growth of 2.27% in 2019 and already slowing in Q1 2020. GDP growth since 2016 has been below population growth. The heavy dependence on petroleum (76% of exports and 53% of federal revenue) meant that the economy had just been hit by the drastic decline in oil prices, severely limiting the government's scope for action. Though prices have since recovered somewhat, they still remain below the levels expected in the first 2020 budget prior to the pandemic. The exchange rate has similarly declined, with domestic prices rising, including for food.



Source: oilprice.com

Source: XE

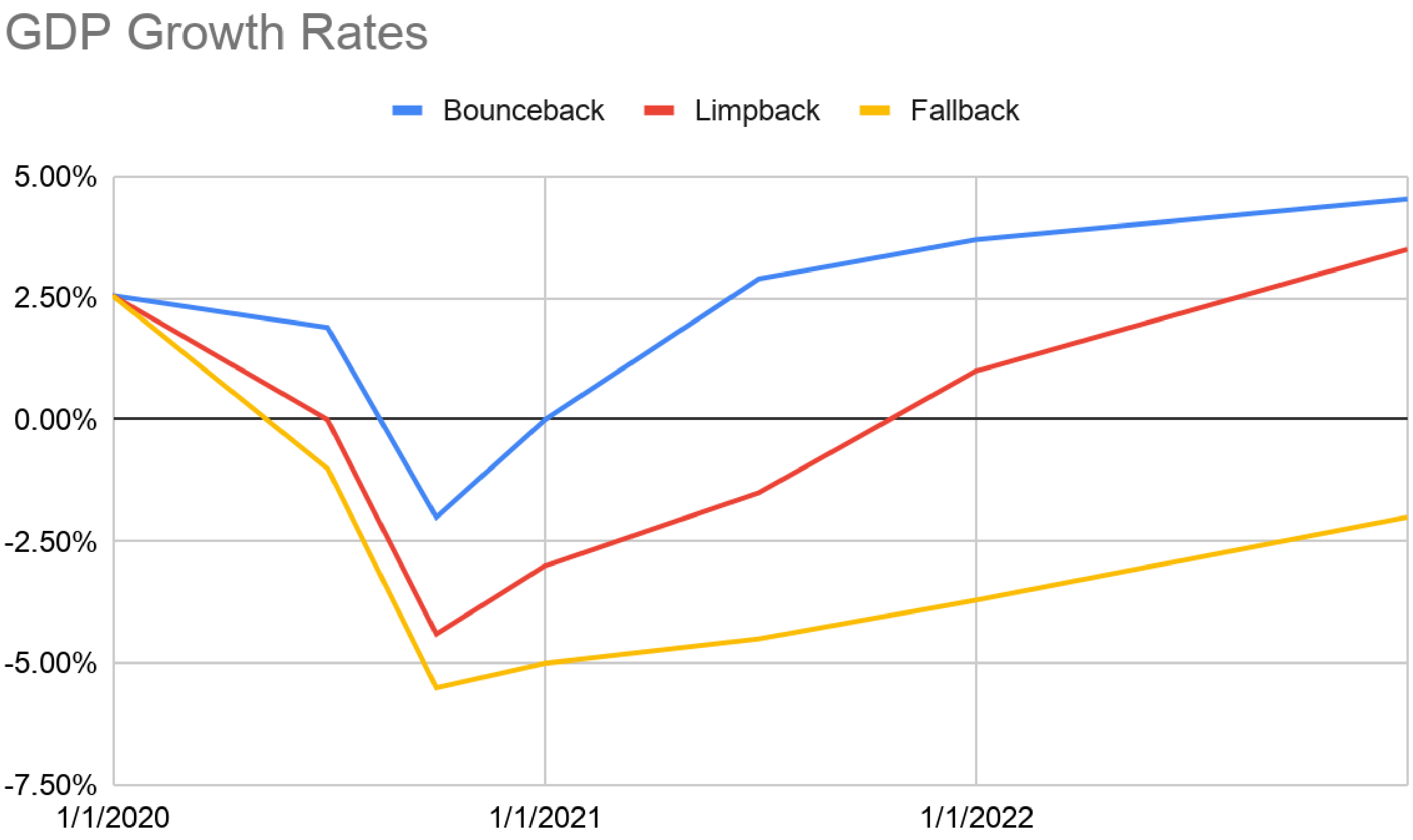
Macro Scenarios for Nigeria

These form the background against which each persona's story unfolds

	BOUNCE BACK	LIMP BACK	FALL BACK
Overview	The macro-economic environment is characterized by a sharp decline in output with the onset of the Covid-19 pandemic. However, with the easing of lockdown restrictions and gradual return of normal business the economy resumes to pre-crisis levels of economic activity and growth within 6 months to 1 year after the onset of the pandemic in Nigeria.	The macro-economic environment is characterized by a significant decline in potential output below the pre-crisis level, with a slow return to the pre-crisis trend over the medium-term, with the recovery beginning 9 to 12 months from the onset of the crisis, and the return to pre-crisis trend occurring in about 2 years.	There are no significant government interventions to limit the negative consequences of the pandemic either for businesses or individuals, and in which the broader policy environment does not improve. Under this scenario a recovery is expected eventually although it may take three to four years just to return to pre-pandemic levels, and growth afterwards might be slower.
Real Sector	The rebound is driven by Govt stimulus measures including private sector credit. Even in this scenario, agricultural recovery is likely to be delayed due to disruptions of farm inputs for the planting season of April/May 2020.	A limp-back scenario would be driven by a rebound in global demand for transport and a recovery of oil prices in major economies as well as good rains in 2020. Implementation of an ambitious economic reform program is proposed for economic recovery of the Nigerian economy, but only a subset of reforms are successfully implemented.	The worst of the collapse is expected to occur in the second quarter when most of the full lock-down policies were in place. Based on the overall 8.9% decline expected in the full year, the second quarter could witness a year-on-year decline of as much as 15 percent, with significant job losses.
Fiscal sector	As the global economy recovers, rising oil prices support Govt expenditure. Although the debt burden increases, it is manageable.	The fiscal deficit is expected to widen with an increase in health spending and social safety net disbursements, and a fall in revenues from oil and tax collections. This will feed into an increase of overall gross public debt and significantly increase debt sustainability risk.	Government revenue significantly declines as a result of the collapse in crude oil prices for the next few years and the annual deficit widens significantly. Efforts to raise non-oil tax collections fail as the economy fails to recover quickly enough. The rising fiscal deficit results in serious debt sustainability challenges with debt servicing costs eating up almost all actual government revenue.
Monetary & Financial Sector	Banks are able to continue a flow of credit to the private sector, given CBN measures to maintain liquidity.	Supply chain restrictions will contribute to sustained food inflation. In addition, core inflation will increase due to depreciation of the Naira, and a significant increase in the cost of imports. This will in turn contribute to constrained monetary policy.	The deterioration in the economy leads to a difficult macroeconomic environment with food inflation continuing to rise as a result of disruptions in the agriculture and global supply chains.
External sector	Initially, supply chains for foreign inputs are disrupted and the exchange rate falls. Local production and non-oil exports rise as the economy recovers. With worldwide trade resuming, oil exports also start to recover.	Low initial international demand for oil exports and the subdued oil price will contribute to a deterioration of the current account, exert pressure on international reserves, and result in a depreciation of the exchange rate. The eventual recovery of oil prices, tracking an increase in global oil consumption with the global recovery, would contribute to an improvement of the current account over the medium-term.	There is a limited recovery in the demand for crude oil leading to a continued period of low prices. Continued disruptions in international trade also result in cuts in Nigeria's non-oil exports and in higher international prices for key food imports, putting even more downward pressure on trade volumes, and feeding into the uptick in imported inflation.

GDP Growth Rates Based on the Macro Scenarios

These form the background against which each persona's story unfolds

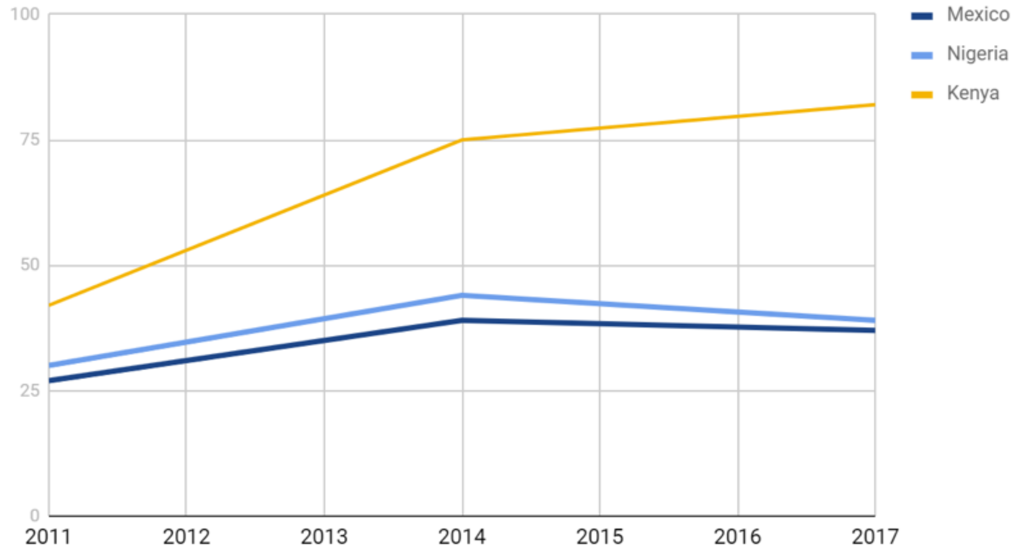


The Nigerian Context and Situation May be Closer to that of Mexico than East African Countries

Both are large, middle income countries with a federal structure which have internal tensions. Both are dependent on oil, fiscally constrained and have faced low growth rates in recent years pre-Covid-19. They have also lost momentum in promoting financial inclusion in recent years and are below their income group and regional group peers.

Indicator	Source	Kenya	Mexico	Nigeria
Adult population	World Bank 2018	29m	93m	104m
Oil and gas **% exports** **% of government revenue**	OPEC, OECD	0%	10% 30-40%	86% 65%
Government Debt/ GDP	CIEC 2019	59.2% (2018)	47.5% (2019)	108.9% (2019)
GDP % growth rate 2019	World Bank 2019/AfDB (NG)	5.6%	-0.1%	2.3%
% making or receiving digital payments	FINDEX 2017	79%	32%	30%

% adults with account



So what?

- Mexico has not yet faced a financial crisis in 2020, despite the growing real economy crisis especially in the informal middle of the economy: this is in part because banks are not relevant or exposed to this group
- Mexico has unsuccessfully tried to license payment banks (bancos de nicho) before licensing other fintechs after a new law in 2018. However, the financial sector is bank dominated.

The Success of Stimulus Measures Scenarios Depend on Other Economic Reforms

To a great extent, the difference between the macro scenarios is the size and effectiveness of government stimulus approaches:

BOUNCE BACK

Stimulus measures are sufficient in size to stimulate recovery and are effectively implemented i.e. they are broad-based enough to reach the informal sector and small-scale agriculture (people like the personas in this scenarios exercise) and accompanied by other reforms that support broad-based growth.

LIMP BACK

Stimulus measures although implemented are not large enough to stimulate recovery and/or support the wrong sectors and firms, or do not reach a broad population. Thus they increase the burden on government expenditure without having a substantial effect in terms of the economic rebound.

FALL BACK

Stimulus measures are minimal or have minimal or even negative effects, severely constraining government expenditure without reaping rewards in growth or employment and contributing to a heavy ongoing debt burden.

Inclusive stimulus:

- Must reach people where they are - digital financial services will create efficiencies and accelerate the ability to reach low-income and rural populations.
- Must reach beyond the formal sector to informal producers and traders, including in the agriculture value chain. Most of these do not have bank accounts and if they do, they do not get credit. Traditional bank guarantees have failed to expand credit to these sectors for decades - new approaches are needed.
- Must be practical and take advantage of existing infrastructure.

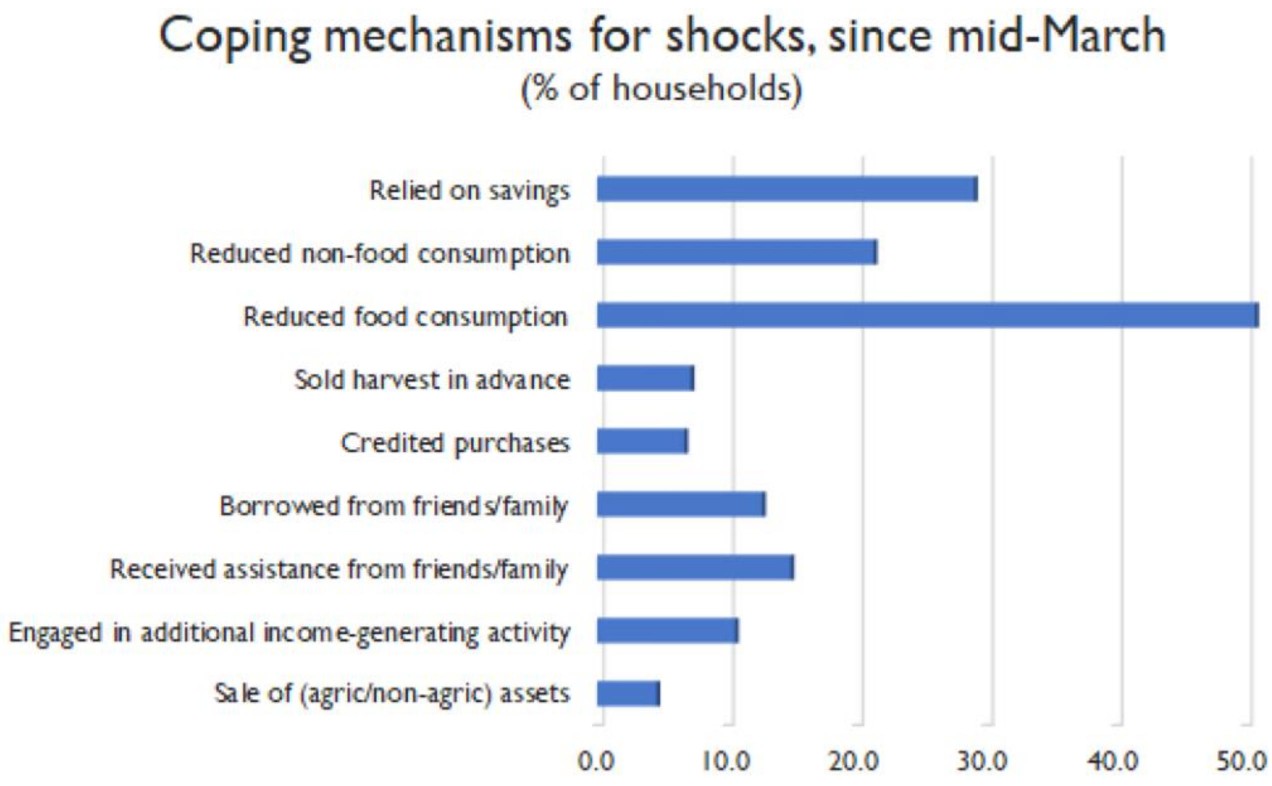
In a crisis, it's easy to overestimate the short-term effects and underestimate the long-term effects. This applies particularly as we consider the fates of people who make their livelihoods in the informal and agricultural sectors - in these scenarios we have attempted to understand both short and long term effects in the light of what we understand about the crisis and how it could unfold.

This Just in: Results From the Covid-19 Impact Monitoring Survey

National Survey Results Released June 5, 2020

The impact on employment and income have also been widespread. **42% of respondents who were working before the outbreak reported that they were not currently working due to Covid-19**. The impact of Covid-19 has been most strongly felt in the commerce, service, and agriculture sectors. **79% of respondents reported that their households' total income have decreased since mid-March**.

The most widely reported shock experienced by households was an **increase in prices of major food items faced by 85% of households** since the outbreak compared to only 19% between January 2017 and January 2019. **Many households have struggled to cope with these widespread shocks with 51% of all households resorting to reducing food consumption**.

