



Final Report

“Research on Assessing the Needs of Enterprises Resulting From Covid-19: *Experience of Nigeria Companies*”

June 2020



International
Labour
Organization

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Acronyms

NECA.....	Nigeria Employers' Consultative Association
ILO.....	International Labour Organisation
CBN.....	Central Bank of Nigeria
COVID-19.....	Corona Virus (SARS-CoV-2)
BMO.....	Business Membership Organisation
FCT.....	Federal Capital Territory
PMI.....	Purchasing Manager's Indices
GDP.....	Gross Domestic Product
BOI.....	Bank of Industry
BCP.....	Business Continuity Plan



Executive Summary

- Following the Covid-19 pandemic and the global economic and health disruptions, global institutions and Governments all over the world are making efforts not only to contain the pandemic but to also balance the imperative for of a healthy nation with economic sustainability. This has necessitated the gradual relaxation of lockdowns in major cities of the world. At the time of writing this report, over 7.34million cases of COVID-19 (SARS-CoV-2) have been recorded in more than 215 countries with 414,133 deaths, as transmission growth accelerates.

In Nigeria, the spread of the virus is not different from what is obtainable elsewhere globally, since the record of the index case on 27th February, 2020. The virus has spread to 35 States and FCT with exclusion of only one state of the Federation. 13,464 cases and 365 deaths have been recorded (10th June, 2020).

- One major casualty of the pandemic, beyond health Institutions are employers and business member organisations. Nigerian businesses, like other global businesses suffered the negative impact of disruption as many businesses were forced to close down, reduce operations, reschedule loans, renegotiate salaries and other commitments and in extreme cases lay off staff.
- This Research made attempt into gauging the challenges faced by organized businesses from all sectors and industries, at the national level. The questionnaire sought to get feedback from employers on the direct and indirect impact of the pandemic on their operations and sustainability and also seek to get insight into the kind of specific support and palliatives that organized businesses would need.

RESPONSES BY BUSINESSES:

- The total number of respondents to the survey was 4,021 organizations cutting across Small, Medium and Large organizations in Nigeria. 36.2 per cent of surveyed enterprises have stopped operating due to COVID-19, while 63.8 per cent are either partially, fully on site or teleworking.
- Data revealed that the worst-affected enterprises were primarily Agriculture, Farming & Fisheries; Aviation, Textile, Leather and Apparel (Garment manufacturing), Real Estate and Logistics; Hotel/Tourism and Manufacturing, employing between 2.28million and 3.75million of workers from the aforementioned sectors. A unique feature of the response from significant number of respondents was that their businesses were significantly impacted and without urgent support from Government, they run the risk of bankruptcy.
- Majority of respondents 93.4 per cent, stated that limited cash flow would stopped them from fully restoring operations. Similarly, 92.3 per cent of the enterprise surveyed asserted that their customers/clients have been badly affected which resulted to lower demand than normal.

RECOMMENDATIONS TO GOVERNMENT AND COMPANIES: RESPONSE TO THE COVID-19

The survey recommended some measures that will be critical to enable enterprises, their workers and families to cope with challenges resulting from COVID-19:

Government Grants	Low-interest loans	Tax relief measures in worst-hit sectors	Public-private trust for COVID-19 recovery
•The hardest-hit enterprises need cash grants to pay their employees. Government grants to enterprises should cover 50-70% of workers' salaries for the next 4 months.	•The Central Bank of Nigeria through its intervention funding windows or Bank of Industry (BOI) should allow business owners from Sectors like: Agriculture, Farming & Fisheries; Aviation, Textile, Leather and Apparel (Garment manufacturing), Real Estate and Logistics; Hotel/Tourism and Manufacturing access to low-interest loans.	•Enterprises in Agriculture, Farming & Fisheries; Aviation, Textile, Leather and Apparel (Garment manufacturing), Real Estate and Logistics; Hotel/Tourism and Manufacturing should be granted temporary tax relief for 6 months. Enterprises in these sectors require our greatest support for recovery considering the level of damage they experienced.	•Federal Ministry of Finance, Budget and National Planning, Central Bank of Nigeria and Federal Ministry of Investment, Trade & Industry, should establish a trust to collect donations from public and private actors in order to provide assistance to enterprises for four (4) months.

1.0 Background and Survey Description

Considering the important role that businesses play in creating jobs, economic growth, development and prosperity, the Nigeria Employers' Consultative Association (NECA) conducted a needs assessment survey to identify key challenges faced by businesses resulting from COVID-19. The outcome of the Research is to advocate for palliatives and specific support from Government for organized businesses.

This survey was conducted across the 36 States and FCT with 4,020 enterprises respondents. Surveyed enterprises belonged to a range of sectors, including Agriculture/Farming/Fishing, Chemicals & Plastics, Construction, Consulting/Training, Educational, Electronics and Electrical, Financial or Insurance Activities, Food & Beverages and Tobacco, Forestry/Wood/Paper Products, Hotel/Tourism, Information & Communications, Manufacturing- Pharmaceuticals and Consumer Goods, Auto assembly and Service Centres, Metal Fabrication & Machinery, Oil & Gas, Real Estate activities, Retail & Sales, Textile/Leather/Apparel, Maritime, Shipping and Logistics Transportation and Equipment and employed between minimum of 5 number of workers and maximum of 20,000 and above number of workers.