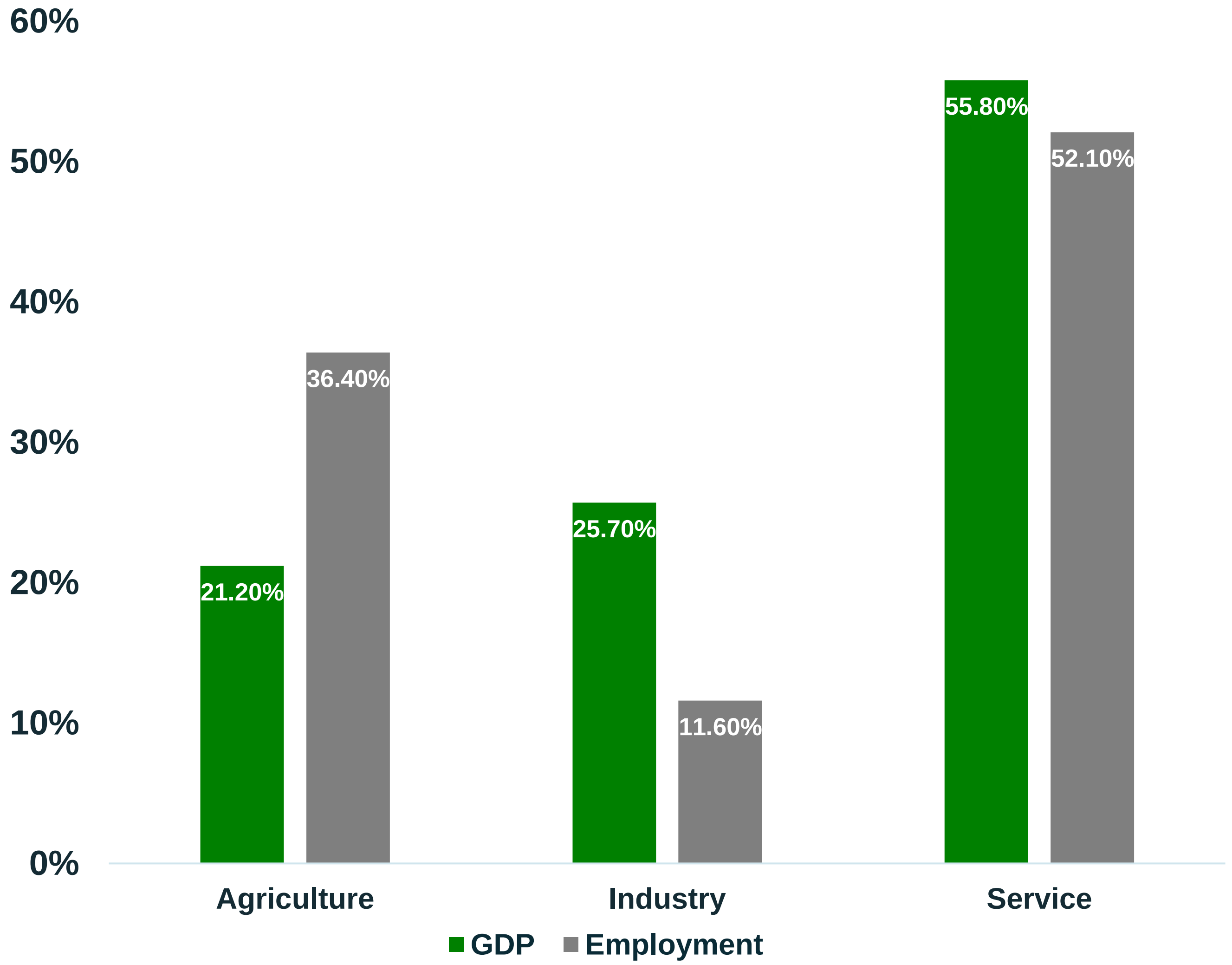


About the survey:

The National Bureau of Statistics implemented the Nigeria Covid -19 National Longitudinal Phone Survey (Covid-19 NLPS) on a nationally representative sample of 1,950 households. Covid -19 NLPS households were drawn from the sample of households interviewed in 2018/2019 for Wave 4 of the General Household Survey—Panel (GHSPanel). This survey is the first of a planned 12 waves of the Covid-19 NLPS of households in Nigeria.

https://www.nigerianstat.gov.ng/

Core Sectors in Nigeria in Relation to Their Contribution to GDP and Job Creation



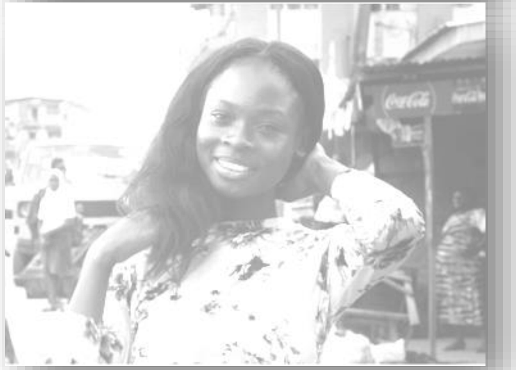
Sectors like agriculture and services that employ large numbers of people, have been particularly hard hit by Covid-19 restrictions

Reference: https://www.nordeatrade.com/en/explore-new-market/nigeria/economical-context

Persona trajectories

We examined what would happen to various low-income personas as the crisis and recovery unfold.

The personas are based on the data and segmentation for the Human Account.



Personas and their Trajectories

Each persona was developed in one of the scenarios, to examine in depth what happens to their lives as the scenario unfolds.

We see severe and long-term impacts on food budgets for urban hustler Victoria and northern smallholder Zainab, while Yomi, the resilient saver, is protected from Covid -19's immediate impacts by his savings and seasonal payments. Chigozie, a smallholder farmer, is less affected either by the immediate crisis or the recovery, as most of his income and expenditures are very local.

Scenario 1

Yomi

Scenario 2

Zainab

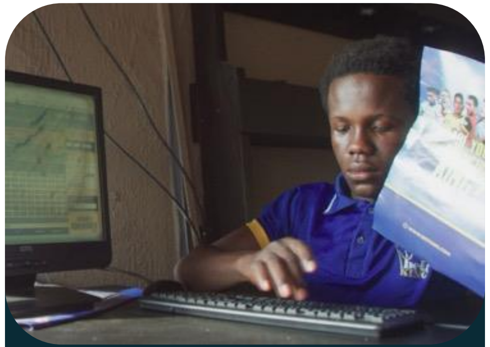
Scenario 3

Chigozie

Scenario 4

Victoria

Persona: Yomi, Male
Population of urban youth: 28.11 million
Poverty headcount ratio: 11.96



Yomi

Family: No kids, 2 dependents

Education: Has a diploma in computer science + digital TV installation

Location: Ibadan

Financial instruments: MFI, ROSCA, Bank

Source of income: Electrician, owns a phone accessory shop, installs satellite dishes
Owns and leases land

DFS: None

Food insecurity: Low

Scenario 1: Resilient Savers – Yomi Bounces Backs

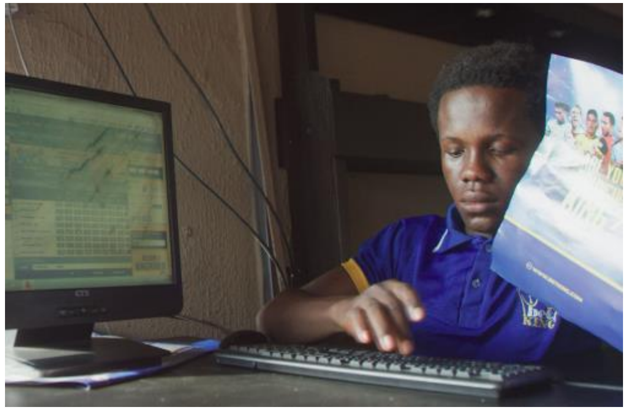
VULNERABILITY of this Segment to COVID -19 and Restrictions

Rating	Vulnerability	Explanation
Medium	Health	Urban setting, young, no insurance
High	Restrictions	Urban setting
Medium	Lack of access to stimulus	Informal worker but already working with MFIs who have some stimulus support
High	Social cohesion	Urban setting
Good	Starting financial health	He has savings and credit, assets and investments
Low	Food insecurity	Food prices inflation but he has savings
Low	Additional factor	Male, already banked, digitally literate

OVERALL – **Moderately Vulnerable**

Urban Micro-entrepreneur : Yomi

Population: 28.11 million (urban youth)
Poverty headcount ratio: 11.96



Name: Yomi, Male
Age: 25 years old
Family: No kids, 2 dependents
Education: Has a diploma in computer science + digital TV installation
Location: Ibadan
Financial instruments: MFI, ROSCA, Bank. No access to DFS before Covid-19.
Source of income: Electrician, owns a phone accessory shop, installs satellite dishes
Owns and leases land
Food insecurity: Low

Covid-19 impacts: Yomi is a resilient character; a committed saver, he is well prepared to face the crisis in his personal life. Nonetheless, the reduction in demand hits his small business hard and he must release his employee. He's also affected by rising food prices and has to eat into his savings. Yomi is digitally literate and already has a bank account; this helps him to be resourceful in shaping his recovery, quickly diversifying his income by becoming a financial services agent and a delivery driver for a logistics platform.

Role of Digital Financial Services: Living in a major city, Yomi is within the reach of the digital economy. He's able to create new economic opportunities for himself by using his digital skills to become a financial services agent and delivery driver.

The expansion of the digital economy is dependent on the existence of a digital payment mechanism that allows platform services to operate. Mobile money seems like the most likely service to manage the high volumes and low transaction values that run digital economy services such as e-commerce, logistics, deliveries, gig work and online work. The expansion of mobile money could allow the creation of significant employment and livelihoods in the digital economy and facilitate the recovery for people like Yomi.

Scenario 2: Dependent Individualist : Zainab Limps Back

Persona: Zainab, Female
Population of smallholder farmers in northern Nigeria: 30.03 million
Poverty headcount ratio: 48.42

Zainab

Age: 24 years

Family: Has 5 children

Location: rural, Gombe state

Financial instruments: member of a women's group

Source of income: small scale farmer, trades in the local market

DFS: none,

Phone: Uses the brother in law's

Food insecurity: High

VULNERABILITY of this Segment to COVID -19 and Restrictions

Rating	Vulnerability	Explanation
Low	Health	No health insurance, health facilities are distant but of young age
Medium	Restrictions	Rural areas but affected by transport restrictions
Medium	Lack of access to stimulus	Largely informal; may have had access to agricultural subsidies in the past
High	Social cohesion	Pastoralist and farming conflicts, terrorism groups reside in this area
High	Starting financial health	Low savings
High	Food insecurity	Conflicts, terrorist groups in the state (boko haram)
High	Additional factor	Mostly young women, no education

OVERALL – **High**

Subsistence Farmer (Northern Nigeria) : Zainab

Population: 30.03 million
Poverty headcount ratio: 48.42

Name: Zainab, Female
Age: 24 years old
Family: Has 5 children
Location: rural, Gombe state
Financial instruments: member of a women's group
Source of income: small scale farmer, trades in the local market
DFS: none,
Phone: Uses the brother in law's
Food insecurity: High

Covid-19 impacts: Zainab is a strong individual who is coping with hardship and poverty, bringing up 5 children alone after her husband died, in an insecure rural location. Covid-19 has disrupted supply of subsidised fertilizer so her harvest is poor, and market and transport disruption makes it harder to sell any small surplus. Her income drops dramatically and she and her family struggle to have enough to eat, with no money to buy seeds or fertilizer for the next planting season. Disrupted vaccination programmes put her children at risk of preventable disease, and the threat of insecurity - including a spike in sexual crimes - increases risks and costs.

Role of Digital Financial Services: Zainab should be eligible for conditional cash transfer (CCT) programmes, but without DFS these are hard to access, and funds can be misapplied. Providing her a basic phone with credit, along with a solar charger, is the vital starting point. With a phone she can receive CCT digitally, either mobile money or cash out. Vaccinating her children can be rewarded digitally, with the health worker providing a unique code to access a conditional payment. The solar charger enables her to earn income from charging other phones, and light for children to do homework. She can use her phone to increase her security, reporting suspicious behaviour and crimes to the authorities. She is also connected to the world, and on the first rung of the ladder to benefit from the digital economy as her life improves.

Persona: Chigozie, Male
Population of smallholder farmers in the southern part of Nigeria: 30.01 million
Poverty Headcount ratio: 45.37

Chigozie

Age: 50 years

Family: no kids, has a wife who is a schoolteacher

Education: primary school, masonry training

Location: Anambra state

Financial instruments: Bank, part of a savings group, MFI, no access to DFS

Source of income: Small scale farming growing yams, cassava, masonry

Food insecurity: Low

Scenario 3: Questioning Cultivators: Chigozie Limps Back

VULNERABILITY of this segment to COVID-19 and restrictions

Rating	Vulnerability	Explanation
High	Health	Older age, health centers are far from his home
Medium	Restrictions	Transport restrictions affect his movement
Low	Lack of access to stimulus	May receive subsidized inputs from the government
Medium	Social cohesion	Communal clashes/land conflicts
Medium	Starting financial health	Low savings, many dependents
Low	Food insecurity	Produces own food
Low	Additional factor	Wife has a university degree

OVERALL – **Medium**

Smallholder Market Farmer : Chigozie

Population: 30.01 million
Poverty Headcount ratio: 45.37

Name: Chigozie, Male
Age: 50 years
Family: no kids, has a wife who is a schoolteacher
Education: primary school, masonry training
Location: Anambra state
Financial instruments: Bank, part of a savings group, MFI, has no DFS before Covid-19
Source of income: Small scale farming growing yams, cassava, masonry
Food insecurity: Low

Covid-19 impacts: Chigozie is an enterprising small-scale farmer in a fertile area, with additional income from masonry work and his wife's teacher salary. Before Covid-19 life was good, and they were saving to build a house. Covid-19 has stopped his masonry income and his wife's salary has been delayed as falling oil revenues restrict state spending. Subsidised farm inputs have been disrupted, harvests are smaller and access to markets is restricted for him and his buyers. He is using his savings to buy fertilizer privately at high cost, to try to maintain future productivity.

Role of Digital Financial Services: Nigeria has led Africa in developing innovative digital ways to increase farmer productivity, but Chigozie cannot benefit as they depend on DFS which he does not use. DFS would enable him to <u>access digital value chains</u>, for example platforms to source inputs, and sell produce direct to aggregators or even final urban consumers, <u>bypassing Covid-19 restrictions on his local markets</u>. He could <u>access expensive agricultural assets to increase productivity</u>, using apps to buy time with, for example, a tractor to till his land, using DFS and "internet of things" (IoT) technology. The use of <u>anonymized digital data</u> may also provide opportunities to regulate, and so enable, <u>the early opening of physical markets</u>, as densities of market users can be instantly monitored.

Persona: Victoria, Female
Population of urban youth: 28.11 million
Poverty Headcount ratio: 14.94

Victoria

Family: She currently lives with her aunt, uncle and two cousins

Line of Work: Works in sales at a salon, with hopes to one day start her own salon

Location: Lagos

Financial instruments: Local bank account, mobile money wallet and part of a savings group

Source of income: Monthly salary

DFS: Yes

Food insecurity: medium

Scenario 4: Confident Optimists: Victoria Falls Back

VULNERABILITY of this segment to COVID-19 and restrictions

Rating	Vulnerability	Explanation
Medium	Health	She is contact with many people, but the lockdown reduces the risk of exposure. She is also young therefore is potentially healthier.
High	Restrictions	There is a full lockdown in place, which is then eased to a curfew.
Medium	Lack of access to stimulus	Does not qualify for social stimulus, but could benefit from credit
Low	Social cohesion	She has a dependable extended family network
Low	Starting financial health	Low volatility of income. Has at least one year of savings
Medium	Food insecurity	Food price inflation
High	Additional factor	Personal services are at high risk from disruption due to the lockdown.

OVERALL – **Medium**

Urban Microenterprise Employee: Victoria

Population: 28.11 million (urban youth)
Poverty Headcount ratio: 14.94

Name: Victoria
Family: She currently lives with her aunt, uncle and two cousins
Education: Secondary (failed final exams)
Line of Work: Works in sales at a salon, with hopes to one day start her own salon
Location: Lagos
Financial instruments: Local bank account, mobile money wallet (**DFS**) and part of a savings group.
Source of income: Monthly salary
Food insecurity: medium

Covid-19 impacts: An enterprising young woman with an optimist and dynamic outlook, Victoria immediately loses her job at a salon as personal services become impossible during the immediate Covid-19 crisis. She quickly draws down her savings and goes into debt to support herself. She finds it difficult to repay as the recession continues. Given her enterprising spirit, digital skills and location in Lagos, Victoria could take advantage of digital marketing to get back into business as the recovery starts to take hold.

Role of Digital Financial Services: Victoria is already using digital financial services through her phone. She's able to use Facebook and Instagram to advertise her skills as a hairdresser but nervous about visiting clients' premises. She'd prefer to have a way to understand who to trust, and to take payment in advance.

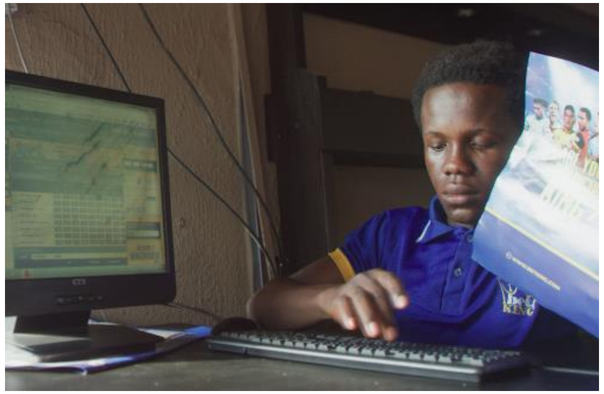
<u>Digital financial services could help digitally-savvy urban dwellers like Victoria to expand their markets and reach new opportunities</u>. Without these, she risks falling into increasing poverty if the crisis persists.