The Research employed the time tested desk-work, questionnaire method, including, telephone interview, physical interview, virtual meetings/interview, and economic trends reports. On-the-spot assessment and visits to organizations were not totally successful.

1.1 Purpose and Scope of the Project

The primary purpose of the survey is to collect information and data available from private sector organizations on the impact of Covid-19 on their businesses.

The scope of the Project covers all organizations from Small and Medium Scale Enterprises to big and Multinational companies. The period of the survey was from 15 March – 30 May, 2020, cutting across the 36 States of the Federation and FCT, Abuja.

1.2 Evaluation, Methodology and Limitations of the Project

- This exercise understands the basic requirement for methodology to be used in a conventional research work; however, the application used was the distribution of questionnaires to over 4,500 member-companies of the Association, and other members of Sectoral Associations, Informal Sector Operators and Business Membership Organizations (BMOs) in Nigeria (e.g Manufacturers Association of Nigeria, Chambers of Commerce, trade groups, Women business groups, etc). Information were obtained using administration of

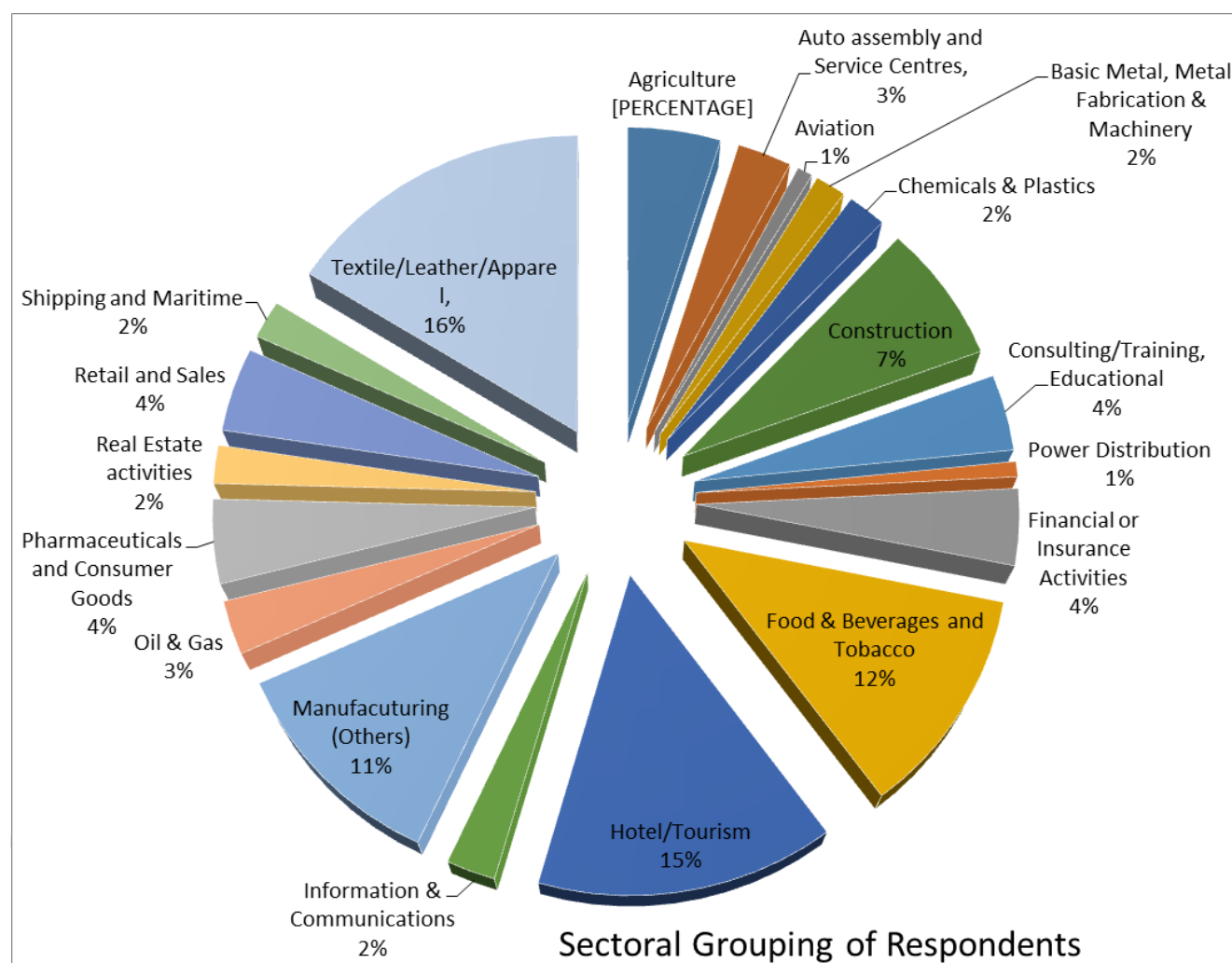
questionnaires, individual interviews, online meetings and focus groups.

- The Methodology used for the Research was appropriate in view of the peculiar situation of the time. However, the total lockdown by the Government reduced the ability of the Researcher to embark on more field visits. Visits were significantly restricted.
- Some of the limitation to the project was the closure of businesses during the exercise and time constraint. The slow and ineffective administrative and bureaucratic structure in some organizations, this delays the response time as designated officers need to get approval from top management before completing the survey instrument, grant interviews or return the questionnaires.



2.0 SURVEY DEMOGRAPHICS

Figure 2.1: Sectoral spread of respondents



Source: NECA COVID-19 Enterprise Survey, 2020

Our data survey showed that the largest respondents, 648 participants were from the Textile, leather and Apparel sectors.

Representation of respondents as showed below:

Table 2.1 Responses by Sector

Sector	Number of Responses
Textile/Leather/Apparel	648
Agriculture/Farming/Fishing/Forestry	193
Auto assembly and Service Centres	113
Aviation	32
Basic Metal, Metal Fabrication & Machinery	65
Chemicals & Plastics	81
Construction	294
Consulting/Training, Educational	162

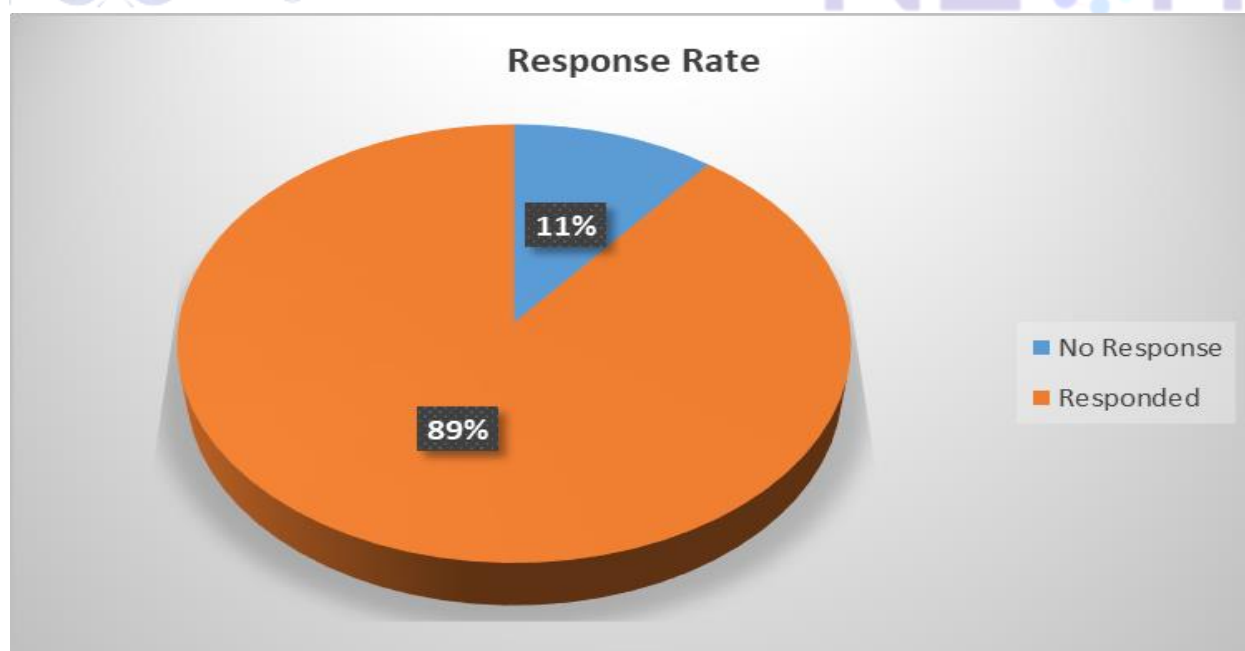
Power Distribution	32
Financial or Insurance Activities	162
Food & Beverages and Tobacco	474
Hotel/Tourism	583
Information & Communications	97
Manufacturing (Others)	454
Oil & Gas	113
Pharmaceuticals and Consumer Goods	178
Real Estate activities	81
Retail and Sales	177
Shipping and Maritime	81
Total	4,020