How the Personas Fare Under Different Scenarios

Chigozie

Zainab

Victoria



Yomi

For rural personas like Chigozie and Zainab, the digital infrastructure around them makes it possible (or not) for them to access government programs and digital financial services. Chigozie, whose wife has a teaching diploma, would be able to access DFS if there were agents near him. This would also enable him to access other market opportunities from digital platforms. Zainab, who has no phone, could only be reached by specific programs targeted at rural women.

For urban personas like Victoria and Yomi, they are easily able to take advantage of new digital opportunities. If the digital economy is one of the drivers of recovery, they will rebound quickly. However, if the economy remains depressed and new digital opportunities do not materialize, then they risk falling behind on their life course.

Gender Impacts of COVID-19: Women are Harder Hit

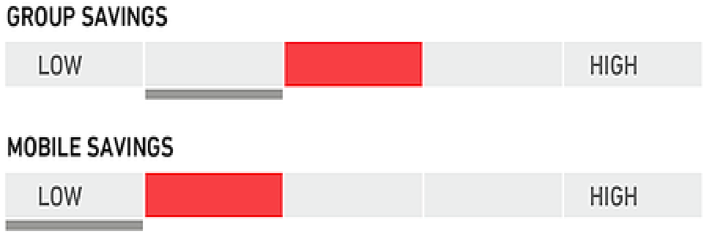
And may find it more difficult to recover

Women entered the crisis with higher vulnerability

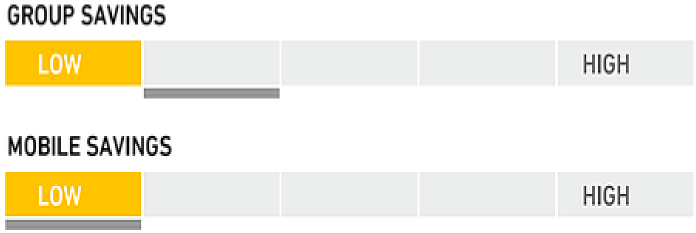
From the Human Account vulnerability analysis, women entered the crisis with smaller savings and more dependency on friends and family in times of need. They are also somewhat more likely to be members of financial groups.

Victoria, the urban resident (in red below), is active both in groups and mobile banking. Zainab, who lives in rural northern Nigeria, has access to neither.

Women are also less likely to be literate (like Zainab, who has not attended school) or digitally literate (like Zainab, who does not own a phone).



Victoria, pre-Covid-19



Zainab, pre-Covid-19

Underlined bar indicates Nigerian average

Covid-19 crisis effects on women's financial capability

- Continue to hold the responsibility for feeding the family, even in hard times
- Responsible for feeding additional household members - children home from school, and urban family members returning to rural homes
- Remittances drying up
- More difficult to get help because others are not able to give or lend money
- Less likely to be reached by stimulus programs that operate through the banking sector or formal institutions.

NB: BFA's analysis of poverty review from the 2019 Nigerian LIving Standards Survey and prior poverty surveys does not support the conclusion - included in the report Poverty and Inequality in Nigeria 2019 : Executive Summary - that female headed households are less poor than male. After all the other demographic and economic factors are accounted, female heads of household still face a greater chance of poverty.

Designing interventions that reach women

Imperative that stimulus efforts are set up in a way to actually reach and support women, which in some cases may mean providing basic phones so they can be reached with transparent and efficient government services and remittances.

Long Term Impact of the Crisis May Hit Girls Harder

The Covid-19 could have generational impact on young people, especially girls:

- **Education**. Although our personas do not have children in their households, we know that children across the country have been send home from school and are missing months or possibly a full school year of instruction. From other research we know that girls are at more risks of not returning to school after a long absence.
- **Early motherhood**. There is much debate about whether early marriage and motherhood will be increased as a result of the restrictions. At this point, the trend is not yet clear, yet the concern is obvious: will girls who are at home be trapped into pregnancy and early marriage, due not only to their lack of occupation but also to lapses in the system for smooth delivery of family planning materials and advice?
- **Missed vaccinations and MCH care**. Due to people's fear of attending health services during the pandemic, as well as shortages of supply and personnel, routine public health measures are likely to be missed, especially vaccines. This could lead to further epidemics of preventable diseases and child and maternal deaths.
- **Catching a bad case of Covid-19** could be a financial and economic disaster, but seems unlikely to hit our personas given their relative youth and the overall prevalence rate. We did not examine this is our scenarios exercise, but we know that health shocks can have major impacts on the financial lives of low income people, and often draw women and girls further into the caregiving role.

- In the short term, DFS will generally not address these issues. However, over the longer term financial products may be designed to support education and public health for girls and women.

Interventions

Interventions that would improve the ability of low-income segments like the persons to be resilient in the crisis and take advantage of digital financial services and growing digital economy opportunities to recover.

Driving Question for EFInA Scenarios

How can **digital financial services enable the resilience and recovery**

amongst **low income households and their businesses**?

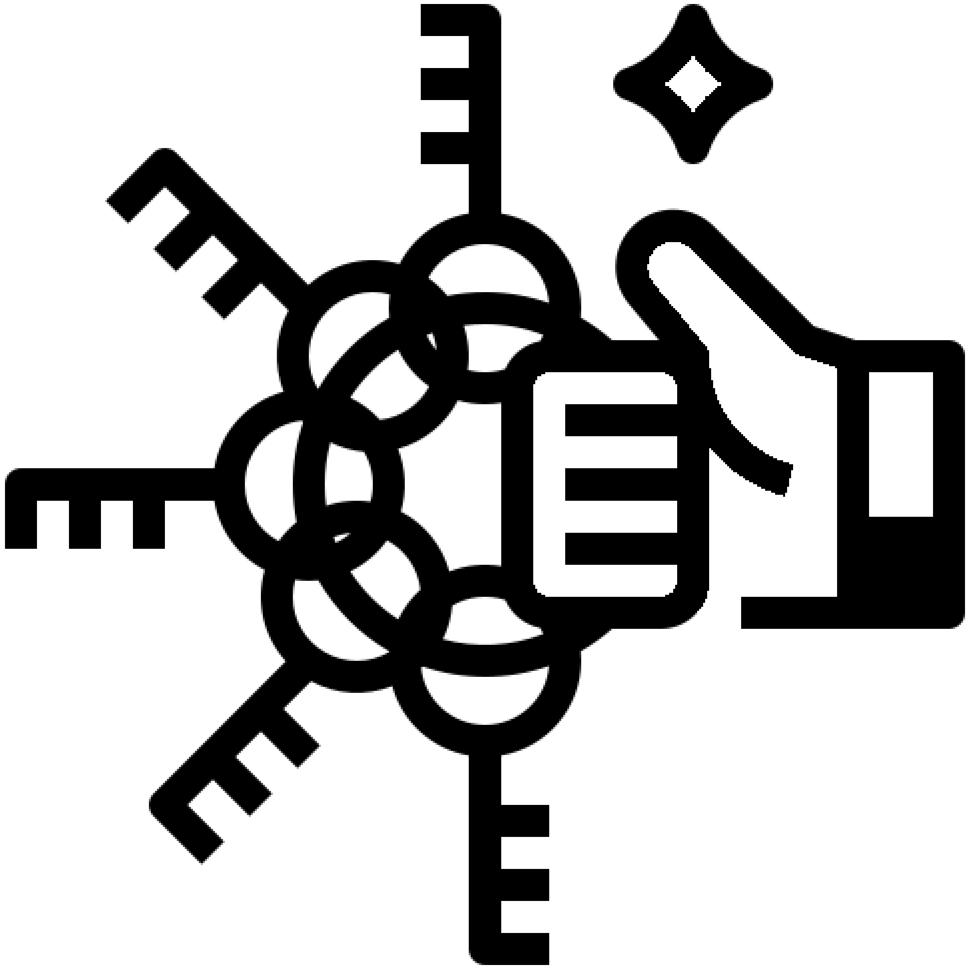
An Opportunity that Comes But Once in a Generation

The COVID-19 pandemic underscores the urgent need for major reforms in the financial sector

a. **Policy coordination and action to mitigate systemic risks at a macro level**

b. **Leveraging Digital Financial Services (DFS) to overcome emerging challenges in the lives of people in low income segments like Yomi, Zainab, Chigozie and Victoria**

c. **Non-DFS considerations to bridge economic opportunities and outcomes that will engender financial inclusion**



a. Policy Coordination and Action to Mitigate Systemic Risks at a Macro Level…(1/2)

Sectoral optimization: An open and level playing field for a variety of DFS providers is necessary to trigger innovation

The pandemic shock has placed the financial system under strain from downward revisions of expected economic activity and heightened risk aversion. There is increased reliance on digital channels with pressure on technology infrastructure and resources for existing providers. There are also increasing concerns around continuity of processes which have direct touchpoints with the customer, due to uncertainties of the duration of the pandemic and soaring virus infection cases.

EFInA commends CBN’s move to issue the commercial PSB licenses. It was a necessary measure to meet the surging demand for DFS as technology takes over brick and mortar channels, in the wake of the pandemic. The PSBs are expected to deploy mobile financial services to penetrate the above personas’ segments and therefore increase access points. Nigeria needs to consider policy reorientation to reduce the human impact and improve the livelihoods and resilience of low-income people.

Enabling fintech regulation: Harmonized licensing regime for fintech

In the current situation of economic uncertainty, some of the VC and PE firms are contemplating funding some fintech entities as they seek safer investments, This may lead to operational strains in developing DFS solutions

There is an increasing demand for cash as a “safe asset” among the personas as they prepare to weather the difficult days ahead, which may affect fintech providers that offers savings products. Such providers may be compelled to add complementary products e.g. like micro insurance solutions to their offerings.

With imminent delinquencies due to loss of income like from Victoria, Most fintech providers will be forced to convert the existing short-term loans (e.g. 3 months) to longer-term loans (about 6 months).

Harmonize the licenses especially for fintech firms operating under the purview of multiple regulatory bodies e.g. SEC approved savings and investment fintech firms that need to access NIBSS infrastructure for their payment processes. A harmonised licensing regime will mean that because the entity is licensed by SEC it should be able to easily access this infrastructure with minimal approval process based on meeting pre-defined cross-cutting criteria.

a. Policy Coordination and Action to Mitigate Systemic Risks at a Macro Level…(2/2)

Accelerating digital commerce

Digital commerce is emerging as a key pillar in the fight against COVID-19. Virtual grocery shopping and telemedicine, deliveries, etc. are helping to avoid in-person contact and reduce the risk of new infections:

Governments can make it easier for businesses and households to connect to the digital economy. Legal frameworks surrounding online remote service delivery can be clarified and, where appropriate, relaxed. For instance, suspending the proposed 5% value added tax (VAT) for all local online retail transactions as this would lead to additional costs to the small business owners like Yomi, making the services and unaffordable to customers. In the current COVID-19 impacted sluggish economy, many Nigerian consumers are incredibly sensitive to any price changes and would therefore not access these services

CCT Policy Reviews to promote the digitization and scale of programmes

The COVID-19 pandemic is accentuating a range of structural challenges of social protection systems such as the Conditional Cash Transfers (CCTs) programmes that are critical in supporting livelihoods during the COVID-19 crisis

which existed well before the crisis and will need to be addressed to ensure that social protection serves inclusive growth

- Consider digital payment fulfillment in anticipation of digitization
- Eliminate the need for cash transfer facilitators (CFTs) to witness receipt of funds at payment points allowing beneficiaries to receive funds digitally

b. Leveraging DFS to Overcome Emerging Challenges in the Lives of People in Low Income Segments Like Yomi, Zainab, Chigozie And Victoria…(1/3)

Accelerating mobile money adoption and usage

EFInA is already promoting the expansion of mobile money as a core strategy, but this now takes on additional urgency:

- Mobile money is now an effective and physical-distancing-friendly option to deliver cash transfers in large scale and in remote locations like in the rural areas in Gombe and Anambra states where Zainab and Chigozie live respectively
- Mobile money can therefore help rural and remote populations gain access to government transfer programs without traveling long distances or waiting in lines, or even having a bank account
- A holistic approach should be considered by industry to integrate all the "building blocks" of a sustainable mobile-money platform, including stakeholders and design and policy elements that help maximize benefits against risks. Beyond the crisis horizon, Nigeria will continue to leverage mobile payment platforms to reduce the cost of delivering financial services, improve efficiency and transparency, and broaden financial inclusion, especially for the informal sector and women.

Our personas could also grow with improved access to the digital economy more broadly:

- **Digitizing exports.** Many small-scale traders evade all regulation or pay "informal taxes" to handle exports. Streamlining and digitizing this process would allow small-scale traders to increase their activity and contribution to economic diversification.
- **A transparent logistics system**. Similarly, a more digital and more transparent logistics systems could facilitate domestic and regional commerce for small-scale players. Blockchain offers a possible approach to transparency.
- **Accelerating digital commerce.** While digital commerce is already nascent in Nigeria, EFInA could contribute to scaling early successes.

b. Leveraging DFS to Overcome Emerging Challenges in the Lives of People in Low Income Segments Like Yomi, Zainab, Chigozie And Victoria…(2/3)

Other foundational DFS infrastructure

Digital identity. Nigeria already has the National Identification number (NIN) as a foundational ID. There is need to support the scale of the digital foundational ID to accelerate digital financial inclusion.

The COVID-19 pandemic highlights how countries with platforms (such as digital ID systems, digital payment systems, and integrated social protection information ecosystems) can quickly scale up existing or introduce new social protection programs. Countries with such assets have been able to quickly and efficiently make emergency cash transfers to vulnerable groups - such as women and girls, the poor, informal workers, migrant workers, people living in remote areas, and refugee. Access to the foundational ID data bases should be extended to fintech players and microfinance institutions to promote relevant product development

Trust infrastructure. Lack of trust in digital financial services is a major concern for most low-income households in Nigeria, the uncertainties associated with the pandemic and demand for cash as a safe asset can exacerbate financial and economic exclusion. FSPs may collaborate to develop solutions for automated complaints handling, escrow, insurance, mutual ratings and other services that would improve trust and increase usage of digital financial services and e-commerce. This could be in close coordination with the consumer protection department at the CBN

Basic phone access. For the poorest and most underserved like Zainab, programs that provide basic phones, associated with conditional cash transfers, could enable other social and economic goals. With access to the phone, rural women could not only receive agricultural subsidies and other transfers, but also obtain pay-as-you-go solar energy and receive family remittances. The government and financial services industry stakeholders could collaborate with the Access program of the Universal Service Provision Fund (USPF) designed to create demand and promote usage of ICT in unserved and underserved communities and groups. The projects involve the provision of end-user devices to complement the telecommunication infrastructure that are deployed under the Connectivity Programme. These are direct channel to provide DFS support.

USSD to serve low-income segments - USSD is largely utilized across NIgeria for digital services, especially for payments. The charges however remain a barrier to their widespread usage particularly among the poor who only have access to basic phones, such as Chigozie and (if she gets a phone) Zainab. By recognizing that this infrastructure is critical to the recovery and the livelihoods of the poor, there is a clear justification to lower the charges associated with this service. The USSD pricing should consider covering the cost to serve customers by the FSPs and the willingness and ability of customers to pay, to access DFS solutions.

b. Leveraging DFS to Overcome Emerging Challenges in the Lives of People in Low Income Segments Like Yomi, Zainab, Chigozie And Victoria…(3/3)

DFS can facilitate the resilience in agricultural value chains. The crisis has caused both demand and supply side bottlenecks, paralyzing many agribusinesses and small-scale traders. Key challenges are logistics bottlenecks, blocking commodities from reaching the market. Restricted interstate transportation also inhibited movement of crops from farms to markets, thereby straining the already limited storage and processing infrastructure. Additionally, significant farming operations are unorganized and rely on inadequate informal manpower. Farmers are also facing financial and operational constraints in acquiring inputs, agribusinesses are relying on manual and rudimentary information aggregating processes.

Agriculture DFS use-cases which are addressing some of the key stress points across the value-chains and are expected to surge post lockdown restrictions. DFS platforms that provide inputs and financing can support small holder farmers like Chigozie and Zainab that have been unable to realize expected income from crop sales and are struggling to invest in inputs for the next crop season.

Delivery platforms could rescue these farmers by ensuring that their produce reach the nearest markets and facilitate digital payments to farmers in remote locations. Some of the delivery platforms which formerly operated in B2B orientation, could be pivoted to the B2C models to circumvent low business from the closure of a significant number of institutional customers such as restaurants.