Source: NECA COVID-19 Enterprise Survey, 2020

2.1 Response Rate

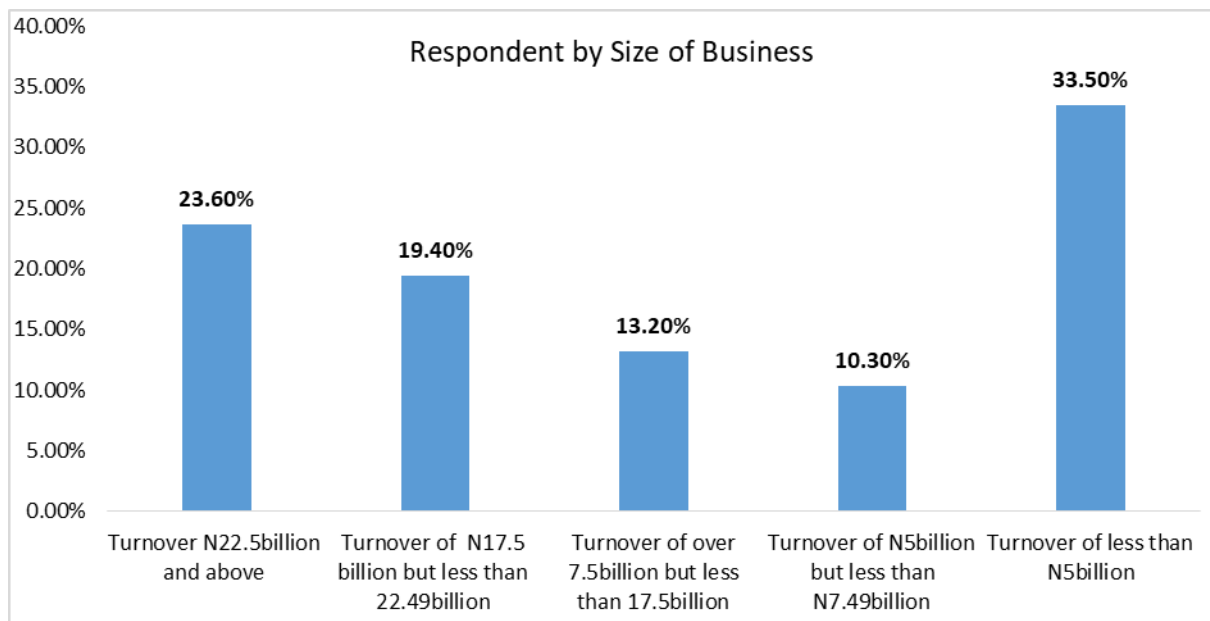
Questionnaire was administered to 4,500 member-companies of the Association, randomly selected members of other Business Associations and informal sector practitioners. Out of the over 4,500 companies that the questionnaire was distributed to, we received 4,020 responses, indicating 89.3% response rate, which indicated that the exercise covers a large proportion of formal and informal employers across the country and making the survey valid and reliable.

Figure 2.2: Response Rate



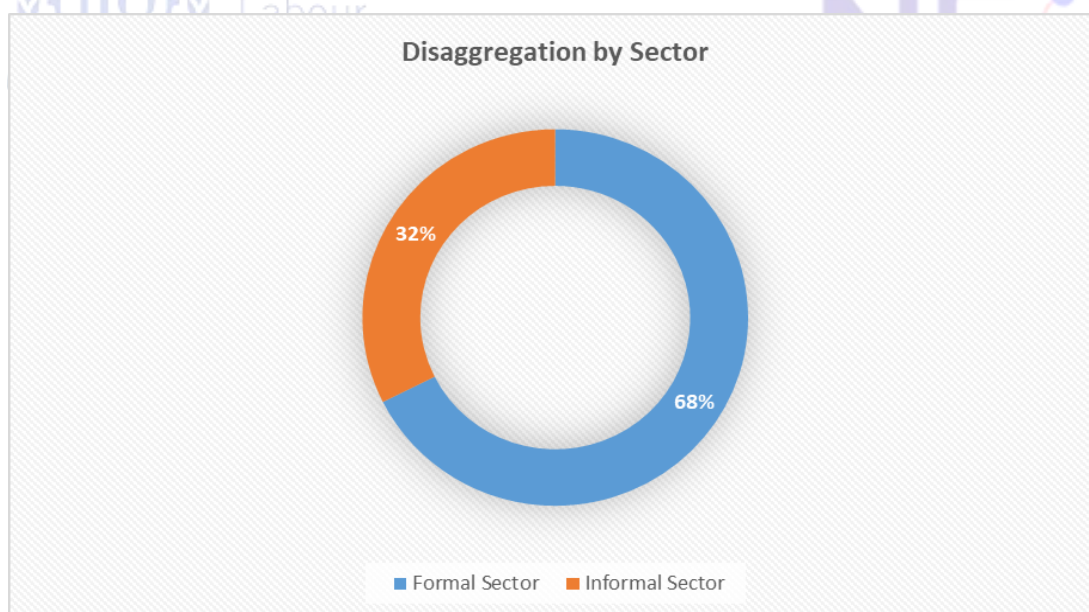
Source: NECA COVID-19 Enterprise Survey, 2020

Figure 2.3: Respondent by Size



Source: NECA COVID-19 Enterprise Survey, 2020

Figure 2.4: Disaggregation by Sector of formality



Source: NECA COVID-19 Enterprise Survey, 2020

3.0 Review of Nigeria Economy Pre-COVID-19

Prior to COVID-19 outbreak, the economy showed signs of fragility as businesses were finding it difficult to compete given the unfavorable business climate.

The outbreak of the coronavirus pandemic with its attendant restriction on economic activities: travel bans, border closures and inter-state movement restrictions coupled with slump in the crude oil prices, reduction in foreign reserves are evident on Nigeria's Purchasing Managers' Index (PMI) which slide to 42.4 points in May 2020 from 59.2 in January down to 51.1 points in March, 2020. The PMI tracks the performance of the business aspect of the economy.

The GDP growth has experienced a slow but positive growth since Quarter 2, 2017. The country advanced by 1.87% year-on-year in the first quarter of 2020 compared to a 2.55% growth in the previous period, against the backdrop of significant global disruptions resulting from the Covid-19 public health crisis, a sharp fall in oil prices and restricted international trade.

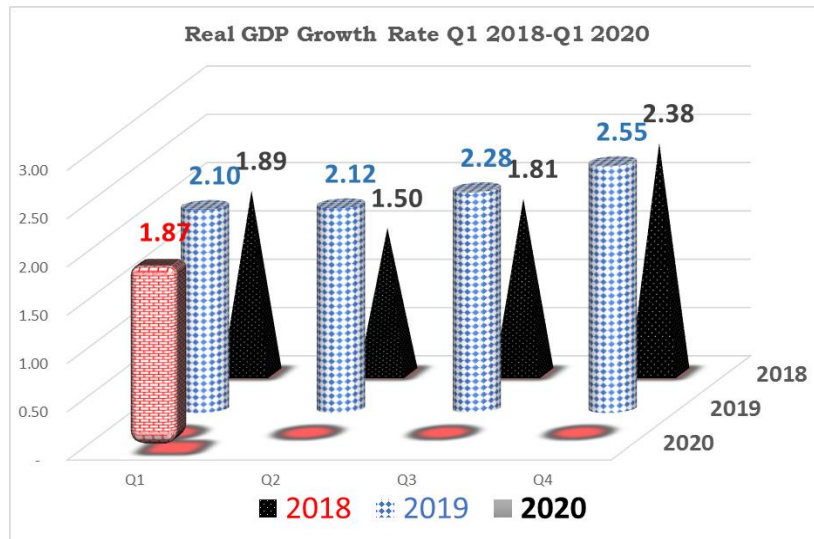
This report shows the performance of selected economic indices from Q4, 2019 till date.

3.1 Real Gross Domestic Product

In the first quarter of 2020, Nigeria's Gross Domestic Product (GDP) grew by 1.87% (year-on-year) in real terms. This performance was recorded against the backdrop of significant global disruptions resulting from the COVID-19 public health crisis, a sharp fall in oil prices and restricted international trade.

The performance recorded in Q1 2020 represents a drop of -0.23% points compared to Q1 2019 and -0.68% points compared to Q4 2019, reflecting the earliest effects of the disruption, particularly on the non-oil economy. Quarter on quarter, real GDP growth was -14.27% compared to 5.59% recorded in the preceding quarter.

Figure 3.1: Real GDP Growth Rate

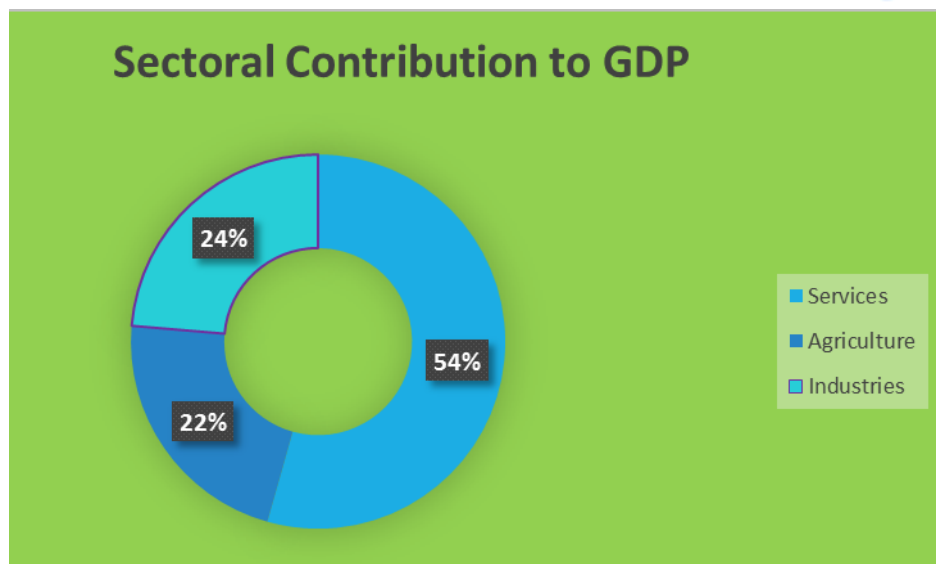


Source: Nigeria Bureau of Statistics, May 2020 (adapted)

3.2 Sectoral Contribution to GDP

The Service Sector remain the largest sector contributing to GDP with 54.39% contribution in Q1 2020, up from 53.64% recorded in the preceding quarters while Agriculture and Industries contributed 21.96% & 23.65% respectively.