Through digitization of the agricultural value chains, service distribution channels can bring greater smallholder farmer knowledge related to farm-level and agricultural trade information. FSPs can support the agribusinesses with accessing vital knowledge to mitigate risk in lending and offer a wider set of affordable financial services for smallholders.

c. Non-DFS Considerations to Bridge Economic Opportunities and Outcomes that will Engender Financial Inclusion

Better credit for MSMEs and farmers

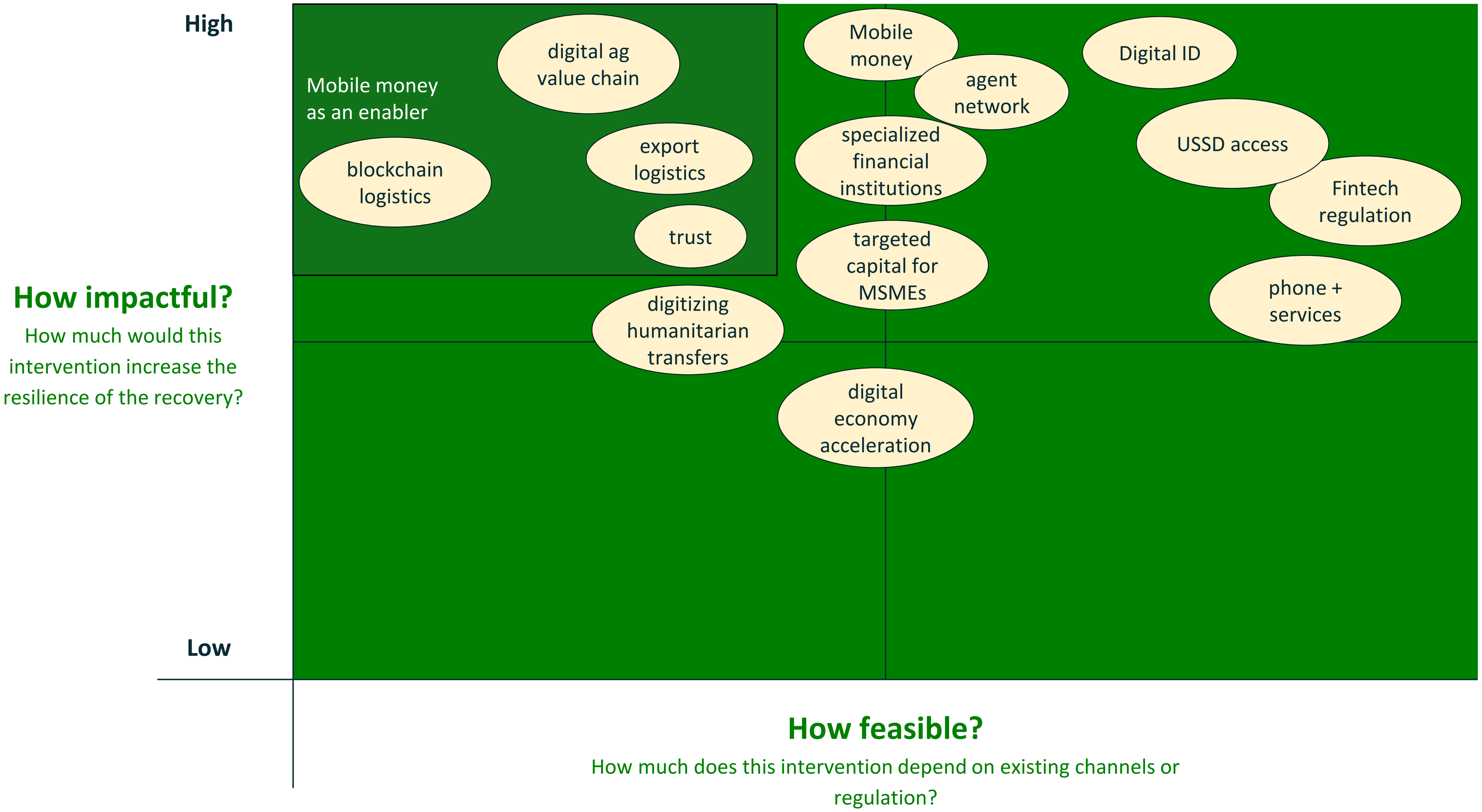
Specialized financial institutions. Development finance institutions* in Nigeria are set up to provide appropriate finance to sectors but have generally not worked well. This is an opportunity to revitalize this sector perhaps in partnership with fintech firms that are more nimble and closer to the customers as sustainable finance has a vital role to play in mobilizing the response to Covid-19:

- **Lending to public sector** – including healthcare services, funding to the agricultural value chains, social security expenditures such as unemployment, sickness, child and elderly care benefits, and financing government - related institutions
- **Lending to financial sector** – financing of fintech providers to provide funding to small- and medium-sizes enterprises affected by the pandemic
- **Lending to real economy sector** – financing of large companies in the medical equipment and healthcare sector facing an increasing demand for equipment or services related to the pandemic, as well as financing of companies in the infrastructure sector that need funding due to supply or demand side disruptions in their operations

Using data to target borrowers with a high propensity to succeed. Banks seek to target borrowers who will succeed and repay their loans but identifying who these borrowers are has historically been difficult. With people increasing leaving financial and non-financial data trails, it is becoming possible to use alternative data to identify more likely borrowers, especially in a moment of general uncertainty like the present.

*Bank of Agriculture, Bank of Industry, Development Bank of Nigeria Plc, Federal Mortgage Bank of Nigeria, Nigeria Export Import Bank and The Infrastructure Bank

Locating these Ideas



An Opportunity that Comes but Once in a Generation:
Key insights

- **Digital financial services** provide a foundation on which many other innovations could rest that would improve incomes and resilience, even in a fallback scenario. Although Nigeria has made progress in expanding bank access, the country is far below the target of 80% inclusion indicated in the National Financial Inclusion Strategy. Meanwhile other countries have rushed ahead (E.g. Kenya at 83%, India at 80%+ and China at 83%).

  Fundamental infrastructure for the digital economy still needs to be put in place in Nigeria, including ubiquitous DFS, digital ID and measures for improving trust and transparency.

- **Resilience** at the national and household level both depend on new opportunities for low-income people, harnessing their spirit of entrepreneurship and dynamism. Digital technology offers the opportunity to accelerate the solution of some long-standing issues both for microenterprises and for farmers.

- **Urban and rural** experiences are different; urban locations may be hard hit in the short term but seem to offer more opportunities for resilience and recovery, especially under the limpback and fallback scenarios where individuals have to shape their own trajectories and can't expect to receive much support from government.

- **The policy environment** in Nigeria shapes the trajectories of each of the personas; whether enabling or restricting their ability to recover from the crisis. Policy reforms of various types seem crucial to accelerating DFS solutions that can make a difference in the lives of low-income Nigerians.

Financial inclusion data sources: Kenya: Finaccess survey 2019, India: findex 2017, China: Chinese Academy of Financial Inclusion 2019.

An Opportunity that Comes but Once in a Generation:

Non-DFS considerations

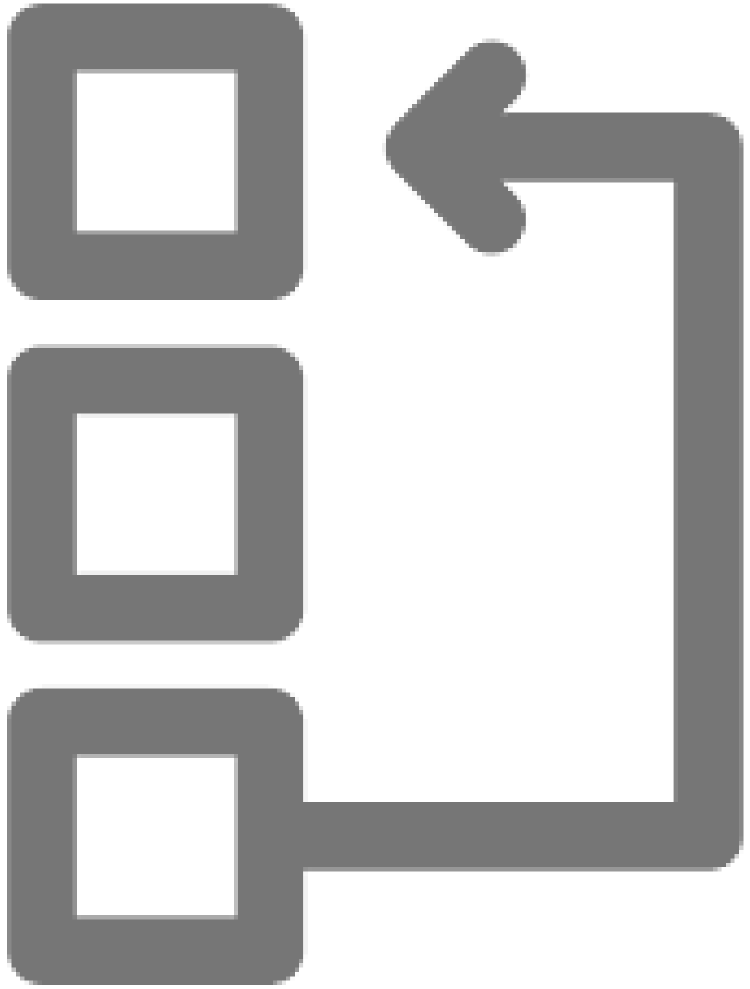
- **Sustainability of financial institutions** In other countries, the health of financial institutions, especially MFIs, cooperatives and small banks, seems in danger due to high NPLs and cash withdrawals. However, the financial sector in Nigeria enters the crisis in a strong position and is being closely monitored by the CBN.
- **Oil and gas**. Although important at the national economy level, the prices of oil and gas affect our personas only through the indirect channels of government expenditure and prices for imported goods (especially food), as well as through the trajectory of the GDP which could affect the overall level of demand. But direct effects are relatively light considering that they do not interact much with the government and formal sector.

  Nonetheless, when government budgets are constrained and they do not invest in health and education, the long-term impact on the livelihood trajectories of low-income people could be severe.
- **Agricultural Processing and Supply Chains.** Farming is the predominant profession of Nigeria's rural dwellers. While a lot of initiatives have sought to improve the the crop yields of farmers, this has not translated to creating a wealthier farmer class because of difficulties in getting these products to the final consumer. Challenges with food processing impact the shelf life of produce leading to wastages and logistics issues add additional costs when these food items get to market. The digital solutions we consider here are only partial improvements to a wider set of agricultural support and reforms that would be necessary to effect a transformational improvement in rural livelihoods,

Annexures

Scenarios Logic: Components

Though the pandemic may unfold in different ways in each country, these scenarios focus more on the economic effects, the possibilities for meaningful stimulus, and the degree to which social cohesion allows economies and societies to withstand the crisis and recover.



The Covid-19 uncertainty 'stack'

There are a set of four **interdependent layers of uncertainties** driving the 'macro' shape of the crisis.

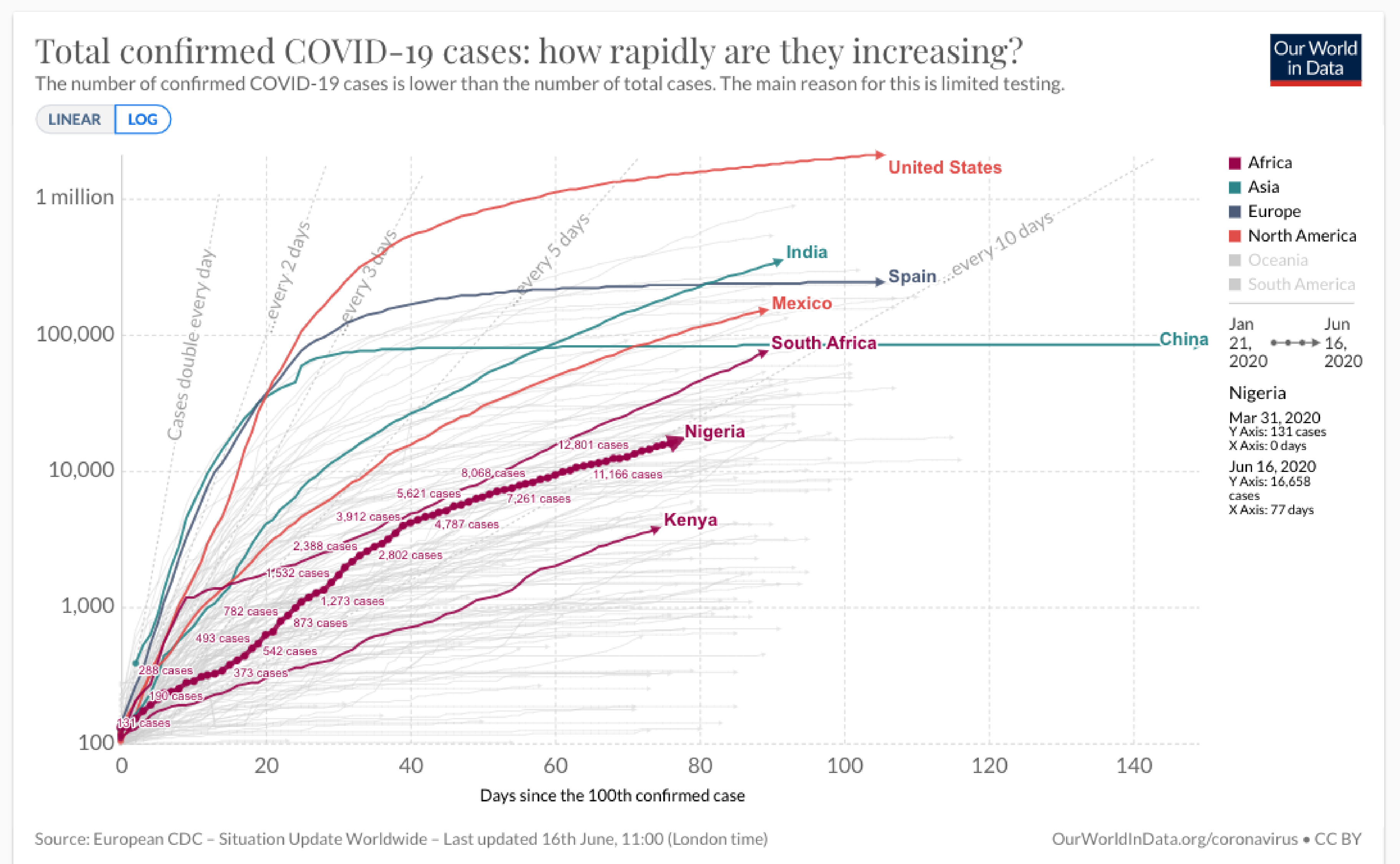
1. Health	How soon and at what level infections peak
2. Restrictions	How severely and for how long economic life is restricted
3. Stimulus	The size, speed and effective delivery of stimulus measures
4. Social cohesion	The extent to which state is trusted and supported; and/or civil society responds

Starting Realities Differ

The Covid-19 crisis strikes globally but countries start from very different positions across a range of relevant dimensions.