Figure 3.2: Sectoral Contribution to GDP



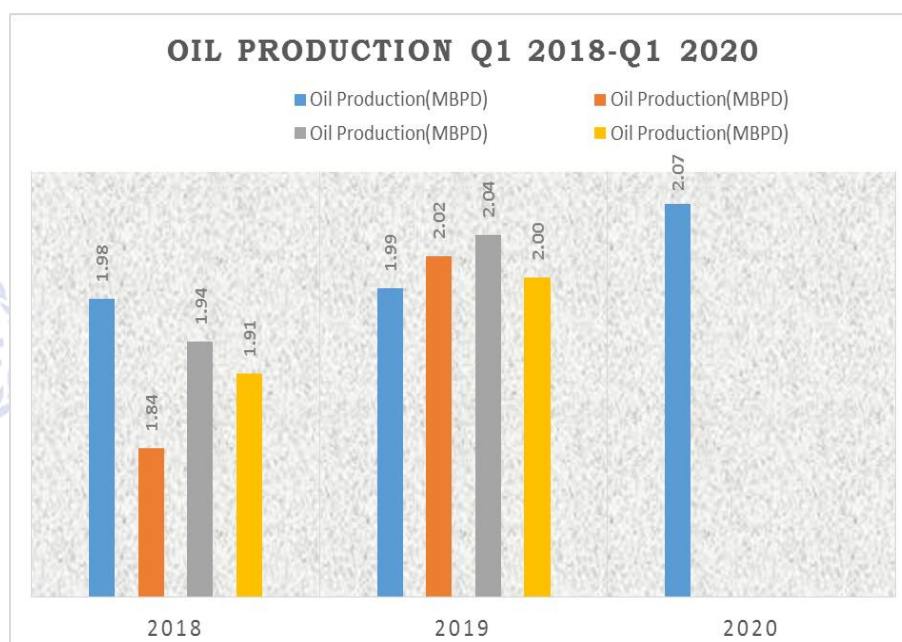
Source: Nigeria Bureau of Statistics, May 2020 (adapted)

3.3 Crude Oil Output

During the first quarter of 2020, an average daily oil production of 2.07 million barrels per day (mbpd) was recorded. The production level was higher than the 1.99mbpd recorded in the same quarter of 2019 by 0.08mbpd and the fourth quarter of 2019 by 0.06mbpd.

The oil sector recorded a real growth rate of 5.06% (year-on-year) in Q1 2020 indicating an increase of 6.51% points relative to the rate recorded in the corresponding quarter of 2019. However, growth decreased by –1.30% points when compared to Q4 2019 which was 6.36%. Quarter-on-quarter, the oil sector recorded a growth rate of 11.30 per cent in Q1 2020.

Figure 3.3: Oil Production, Q1 2018 – Q1:2020

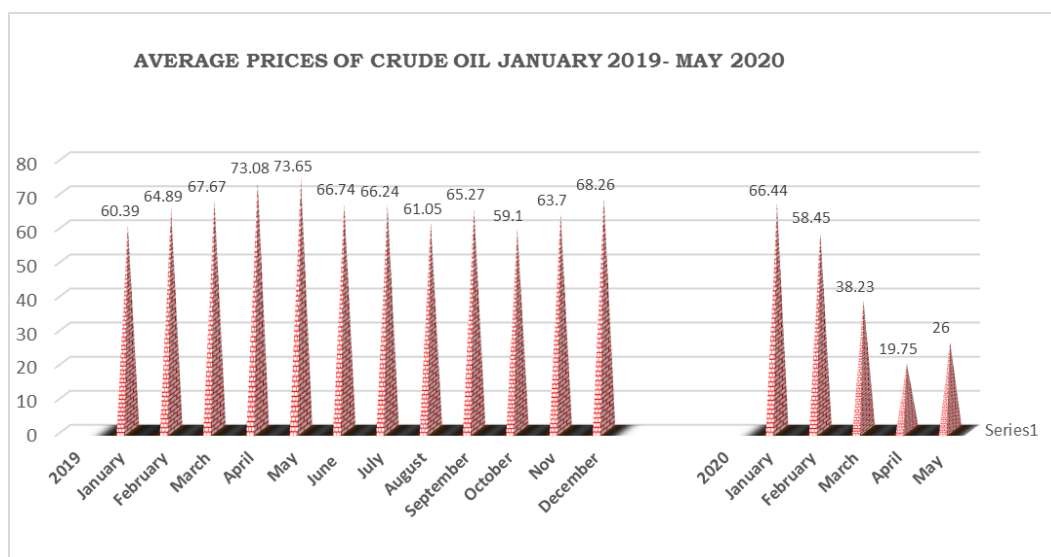


Source: Nigeria Bureau of Statistics, May 2020 (adapted)

3.4 Price of Crude Oil

The Prices of Crude was relatively stable in 2019. The price peaked in May, 2019 to \$73.65per barrel and was lowest in October, 2019 at \$59.1 per barrel. In 2020, the prices started well with \$66.44 per barrel but plummeted to \$15.7 per barrel in April, 2020 no thanks the COVID-19 pandemic. The fall in price of crude oil coupled with staggering production will definitely affect government finances and worsen the economy.

Figure 3.4: Average Price of Crude Oil: Jan. 2019 – May 2020

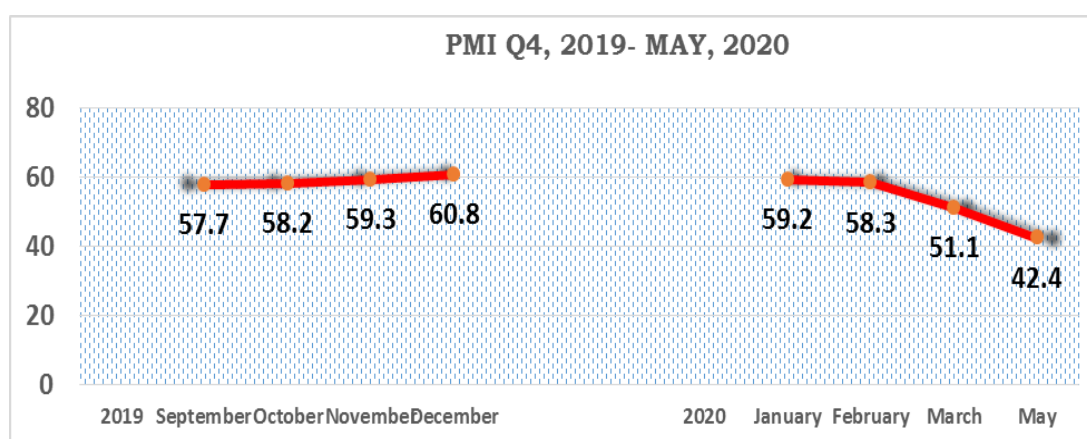


Source: Nigeria Bureau of Statistics, May 2020 (adapted)

3.5 Purchasing Managers Index

The Manufacturing and non-Manufacturing Purchasing Manager's Indices (PMIs) declined significantly to 42.4 and 25.3 index points, respectively, in May 2020, compared with 51.1 and 49.2 index points in March 2020. The PMI which track the performance of the business aspect of the economy shows an appreciable increase during the last quarter of 2019. The purchasing managers' activities in May 2020, were largely affected by the lockdown of the global economy to curtail the spread of the COVID-19 pandemic.

Figure 3.5: Purchasing Managers Index (Q4, 2019-Q1, 2020)



Source: Nigeria Bureau of Statistics, May 2020 (adapted)

3.6 Consumer Price Index

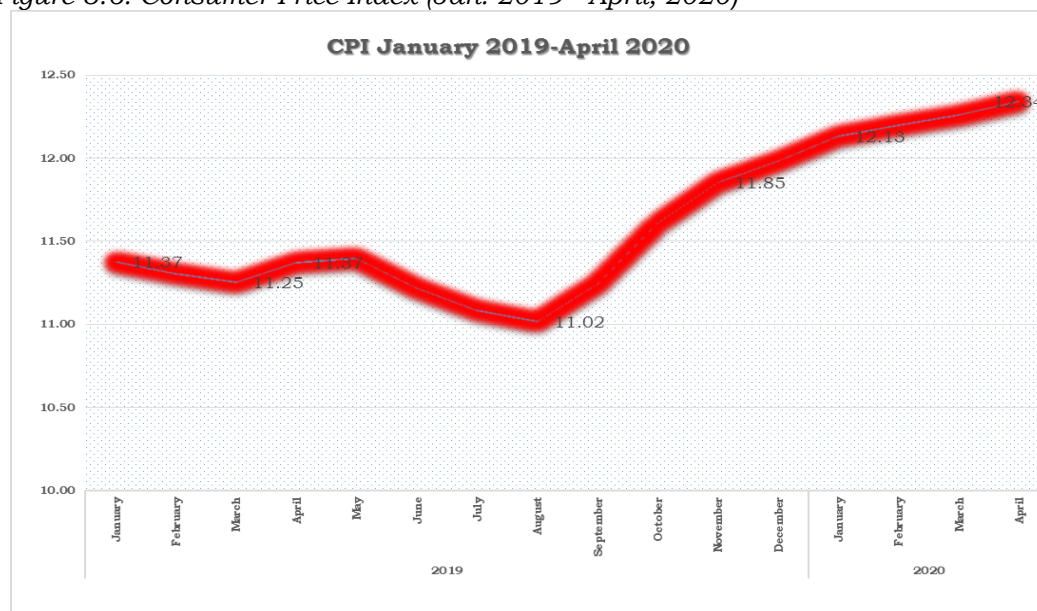
Inflation has been relatively less than 12% for the majority part of 2019 with the exception of December, 2019 which was expected to rise because an increase in aggregate demand around the festive period. The consumer price index for April, 2020 increased by 12.34% (year on year).

Since 20th August 2019, the country closed its land borders with Benin, Togo, Niger, Cameroon and Chad, citing the irate level of smuggling of goods into the country, especially staple food commodities like rice, cooking (vegetable) oil, poultry, tomato, flour and pasta. The impact of the closure of the land borders had attendant effect like rising food inflation which in turn is reducing citizens' relative purchasing power, it is important for government to rethink its trade policy as it doesn't sufficiently address the causal factors for irate smuggling and dwindling national productivity in the country.