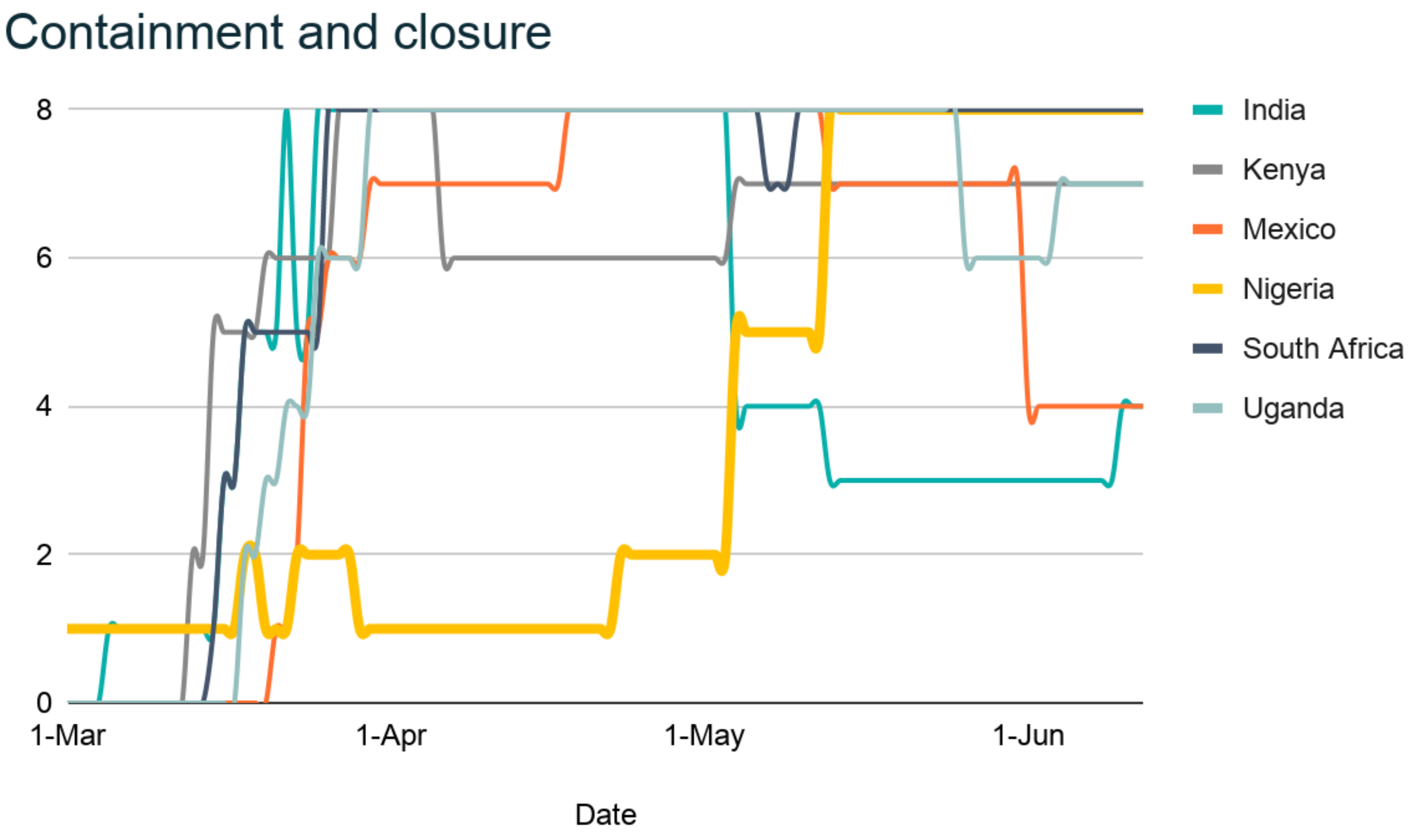
Indicator	Why this matters	Source	Kenya	Uganda	Rwanda	Nigeria
Hospital beds/capita	Capacity of health care system to handle	World Bank 2019	1.4 per 1000 inhabitants (2014)	0.5 per 1000 inhabitants (2010)	1.6 per 1000 inhabitants (2007)	0.5 per 1000 inhabitants (2004)
Government Debt/ GDP	Capacity of government to borrow to cover debt	CIEC 2019	59.2% (2018)	40% (2019)	41.1% (2018)	108.9% (2019)
GDP % growth rate 2019	Growth trajectory going into crisis	World Bank 2019	5.6%	6.2% (2018)	8.607% (2018)	16.2%
% adults making or receiving digital payments	Proportion of people able to pay remotely easily	Findex 2017	80%	59	46% (2016)	30%
Rank in inclusive internet index	How digitally connected people are	EIU inclusive internet index 2019	64	83	89	66
% of people covered by social safety net	Proportion reached by (conditional) cash transfer (poorest quintile)	World Bank, ASPIRE	26.441% (2015)	60.472% (2012)	20.09% (2013)	3.764% (2015)
% informal	% outside of formal labor contracts or benefits	KBS (KE) / INEGI (NG) / NISR (RW)	83.6% (2019)	84.9% (2017)	81.2% (2016)	65% of GDP (2017)

Health in Pandemic



As at 16 June 2020

Restrictions and Closure

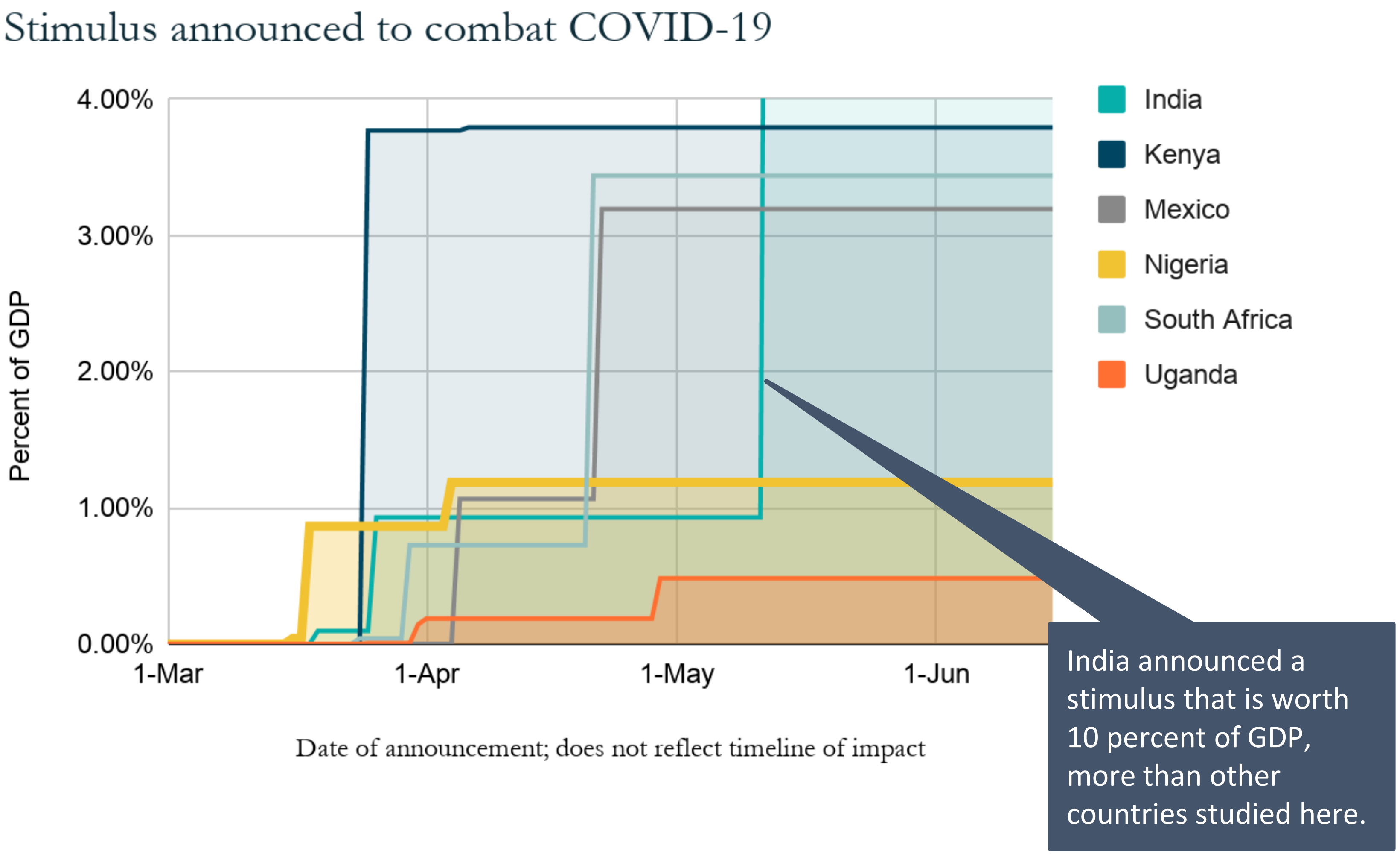


Nigeria's implementation of restrictions has been localized and fragmented.

- School closings remain a matter of state and local governance.
- Social gatherings are not banned at a national level.
- Stay at home orders, bans on public events, and workplace closings were not national in scope until 4th May 2020.
- Bans on international travel came into effect prior to the beginning of March, but internal movements were not restricted until late April.
- States have put in place restrictions at varying levels

Source: Oxford Covid-19 Government Response Tracker
Tracks response at the national level, state responses not included

Stimulus Announced



Nigeria's response to the crisis has been sluggish in despite an early announcement of stimulus.

- Conditional cash transfers will run out within four months and implementation challenges are ongoing.
- Targeting of low-income households relies on an existing national register of low-income households.
- Tax breaks will tend to favor the formal sector and not low-income populations.

Source: Oxford Covid-19 Government Response Tracker
Tracks response at the national level, state responses not included

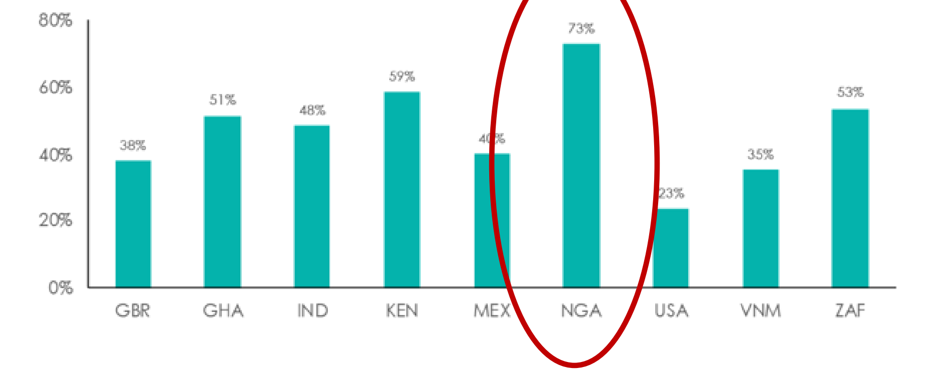
Social Cohesion

Results from the BFA wave 3 global online dipstick survey of lower-income respondents mirror the results of the Nigeria national Covid-19 survey in terms of the heavy hit to savings, reduction in income and high expenses on food. Nigerians are also more likely than others to say they are not receiving assistance from any support systems.

https://bfa.works/c19-wave3-blog

Figure 9: **Percentage of respondents who have used up 50% or more of their emergency funds as a result of the crisis**

BFAGLOBAL



Percentage of respondents accessing various forms of support, May-June 2020

BOUNCE BACK

Overview

The macro-economic environment is characterized by a sharp decline in output with the onset of the Covid-19 pandemic. However, with the easing of lockdown restrictions and gradual return of normal business the economy resumes to pre-crisis levels of economic activity and growth within 6 months to 1 year after the onset of the pandemic in Nigeria. In this short-term view, the recovery is characterized by a “V” shape.

At the beginning of the pandemic the government implements countermeasures, largely in the form of restrictions on travel and social gatherings. This almost immediately affects businesses negatively and unemployment rises owing mainly to disruptions to the supply chain. However, with the restrictions relaxed after 3 months, effective implementation of policy interventions, and increasing output in the crude oil sector given the resurgence of economic activities in destination countries of Nigeria’s crude oil exports, economic activity begins to rebound. Such recovery is sustained as government revenue increases with slight improvements in oil prices in the international market and growth in the industries and services sectors as domestic demand rises in the fourth quarter of 2020. Significant structural reforms are also introduced to deal with challenges in the monetary policy framework, and to significantly bolster government’s non-oil revenues. This is also followed by organization reforms which offers a boost to the business environment, decreases corruption, and improves the efficiency of public service delivery.

Real Sector

Given that complete or partial economic lockdowns last until June, and their effects on the informal economy, a recession most likely occurs in the second and third quarters of 2020. However, with full normalization returning by the fourth quarter of 2020 following targeted lifting of the restrictions, a rebound in growth is likely to occur in the fourth quarter of 2020 and first quarter of 2021. Domestic air transport operations (as well as interstate travel) which are expected to resume by the end of June 2020 will begin the recovery in the services sector and spur activities in other sectors. Increased liquidity in the banking system will also drive the recovery in the bounce back scenario. This will be achieved as individuals and businesses effectively utilize the different guaranteed credit facilities and lowered interest rate for their capital needs. It is expected that these interventions will be effective under the bounce back hence, investments will be expanded, and jobs created. Consequently, demand will be stimulated. The oil sector is also expected to somewhat support the recovery in the bounce back scenario. The cuts in prices and production in the oil sector should lessen by the fourth quarter of 2020.

The decline in discretionary spending makes the services sector one that is hit the hardest by the health crisis with the tendency of workers especially, in the small-scale services sector losing their jobs. Nonetheless, this is to be mitigated by the Central Bank of Nigeria’s (CBN) stimulus of 50 billion Naira targeted credit facility to expand the productive capacity of businesses whose economic activities have been significantly disrupted by Covid-19. This is expected to halt any rise in unemployment. This notwithstanding, the initial restrictions imposed coincided with the planting season. This has caused disruptions to the supply of farm inputs. Therefore, crop production which accounts for 90% of the total output from the agricultural sector in Nigeria will cause the sector’s output to contract in 2020. Agriculture output is to be further dampened by the reoccurring herder-farmer conflicts in the northern part of the country.

Fiscal sector

Revenue collections have fallen owing to the decline in global demand for crude oil, which has resulted in output cuts and lower prices. However, government recurrent expenditure is likely to remain stable as the government adopts measures to counteract the fall in consumer spending. Also, government revenue is expected to fairly improve as global economic activities normalize. In 2018, the share of crude oil in government revenue was 58.06%.[8]Therefore, a rise in oil exports would significantly improve government revenue. Moreso, given the intention to deregulate the petroleum industry, as the global economy becomes healthier and crude oil prices start to increase, revenue collection would increase.

A consequence of the Covid-19 is the deterioration in fiscal balances which will see a rise to the debt-to-GDP ratio. Nonetheless, given the debt rescheduling sort by the government, the debt burden should not be overly big as the country's debt sustainability is improved upon.

Monetary & Financial Sector	In the immediate, inflation rises due to disruptions in the supply chains caused by the restrictions, and the relatively more expensive imports as a result of the devaluation of the Naira. However, as the restrictions ease and supply chains go unhindered coupled with the cut in the retail price of petrol, these are expected to curb the rising inflation to not very high levels. With the CBN increasing liquidity in the system by providing credit facilities and cutting interest rates, banks and other lenders are more likely to maintain or expand lending as a result of government guarantees and/or pressure. Non-performing loans and defaults which should ordinarily be the case as companies affected by the Covid-19 crisis are unable to pay back loans acquired will be assuaged by the forbearances granted to banks by the CBN to cushion the impact of the pandemic on the Industry’s performance. In general, these measures should assure stability of the banking sector and ensure minimal disruption to the flow of credit.
External Sector	Due to disrupted supply chains for inputs from foreign countries as a result of the countermeasures to mitigate the spread of the disease, imports fall initially. This opens up opportunities for local sourcing of inputs as firms push to reduce dependence on foreign suppliers. Hence, in the near future Imports would increase but not as much as they were in the pre Covid-19 period. Nigeria’s exports particularly, crude oil exports are expected to decline as a result of the fall in its global demand. However, as countries begin to remove/reduce restrictions, increased global demand for energy will raise crude oil exports. More so, the devaluation of the currency by the CBN will increase the country's competitiveness in the market for its non-oil exports as economic activities normalize. Overall, exports should increase to appreciable levels by the end of 2020. Oil exports in Nigeria accounts for over 80% of the country’s foreign exchange revenues.[9]Hence, lower export revenues in recent times have exerted pressure on the foreign exchange reserves leading to the depreciation of the exchange rate. As global demand for Nigeria's export recovers at the end of 2020 the pressure on foreign exchange earnings will be eased off. More so, the USD3.4 billion loan from the IMF has lessened the pressure on the country's foreign exchange reserves. In addition, the current account is expected to improve further from the fourth quarter of 2020 and first quarter of 2021 as FDI and portfolio investment increase due to the higher liquidity in the global financial system brought about by measures to curb the economic effects of the Covid-19.

LIMP BACK

Overview	The macro-economic environment is characterized by a significant decline in potential output below the pre-crisis level, with a slow return to the pre-crisis trend over the medium-term, with the recovery beginning 9 to 12 months from the onset of the crisis, and the return to pre-crisis trend occurring in about 2 years. The economic growth path is therefore characterized by a "U" shape.
Real Sector	A limp-back scenario would be driven by a rebound in global demand for transport and a recovery of oil prices in major economies – major destinations such as US and China. Implementation of an ambitious economic reform program is proposed for economic recovery of the Nigerian economy, but only a subset of reforms are successfully implemented. These include reforms of state-owned enterprises to reduce leakages and measures to improve governance of the oil sector. Other measures implemented to support the recovery include boosting confidence through policies to improve the business environment, decreasing corruption, and improving efficiency of public service delivery. Implementation of these measures would result in some stimulation of investment and thereby support growth. As the recovery continues, it would also be underpinned by successful planting seasons in June and February 2021, that would boost agricultural output following the disruption of the planting season in February 2020, with the implementation of social distancing measures. The telecom sector could also underpin economic recovery, with an increase in uptake of digital financial and other services (growth in mobile telephony services and other value-added digital services).
Fiscal sector	The fiscal deficit is expected to widen with an increase in health spending and social safety net disbursements, and a fall in revenues from oil and tax collections. This will feed into an increase of overall gross public debt and significantly increase debt sustainability risk. Medium-term access to concessionary finance will continue to provide support for the urgent fiscal and balance of payments needs of the economy, but debt servicing constraints will bear down on the economy. Over the medium-term, the recovery will be led by securing oil revenues, improving the efficiency and lowering leakages of state-owned corporations. These will contribute to an increase in government revenues. The expected trajectory of public debt is a significant increase over the short and medium-term and will only return to a downward trajectory with the eventual implementation of a fiscal austerity program.
Monetary & Financial Sector	Supply chain restrictions will contribute to sustained food inflation. In addition, core inflation will increase due to depreciation of the Naira, and a significant increase in the cost of imports. This will in turn contribute to constrained monetary policy. The financial sector is likely to see an increase in provisioning for losses, and subsequently a much higher rate of non-performing loans and defaults. There would likely be a disproportionate impact on smaller banks, which have less shock-absorbers and a higher cost of funds, due to weaker franchises and a smaller capital base. Low liquidity in the banking sector will contribute to a slow economic recovery, but policy measures to support market liquidity, lower credit rationing and encourage credit disbursement at subsidized rates to vulnerable sectors will lend support to the financial sector.
External Sector	Low international demand for oil exports and the subdued oil price will contribute to a deterioration of the current account, exert pressure on international reserves, and result in a depreciation of the exchange rate. The slow eventual recovery of oil prices, tracking an increase in global oil consumption due to a slow global recovery, would contribute to an improvement of the current account over the medium-term.

FALL BACK

Overview	The fall-back scenario is one in which there are no significant government interventions to limit the negative consequences of the pandemic either for businesses or individuals, and in which the broader policy environment does not improve. This is the scenario in which the deepest feasible slowdowns are expected to occur and in which fiscal and monetary conditions are expected to deteriorate significantly. Under this scenario a recovery is expected eventually although it may take three to four years just to return to pre-pandemic levels, and growth afterwards might be slower.
Real Sector	According to unpublished reports, the worst-case scenario estimate for the real economy in 2020 is an 8.9% contraction in economic activity[10]. Given the 1.89% growth witnessed in the first quarter of 2020, before most of the lock-downs were effected, the worst of the collapse is expected to occur in the second quarter when most of the full lock-down policies were in place. Based on the overall 8.9% decline expected in the full year, the second quarter could witness a year on year decline as much as 15 percent. This decline will be synonymous with significant job losses. The two sectors which are the largest employers of labour, agriculture and trade, are also expected to struggle. The agriculture sector, which should be in the thick of the planting season, may be disrupted significantly leading to losses throughout the year which will not be recoverable until the next farming season. The trade sector may also shrink significantly as a result of disruptions in global demand and in local foreign exchange crisis. Finally, services in urban areas are prone to health measures put in place to deal with the spread of the pandemic.
Fiscal sector	In this scenario the fiscal crunch which was already in place before the pandemic gets worse. Government revenue significantly declines as a result of the collapse in crude oil prices for the next few years and the annual deficit widens significantly. Efforts to raise non-oil tax collections fail as the economy fails to recover quickly enough. The rising fiscal deficit results in serious debt sustainability challenges with debt servicing costs eating up almost all actual government revenue. The deteriorating fiscal situation restricts the capacity of government to intervene to quicken the pace of the recovery or to offer support to those most vulnerable to the difficult economic conditions.
Monetary & Financial Sector	The deterioration in the economy leads to a difficult macroeconomic environment with food inflation continuing to rise as a result of disruptions in the agriculture and global supply chains. The continued weak demand for crude oil from Nigeria and the low prices results in foreign exchange pressures that result in a continued weakening of the exchange rate, increasing severity of foreign exchange scarcity, and a widening spread between official and parallel market exchange rates. This in turn further exacerbates the inflation pressure with imported and core inflation rising further. The difficult conditions also force the monetary authorities to keep interest rates high, putting more downward pressure on an already struggling economy, and increasing borrowing costs for fiscal authorities, further exacerbating the fiscal challenges.
External Sector	The worst-case scenario in Nigeria's context involves a limited recovery in the demand for crude oil leading to a continued period of low prices. The slow recovery in demand also necessitates the continuation of the OPEC production cut agreement which limits Nigeria's export potential, further worsening government revenue. Continued disruptions in international trade also result in cuts in Nigeria's non-oil exports and in higher international prices for key food imports, putting even more downward pressure on trade volumes, and feeding into the uptick in imported inflation.

Macroeconomic Scenarios - Details

Overview

The macroeconomic environment prior to the disruptions from the Covid-19 pandemic was centered around the sluggish recovery from the recession in 2016, which was induced by a collapse to crude oil prices. Overall GDP growth had recovered from a low contraction of 1.58% in 2016 to growth of 2.27% in 2019[1]. This was however still significantly lower than the average of 6% growth witnessed in the years before that downturn. Significantly, growth since 2016 has been slower than population growth which was estimated at 3.2% in 2016[2]. The structural fault lines also remained with the exposure to crude oil prices still significant. In 2019 crude oil and other petroleum gases exports accounted for 76% of all goods exports[3], and about 53% of all federally collected revenue[4].

On the fiscal policy front, the long running difficulties in expanding non-oil tax revenues combined with expenditure necessities continued to put upward pressure on the fiscal deficit with the deficit breaching the fiscal responsibility limit of 3% of GDP for the first time in 2019. The monetary policy front also remained challenging with the focus on exchange rate stability. The foreign reserves were dropping from a high of $47bn in mid-2018 to $38bn by the end of 2019[5]. Inflation also looked to be trending upwards with food inflation particularly pressured by the closure of land borders in August of 2019.

The effects of the pandemic have already started to show in the latest GDP data. In the first quarter of 2020, before most of the major domestic lockdowns were implemented but after the global economy had begun to slow, GDP growth slowed to 1.89% from 2.55% in the previous quarter. The trade sector was especially hard hit with a –2.82% contraction. Other sectors exposed to international markets, such as mining and quarrying witnessed steep declines.

Baseline projections for the economic impact of the pandemic vary depending on the source. The official growth projection from the federal ministry of finance, budget and national planning for 2020 has been revised downwards from 2.93% to –4.42%[6]. Growth is expected to recover to 2.88% in 2021 and 4.53% in 2022. Unofficial news sources however, suggest that a contraction of up to 8.9% could occur without significant policy changes or government interventions[7].

References

[1] Source: National Bureau of Statistics – GDP Report.

[2] Source: National Population Commission – Demographic Statistics Bulletin

[3] Source: National Bureau of Statistics - Foreign Trade Report

[4] Source: Budget Office – Addendum to the 2020 – 2022 MTEF and FSP

[5] Source: Central Bank of Nigeria

[6]https://nairametrics.com/2020/05/22/nigerian-economy-going-into-recession-might-contract-by-8-9-finance-minister/

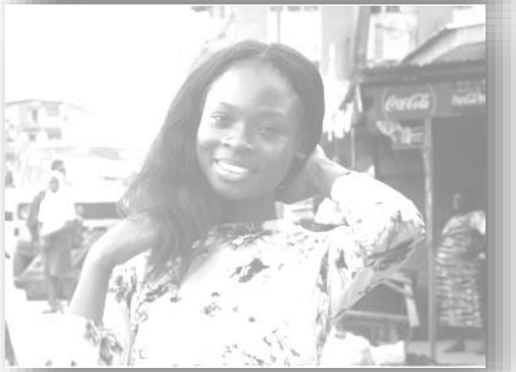
[7] https://nairametrics.com/2020/05/22/nigerian-economy-going-into-recession-might-contract-by-8-9-finance-minister/

[8]CBN, "Statistical Bulletin", 2019.

[9] NBS, "Foreign Trade Statistics", 2020.

[10] https://nairametrics.com/2020/05/22/nigerian-economy-going-into-recession-might-contract-by-8-9-finance-minister/

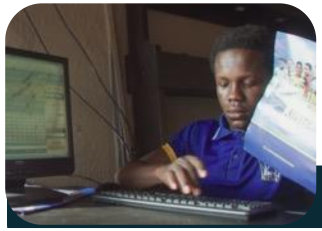
Details on the Personas and their Trajectories



Key Storyline
Insights

1. Extremely resilient because:
   - he had prepaid rent and next payment not due until the end of the year - not accruing rent arrears
   - farming lease payments are not due until November when he'll receive 80% of his 2019 payment
   - he is a Resilient Saver personality type - i.e. he has saving, he plans his expenses, not in debt
   - multiple and diverse income streams + some is passive income
   - he's digitally literate and has good education - can adapt to new opportunities quickly

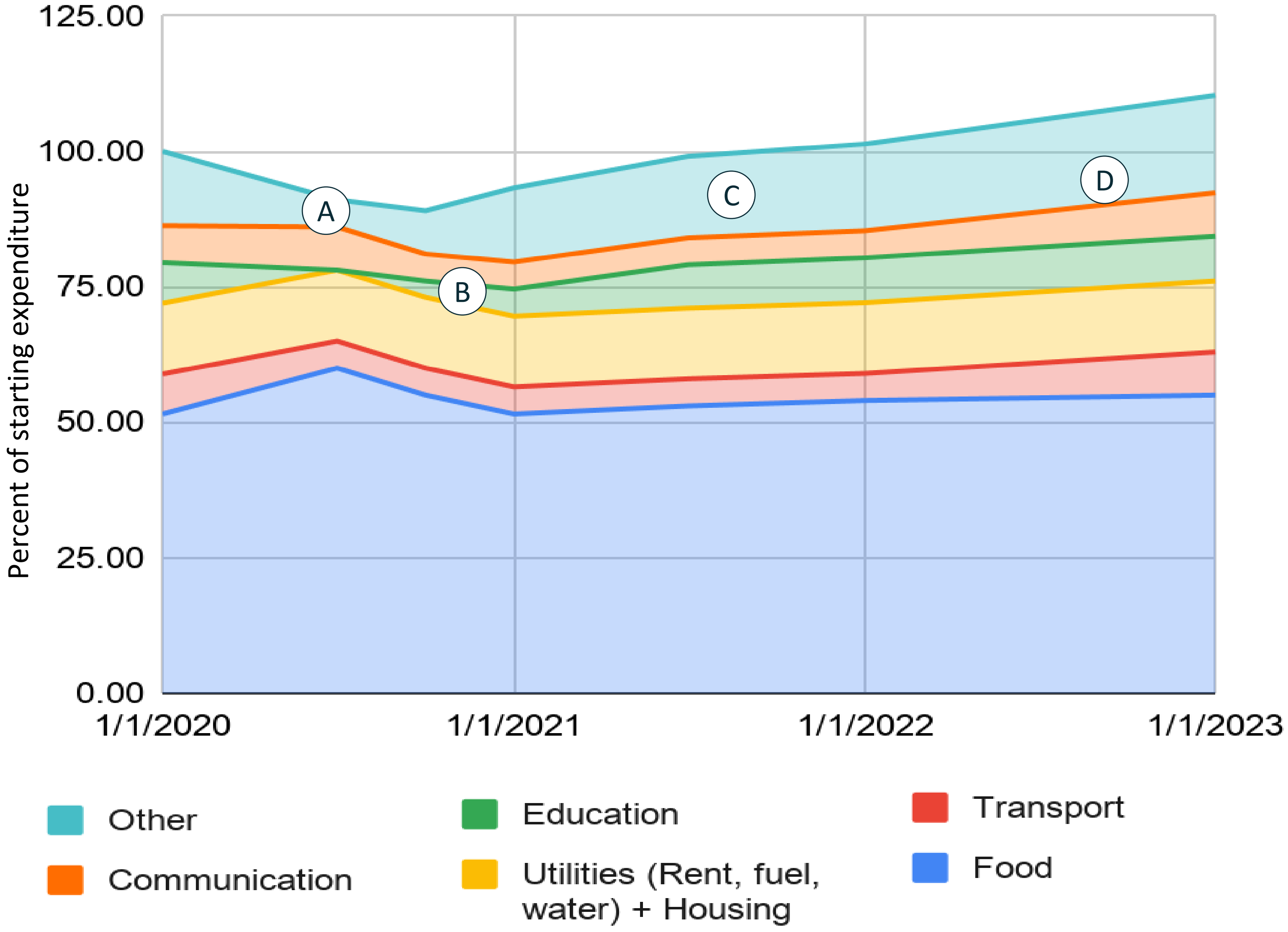
   All would help in any scenario
2. Stimulus grey area - he won't be reached by direct stimulus except perhaps through his MFI. However, he is able to bounce back even without govt intervention
3. Not completely invisible - he has an ID, bank account and local permit for his shop
4. Male gender - able to send dependents away; transport (motorbike) business not available to women in general
   - Contrast to Victoria (female urban hustler)
   - If he was a family man, he would have it a lot harder in the short run because of the ongoing need to feed a family



Scenario 1: Resilient Savers - Yomi

	Persona
03/20 - 06/20	• lockdown imposed so limited movement • nieces sent to hometown after closure of schools • closes his shop and furloughs his employee • savings are dwindling • no satellite dishes installation or electrician gigs - zero revenue • rising expenses on data bundles + food. • unable to send money home to his parents
06/20 - 12/20	• partial lockdown • further rising food expenses • re-opens the shop • schools reopen, nieces return • fewer installation gigs • savings are depleted
01/21 - 12/21	• takes a delivery services job • recalls his employee • becomes a mobile money agent • revenue from shop increases + other businesses grow from mobile money traffic • owns a delivery bike on hire purchase, earning him a fixed fee, adds a second employee • sales are back to pre-Covid-19
01/22 - 12/22	• higher shop sales • accumulates more savings • in a better position than before the crisis

Yomi Bounces Back



A
- zero income
- depleting savings
- high food prices

B
- multiple income sources
- shop sales increase
- rising expenses

C
- Sales are back to preCovid-19 levels
- accumulating savings

D
- more savings

Key Storyline

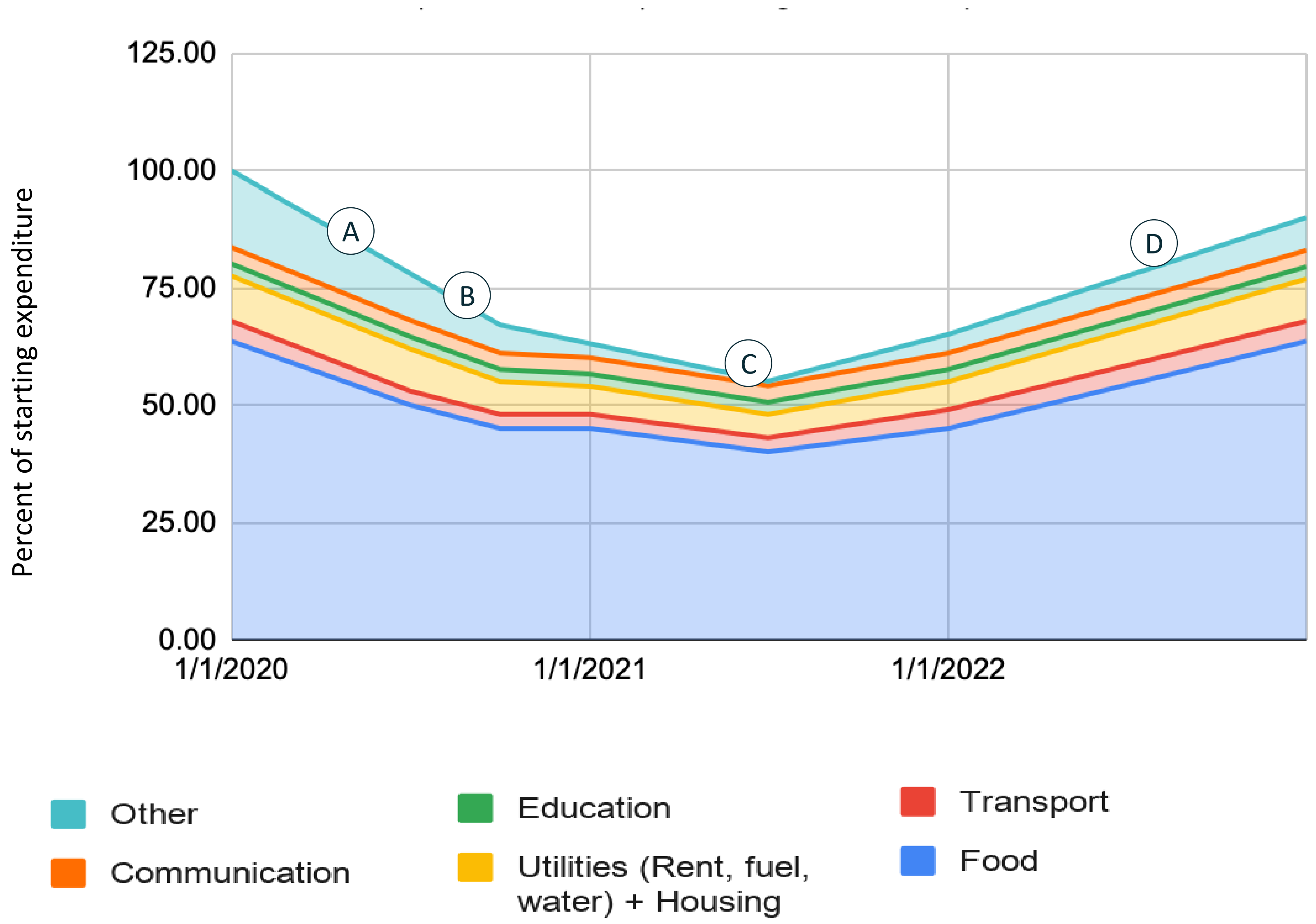
Insights

1. Covid-19 unlikely to have direct health impact on youthful Zainab
2. Covid-19 restrictions disrupt her access to market, and reduce buyers, hitting her income
3. Poor harvests from disrupted and late supply of Govt subsidised inputs, esp. fertilizer (always a problem, exacerbated by C-19 as falling oil revenues reduce funding for subsidies)
4. Reduced income will have knock-on effect on subsequent harvests, reducing her ability to buy additional inputs
5. Disruptions to Govt vaccination programme results in avoidable serious illness for her youngest child, leading to additional financial and emotional burden
6. Gradually recovers with overall economy in limp back, but her recovery is not complete
7. Insecurity in north may limit state's ability to intervene, and directly impact her

Scenario 2: Dependent Individualist : Zainab Limps Back

	Persona
03/20 - 06/20	• When crisis starts, life is tough but Zainab is happy and is getting by • Disrupted supply of fertilizer/inputs for June planting season • Market closures reduce income from cassava sales
06/20 - 12/20	• 2 youngest children miss vaccinations as health visitor programme disrupted • December harvest poor • Markets disrupted and prices low
01/21 - 12/21	• Supply of subsidised fertilizer and inputs improve somewhat, but still late and inadequate • Zainab has very little money to spare to buy inputs, and family barely has enough to eat. Children may be stunted. • Does not want to borrow from savings group • December harvest poor • Cattle herders + farmers conflicts • Child very sick with malaria - cannot get medicine, using herbal treatment with limited success.
01/22 - 12/22	• Big push by Government to support small scale agriculture. More and earlier subsidised inputs • Zainab is still very short of money, but looking forward to better harvest in December • Sadly, one of her unvaccinated young children gets very sick with preventable disease and Zainab desperately worried. • By year end she feels worse off than before C-19 started

Zainab Limps Back – but not Completely



A Market disruption reduces income

B Harvest poor due to lack of inputs - disruptions to supply

C Harvest poor - inputs supply improved, but less able to afford

D Slow recovery as general economy improves, but some permanent set back, including children's health

Key Storyline

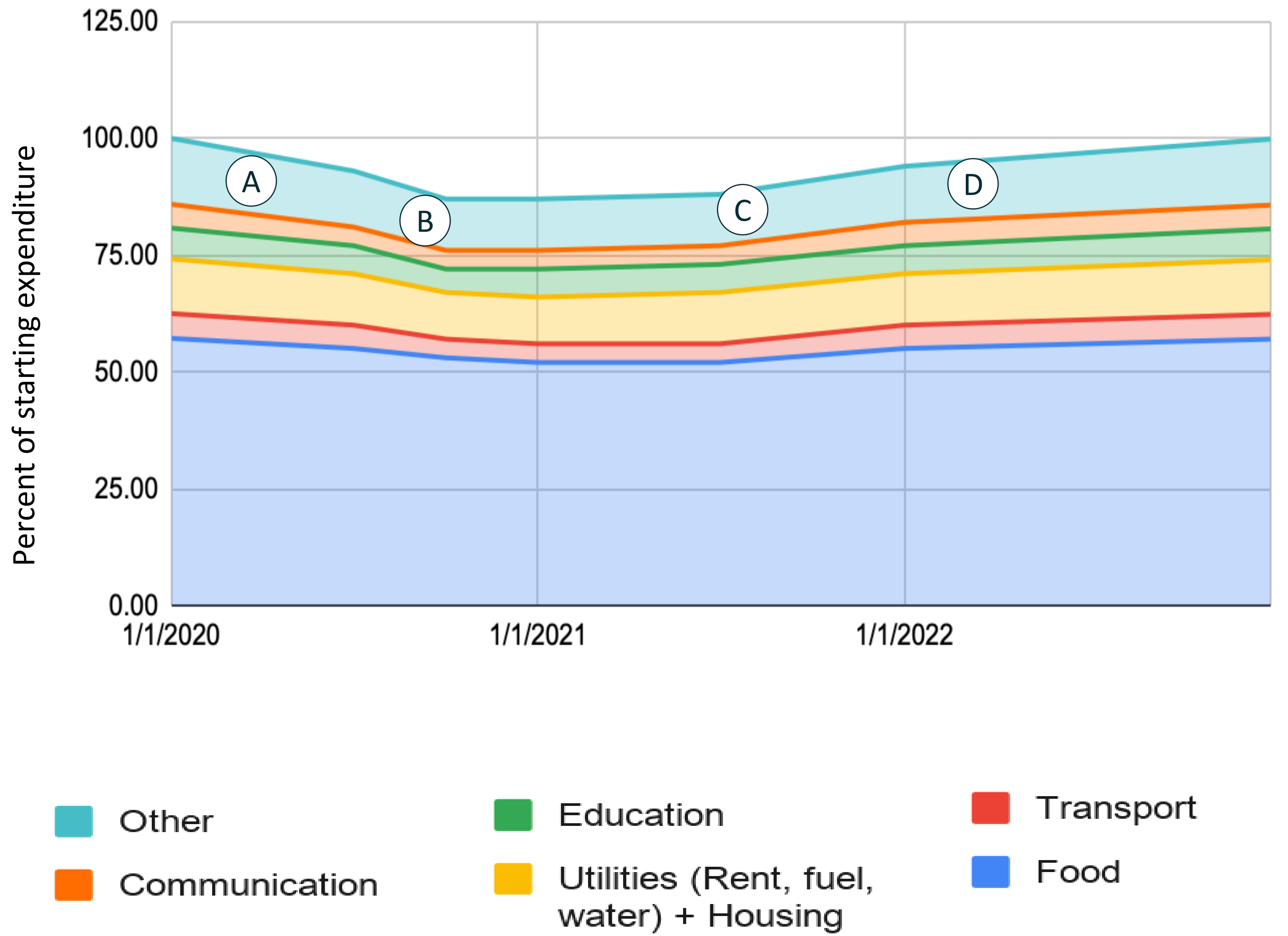
Insights

1. Relatively prosperous small farmer in a fertile and peaceful state will be able to ride out limp back comfortably
2. Income will be hit by market disruptions, and harvests will be poorer than normal due to delay/disruption of Govt subsidised inputs (lower oil revenues to fund)
3. But existing savings plus other sources of income (e.g. wife's teacher salary) partially compensate, enabling purchase of non-subsidized inputs from private sector
4. Public sector salaries likely to be delayed (4 months or more) because of poor oil revenues, but wife able to borrow to compensate, given salary history (through digital financial agent, using smartphone)

Scenario 3: Questioning Cultivators- Chigozie

	Persona
03/20 - 06/20	• Planting season starts • Farm inputs are delayed • Use savings to source less inputs from private dealers. • Depleting food reserves and income • Wife's salary to his rescue • Unable to send money to his mother
06/20 - 12/20	• Wife's salary delayed • Wife borrows from bank • Harvest season and new yam festival • Low yield from insufficient inputs • School resumes, nephews can't go as they lack uniforms • Sells produce at the market - less frequently • Sends money to his mother
01/21 - 12/21	• Sells cassava in the local market • Mason gigs are looking positive • Resumes savings • Planting season starts • Harvest are better than last year • sends money to his mother
01/22 - 12/22	• Sells more at the local market • Does more masonry work • Saves more • Plans on a second business- hardware store and building a house

Chigozie Limps Back – Without Sinking Too Far



A Market disruption reduces cassava sales income.

- Wife borrows from bank on security of delayed teachers' salary, helps compensate

B
- Harvest poor due to lack of Govt subsidised inputs - disruptions to supply. But able to partially compensate from private suppliers using savings for house

C
- Harvest improves as input supply improves.
- Recovers to pre-Covid-19 levels as markets open up

D Able to resume saving for house

- Wife pays off loan as salary arrears paid

Key Storyline

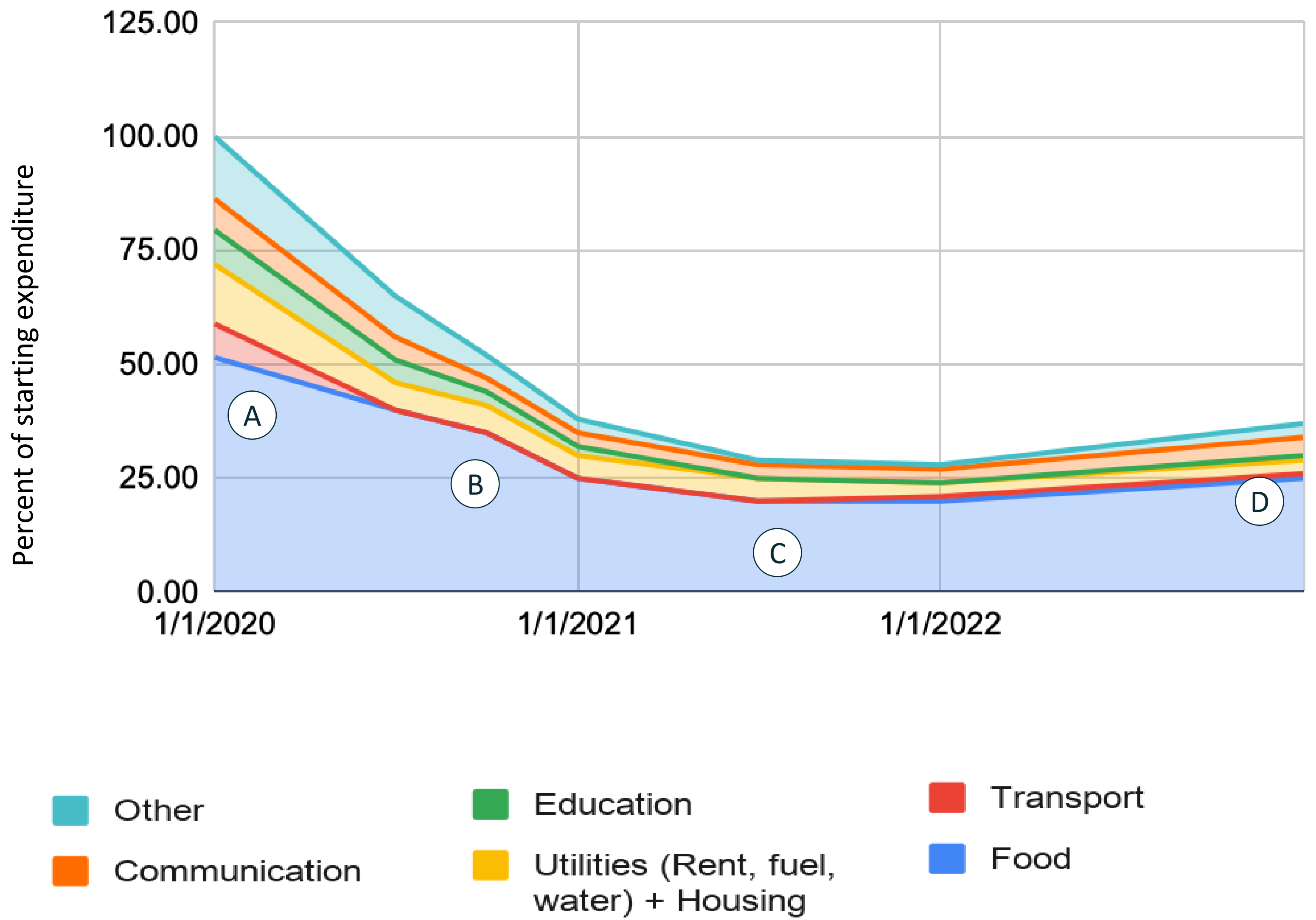
Insights

1. Despite her relative state of preparedness, Victoria's income and subsequent quality of life is at the mercy of the job market with her fortunes dependent on how quickly she can regain employment.
2. Victoria's financial starting point puts her at risk of future debt distress as she would be a prime candidate for credit, but with a significant default risk due to the income uncertainty.
3. Rising food prices have direct consequences for Victoria as she tries to make her savings last longer.
4. The potential for permanent negative income effects is significant as she cuts back on investment in education. She is likely to remain less skilled than she aspires to be.
5. Victoria's challenges will also impact her immediate family outside the city who were benefactors of her remittances.

Scenario 4: Confident Optimists - Victoria

	Persona
03/20 - 06/20	• Victoria loses her job as the spa she works shuts down • Starts to use her savings. Possibility of depletion and unsuccessfully starts to look for formal employment. • Cuts back on non-essential expenses • Household income declines
06/20 - 12/20	• Puts her educational aspirations on hold • Job search remains unsuccessful • Considers moving back but realizes it is not an option • Remittances to her mother decline • Takes a gamble and gets a loan to finance production of PPEs, leveraging her savings
01/21 - 12/21	• A significant portion of Victoria's loan is diverted towards sustenance as opposed to production • After a period of struggling to make ends meet, she defaults on the loan • Savings are depleted and job search remains unsuccessful
01/22 - 12/22	• As the recovery picks up, and job opportunities begin to increase, Victoria is surviving through menial work opportunities but is still unable to get permanent employment. • Loan default remains a significant problem

Victoria Falls Back – and can not Recover



A Victoria loses her job, so begins to dip into her savings.

- Monthly spending reduces

B
- Her educational aspirations are on hold

Savings further deplete

She takes a loan

C
- Savings are depleted, she uses her loan to help her survive

D
- She has found some menial work so has some income to pay for expenses

Details on Some Proposed Interventions

Interventions Considered

a. Policy coordination and action to mitigate systemic risks at a macro level

- Enabling fintech regulation
- Supporting an open and level playing field to promote innovation
- CCT policy reviews to promote the digitization and scale of CCT programmes
- Enabling Digital Platforms

b. Leveraging Digital Financial Services to overcome emerging challenges in the lives of people in low income segments like Yomi, Zainab, Chigozie and Victoria

Other foundational DFS infrastructure

- Digital identity and trust infrastructure
- Basic phone access
- Agent networks
- Facility for developing the trust infrastructure

c. Considerations to bridge economic opportunities and outcomes that will engender financial inclusion

Better credit for MSMEs and farmers

Improving trade and transactions - mobile money will enable

- Digitizing exports
- Accelerating digital commerce
- Digital onboarding for gig workers

The Policy Environment: Enabling Fintech Regulation

Who does this?

Regulatory Principles

Harmonized licensing regime for Fintech
Broader based and lower-priced access to critical NIBSS infrastructure, including BVN
Proportional capital requirements and licensing fees
Differentiation between large scale companies and early stage companies
USSD needs to be viewed as critical to serve low-income segments
More user-friendliness and support in accessing regulatory sandboxes
Quicker turnaround time for approval processes

Specific Use cases

Harmonized licensing regime - This is most relevant to Fintech firms whose operations put them under the purview of multiple regulatory bodies. An example is an SEC approved Savings and Investment Fintech company which needs to access NIBSS infrastructure for its payment process. A harmonized licensing regime will mean that because it is licensed by the SEC, it should be able to easily access this infrastructure with minimal extra approval. This can be a robust, seamless approval process based on meeting pre-defined, cross-cutting regulatory criteria.

Broader based and lower-priced access to critical NIBSS infrastructure, including BVN - This is like the above. Currently, a decent portion of the overhead costs of Fintech firms is paying CBN licensed entities, who serve as intermediaries, for access to NIBSS infrastructure such as payment and BVN. Given how critical this infrastructure is to the proliferation of DFS, licensed entities (not just those licensed by CBN) should be given more access to this infrastructure. The pricing of this access should also be commensurate to the size of the business as a startup cannot afford to pay the same prices that a commercial bank can pay.

Proportional capital requirements and Licensing Fees - This is most relevant in the licensing regime of the CBN. It includes fees such as MFB and PSP licenses. Given that most Fintech firms are still attempting to access sizable markets and have limited revenues, proportionality and scale can be applied to licenses and capital requirements. A Fintech serving 10,000 customers can operate using a lower priced license than one serving 200,000 customers. Capital requirements as well can be structured to match scale. While they are necessary to mitigate risk and protect the customer, the amount of risk is also variable based on the size and exposure of the Fintech. It is therefore reasonable that the capital requirements are proportional. This also applies to SEC regulated Fintech firms who face large capital requirements regardless of their size.

Differentiation between large-scale and earlier stage companies - This is like the above. A different use case, however, is in the eCommerce space where startups are often faced with similar regulatory requirements as the much larger logistics companies.

USSD to serve low-income segments - USSD is largely utilized across Nigeria for digital services, especially for payments. The charges however remain a barrier to their widespread usage particularly among the poor. By recognizing that this infrastructure is critical to the recovery and the livelihoods of the poor, there is a clear justification to lower the charges associated with this service.

User-friendliness and support in accessing sandboxes - A major barrier to accessing the current regulatory sandboxes is the difficulty Fintech firms encounter in accessing and navigating the sandbox. The creation of a help desk and similar customer support services will go a long way to improving this and allowing Fintech firms to test out their products in a safe environment.

Quicker turnaround time for approval processes - By setting pre -defined time and clearly communicated timeframes for approval processes, it would help Fintech firms optimize their plans and limited resources better. This is critical to product development and go-to market strategies for DFS products. An example here is the time frame for No Objection Approvals which can often be long or unclear and can negatively impact early stage companies

The Policy Environment: Enabling Fintech Regulation

Who does this?	**Agencies relevant to the recommended regulations** **Central Bank of Nigeria** - for regulation around PSPs and MFB licenses **Nigeria Interbank Settlement System** - for regulation around the user-friendliness of the Sandbox **Securities and Exchange Commission** - for regulation affecting Savings and Investment Fintech firms such as the Fund Managers License **National Insurance Commission** - for Fintech in the insurance space i.e. Insurtech **Courier Regulatory Agencies** - for regulation affecting logistics startups i.e. Logitech
Which persona/s does it seek to benefit?	Resilient Savers like Yomi would benefit foremost, since they will save with regulated institutions, but all the personas would benefit from the new products and services that fintech firms could offer them.
In which scenarios more relevant?	Relevant in all scenarios
How does it work?	Yomi is part of Nigeria's informal economy. While it makes up 65% of GDP, the businesspeople driving this sector are often invisible to the government. They can, however, be accessed by Fintech firms. This will help formalize the informal economy by providing services which are immediately relevant , easily deployable and stimulate grow. Products such as microinsurance will help overall health and business continuity. Regulation is an effective tool for accelerating the growth of fintech and gig work companies serving the informal economy. Savings and Investment platforms (with wider coverage) which offer higher returns on investments can also further increase his resilience. Increased proliferation and access to gig work platforms will also allow him to further diversify his streams of income by providing him with more jobs or increasing the traffic to his already existing businesses (Satellite dish installation, Electrical work)
Any considerations for timing and sequencing?	As EFInA is already thinking about building political economy capacity, it would make sense to deliver the intervention as soon as possible (if EFInA want to do it)
What does this change	If the intervention is successful in increasing the effectiveness of EFInA engagement, it could unblock critical reforms that would improve financial inclusion for all personas and target segments.
Why do this with scarce funding?	Not expensive (a few of weeks TA, plus input from other programmes who would probably do it for free) and potentially big impact

The Policy Environment

Agent networks expansion

Who does this?	EFInA by supporting a strategic intervention plan for the Central bank to remove barriers to rapidly expanding networks of financial agents
Which persona/s does it seek to benefit?	All personas will potentially see the benefits of agent networks providing accessible, affordable and appropriate financial service products. The two rural personas, Zainab and Chigozie stand to benefit the most. This is because asides from the usual CICO services, a robust and efficient agent network can provide access to microsavings , microinsurance, microcredit and other products which improve the resilience of the personas.
In which scenarios more relevant?	Relevant in all scenarios
How does it work?	The National Financial Inclusion Strategy (NFIS) already identifies Agency banking as one of four key areas to drive financial inclusion. However, some issues which have hampered the proliferation and effectiveness of agency networks, including agency banking models which are not profitable and/or do not incentivize agents enough, the limited distribution of agent networks and the underlying infrastructure issues which limit where such networks can be established. EFInA would work with the CBN to create solutions that could include subsidies for agents to mitigate infrastructural and liquidity issues, profitable agency models, agent training and standardization, and the deliberate digitization of G2P payments (such as CCT) to be used as an on-ramp for building out agency networks and promoting financial inclusion.
What does this change	Agent networks are the backbone of DFS infrastructure and will not reach unbanked populations, especially rural and low-literacy people, without a dense and broad network of agents who can perform cash-in cash-out operations and also help new customers understand and make the most of DFS.
Why do this with scarce funding?	As Nigeria seeks alternative growth paths for its economy, the untapped informal economy represents a ready but currently inaccessible growth area. Digital financial services will contribute significantly to recovery and growth, but only if available to the mass population, which is only feasible when the agent network is broadly available. The informal sector has demonstrated its ability to be a major growth driver and improvements to agent networks, leading to the expansion and deepening of financial services, will go a long way to growing the economy and eliminating poverty.

Foundational DFS infrastructure

Basic phone access

Who does this?	Fed Govt Dept responsible for cash transfers + telco (MTN?) + public health depts (Federal or State?). Engage with the Access programme of the Universal Service Payment Fund (USPF) to expand DFS access for beneficiaries.
Which persona/s does it seek to benefit?	Zainab
In which scenarios more relevant?	All, but especially Limpback and Fallback
How does it work?	Vulnerable people (e.g. rural, poor young women in insecure areas) who do not have mobiles are provided with free/subsidised basic phones (possibly plus solar chargers), which they use to receive conditional cash transfers via digital methods. The method could be mobile money where this is available, but most likely will be cash out via a financial agent. Cash transfers would be timed to coincide with the planting season, to help Zainab partially compensate for disrupted Govt supplies of inputs, by purchasing locally from private suppliers. Transfers can also be structured to encourage Zainab to start regular savings (if digital money access allows).Importantly, compliance with the conditions for cash transfer can be fully or partially digitized for efficiency and effectiveness. For example, public health workers could be provided with unique authorization codes (similar to pre-paid scratch cards) that are entered in Zainab's phone when her children are vaccinated, as a pre-condition of her accessing some or all of the cash transfer. Additionally, in insecure areas of Nigeria, the phone would provide a means for Zainab to report incidents/suspicious persons thereby contributing to her security and wider Govt security initiatives. Hence there would be multiple paybacks to justify the free/subsidised phone, directly mitigating the main Covid-19 related setbacks in Zainab's life : • Access to cash transfer to fund agricultural inputs + general welfare, and encourage savings • Greater security against fraud/theft of cash transfer funds • Incentivize child vaccination • Improve security The scheme could additionally provide free/subsidised solar phone chargers and lighting systems (cost <$10 each) that would have additional economic benefits to Zainab: • Charge phone without paying to access unreliable mains supply • Solar lights will enable economic activity and children's homework to continue after dark • Create income stream, as Zainab can charge a small fee for charging other people's phones If mobile money access allows, solar system can be funded through PAYGo technology

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Foundational DFS Infrastructure

Basic phone access

Any considerations for timing and sequencing?	How to synchronize with existing conditional cash transfer programmes? Or have a new/pilot digital programme? Assess risk that if she is given a phone, she may lose it, either because a (possibly male or older) relative ends up adopting it, or she sells it in a moment of need, etc. Explore lessons of WFP and other programmes that have given phones to beneficiaries.
What does this change	Addresses all major Covid-19 related constraints, and potentially averts a cycle of decline, helping Zainab to (at least) keep track with Nigeria's overall recovery rather than lag. Once she has a phone, it links her to the world and opens up new opportunities for her - so she may actually get better off as a result of Covid-19 then she would otherwise be.
Why do this with scarce funding?	Builds on an existing initiative, makes it more efficient, and targets a key demographic for EFInA.

Foundational DFS Infrastructure

Facility to improve trust in DFS and digital commerce

Who does this?	EFInA manages a facility that could help scale companies that working in trust-enhancing topics such as escrow, e-commerce insurance, mutual ratings, agent fraud protection, digital verification and authentication, etc.
Which persona/s does it seek to benefit?	All the personas would benefit from improved trust signals in the financial sector and digital economy although it would benefit Yomi and Victoria the most being in an urban setting where digital economy activities are likely to accelerate with better trust.
In which scenarios more relevant?	It's relevant in all scenarios, since lack of trust is a major barrier to the development of DFS in Nigeria.
How does it work?	EFInA would create a facility that would provide capital and venture building support to help companies scale that are offering trust services in Nigeria.
What does this change	This allows DFS and digital economy activities to grow more rapidly, reach profitable scale and offer higher value to customers, in turn increasing employment and economic activity.
Why do this with scarce funding?	Removes an important impediment to growth of DFS and the digital economy.

Expanding Opportunities for Low-income People

Better credit for MSMEs and farmers

Who does this?	Federal Government of Nigeria, EFInA, Financial Services Providers and Asset Suppliers
Which persona/s does it seek to benefit?	Chigozie
In which scenarios more relevant?	Limpback + Fallback
How does it work?	Develop a package of linked interventions to improve access to finance, capital and markets for small farmers. This could include (but not limited to): **Expanding access to micro loans** Increase access to micro loans from private sources by organizing mutual guarantee funds to assist rural farmers in acquiring farm inputs so they are available when they are most needed. Loans would be accessed and repaid through a range of digital means, including USSD banking, mobile money where available and licensed for loans, and Fintech firms such as Paga. By doing so, reducing the time and associated costs of completing such transactions to the farmer, and building data that could be used in the future to determine credit worthiness among this group. The repayment periods for the loans should reflect expected harvest income flows. Intervention would include policy, marketing and technical aspects to encourage lending against less well evidenced credit scores. **Facilitate access to existing financing sources** Assist farmers to access existing financing sources that should be well placed to support them but are often not well utilized; for example the Federal Government backed Farmermoni scheme through the Bank of Industry. EFInA undertakes a study of existing loan schemes to farmers towards unravelling key constraints (relating to awareness, qualification requirements, physical access), and design appropriate assistance, with a focus on digital solutions for adoption by the government.

Expanding Opportunities for Low-income People

New and improved DFIs: understanding the opportunity

Who does this?	EFInA provides support to the CBN and Ministry of Finance on a study to understand the opportunity and limitations of Development Finance Institutions in Nigeria, including the relatively new Development Bank of Nigeria which is focuses in micro and small businesses.
Which persona/s does it seek to benefit?	It would benefit all the personas to have financial intermediaries that have specialized understanding of their sectoral issues and can channel commercial and concessional funds to them. It would particularly benefit Chigozie who is a smallholder farmer with market linkages and could potentially make good use of an agricultural loan to improve his productivity; or Yomi could take a loan to improve and grow his small business.
In which scenarios more relevant?	Although relevant in all scenarios, it probably is most useful in the bounceback and limpback scenarios, since lending would make most sense in a rising economy.
How does it work?	At this point, we are proposing a deeper study of the existing institutions in Nigeria (of which there are at least seven currently existing), their successes and limitations, and consider whether the Covid-19 recovery is a period to use these institutions to deploy capital to sectors and segments that have a higher likelihood of short-term recovery, or have higher effects on increasing incomes and employment.
What does this change	Given that commercial banks are unwilling to lend to risky sectors like agriculture and MSME, and only more so in the current uncertainty, there is an opportunity to use these specialized banks to deploy an effective stimulus. Yet the past history in NIgeria as in many other countries, is that these institutions have not lived up to their promise, instead becoming bogged down with bad debt and political agendas. The Development Bank of Nigeria has significant funding from international development partners and aims to deploy strong governance and management standards.
Why do this with scarce funding?	Precisely because funding is scarce, it's important to direct it where it will be most effective. Well-organized DFIs can focus funds towards the highest priority sectors.

Expanding Opportunities for Low-income People

Better credit for MSMEs and farmers

Who does this?	Federal Government of Nigeria, EFInA, Financial Services Providers and Asset Suppliers
Which persona/s does it seek to benefit?	Chigozie
In which scenarios more relevant?	Limpback + Fallback
How does it work?	Develop a package of linked interventions to improve access to finance, capital and markets for small farmers. This could include (but not limited to): **Expanding access to micro loans** Increase access to micro loans from private sources by organizing mutual guarantee funds to assist rural farmers in acquiring farm inputs so they are available when they are most needed. Loans would be accessed and repaid through a range of digital means, including USSD banking, mobile money where available and licensed for loans, and Fintech firms such as Paga. By doing so, reducing the time and associated costs of completing such transactions to the farmer, and building data that could be used in the future to determine credit worthiness among this group. The repayment periods for the loans should reflect expected harvest income flows. Intervention would include policy, marketing and technical aspects to encourage lending against less well evidenced credit scores. **Facilitate access to existing financing sources** Assist farmers to access existing financing sources that should be well placed to support them but are often not well utilized; for example the Federal Government backed Farmermoni scheme through the Bank of Industry. EFInA studies existing loan schemes to farmers towards unravelling key constraints (relating to awareness, qualification requirements, physical access), and design appropriate assistance, with a focus on digital solutions for adoption by the government.

Improving Trade and Transactions - Mobile Money Will Enable

Digital onboarding for gig workers

Who does this?	EFInA, financial services providers
Which persona/s does it seek to benefit?	Yomi
In which scenarios more relevant?	Bounceback + Limpback
How does it work?	BFA Global iWorker research shows that the nature of work has changed. For most people like Yomi with several skills such as satellite dish installation and electricity installation, gig work is the new norm. Despite the presence of several e-commerce and gig work platforms, such as Webasi, HelpOga (connecting artisans like cleaners, plumbers, electricians to customers) and other freelancing platforms like findworka, digital literacy has been among the barriers to entry for people like Yomi. EFInA sets up a digital onboarding research to identify and inform of the gaps in using digital platforms to offer services. Setting up a program to address the digital onboarding challenges for MSMEs and gig workers.
What does this change	Visibility to the financial sector + government + expanded livelihood sources
Why do this with scarce funding?	Leveraging on the widening digital space + skills and service needs mismatch

Expanding Opportunities for Low-income People

Better credit for MSMEs and farmers

	Micro leasing of productive assets Asset Suppliers build on the work of Nigerian entrepreneurs who have taken the lead across Africa to exploit "Internet of Things" (IoT) technologies to enable expensive agriculture assets to be shared among large numbers of farmers, who pay for usage under a micro-leasing arrangement. For example Hello Tractor provides digital access to a tractor only when required (think Uber for tractors), greatly increasing productivity compared with manually tilled soil. Hello Tractor was founded in Nigeria and is now the largest commercial tractor operator in the country. **Broadening access to and relevance of agricultural digital platforms** EFInA works with platform operators such as Cellulant to expand relevance and access to agricultural extension information and value chain services, especially direct sales to wholesalers and consumers, bypassing physical markets (and Covid-19 restrictions). Where licensing permits, work with platforms to integrate DFS. The platform should be adapted for the value chains to safeguard against unnecessary distortions should some of them fail. For example, ensuring periodic updates on working/successful value chains.
Any considerations for timing and sequencing?	Should be operational before the 2021 planting season
What does this change	Increases access to finance for better access to farm inputs and provides information to boost produce/output. Enhances post-harvest incomes and increases usage of DFS among the rural farmers that are largely unbanked and/or underbanked
Why do this with scarce funding?	Leveraging on existing financing schemes and technology.

Improving Trade and Transactions - Mobile Money Will Enable

Digitizing exports

Who does this?	A consortium of federal government, state government, telecommunications companies and EFINA
Which persona/s does it seek to benefit?	Direct benefits for any company or individual involved in the transportation of cargo, and indirectly benefits all personas by increasing cost competitiveness
In which scenarios more relevant?	Relevant in all scenarios
How does it work?	The technology uses mobile money in an integrated, one-stop system to charge all legal taxes at the port of departure, and uses blockchain to ensure transparency of payments along all enforcement points along a route. It also includes a transparent mechanism to report locations of forced illegal payments beyond those legally paid, and a strong enforcement of the law with criminal charges for those that extort illegal payments
Any considerations for timing and sequencing?	This intervention must be performed in tandem with coordination of enforcement agencies across federal and state levels, and strict enforcement of penalties
What does this change	It lowers the cost of logistics and encourages higher intra- and inter-state trade, lowers overall purchase costs of goods to consumers and therefore stimulates demand. It also significantly increases government revenues by stemming the leakage of tax payments by informal avenues, and by stimulating overall demand.
Why do this with scarce funding?	This is a purely technological innovation with a significant impact and a low cost

Improving Trade and Transactions - Mobile Money Will Enable

Accelerating digital commerce

Who does this?	EFInA by providing support to E-commerce and social media platforms
Which persona/s does it seek to benefit?	Yomi and Victoria, based in urban areas are more likely to benefit, could also benefit Chigozie with through the agricultural value chains
In which scenarios more relevant?	Relevant in all scenarios
How does it work?	Covid-19 has decreased the ability for SMEs and individuals to sell their goods resulting in shops to shut down. With the power of online e-commerce platforms and social media, these individuals and SMEs can continue their businesses at low costs. Nigeria has no shortage of good ideas for inclusive fintech and e-commerce and the funding landscape has become increasingly positive at the seed stage. However, companies still face major challenges as they try to scale; these range from access to capital to access to talent; as well as many missing pieces in the overall eco-system. EFInA could create a facility to help digital commerce businesses expand, by facilitating investment and business networking; providing technical assistance and capital; and supporting market wide building blocks such as identity, digital payments, trust infrastructure and agent networks.
What does this change	Digital commerce (sales of both goods and services) could provide a substantial share of employment for young Nigerians as it grows – BFA's iworker project provides estimates of 6-15 million people by 2030.
Why do this with scarce funding?	Digital commerce could be a major driver of the recovery especially for urban personas

The end