Consumer Price Index, which measures the inflation increased from 11.02% in August 2019, and continues the trajectory moves till April, 2020 at 12.34%

The outbreak of COVID-19 has also heightened inflationary pressures on the economy and it's expected to continue in subsequent quarters.

Figure 3.6: Consumer Price Index (Jan. 2019 - April, 2020)



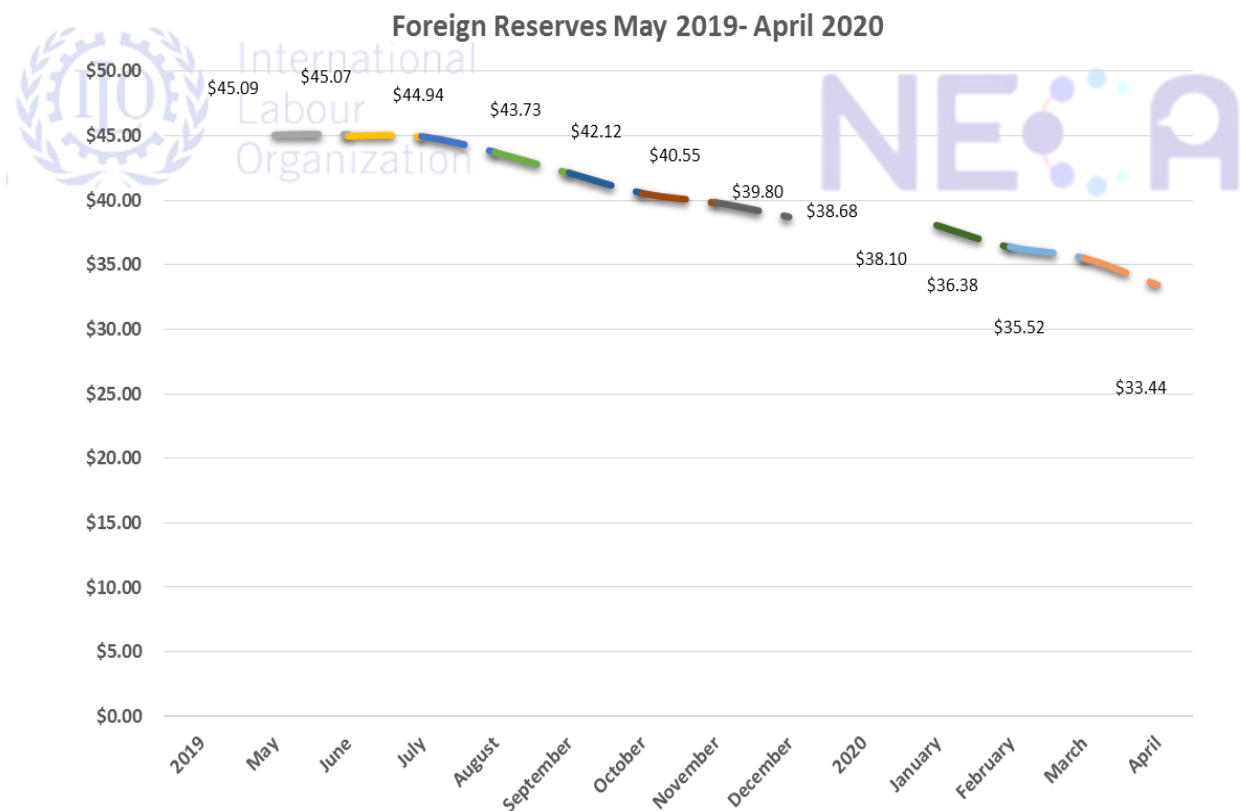
Source: Nigeria Bureau of Statistics, May 2020 (adapted)

3.7 Foreign Reserve

Nigeria has witnessed a deteriorating foreign reserves and a weakened naira prior to COVID-19. The outbreak of the pandemic has further dampened the economic outlook. The figure shows a continuous decline in foreign reserves since May 2019 till April 2020.

The country's foreign reserves declined to its lowest in over 2 years to US\$33.42 billion in April 2020, from US\$37.2 billion in January before climbing to US\$36.6 billion in June, 2020. The recent decline stems from a fall in crude oil prices occasioned by a slowdown in global economic activities following the Corona virus outbreak. Perhaps in reaction to the declining external reserves, CBN has decided to suspend the multiple exchange window policy which was hitherto used to determine the value of the Naira. The decision to collapse the multiple window rates is a step in the right direction as this will forestall some inherent demerits in using different rates which include currency roundtripping, non-reflective production costs, rent-seeking and corruption.

Figure 3.6: Foreign Reserves (US\$ 'Billion), May 2019 – April 2020



Source: Central Bank of Nigeria (CBN), May 2020 (adapted)

Summary

From the analysis, it is obvious that the Nigerian economy struggled in the pre-COVID period, with GDP growth rate averaging 1.87% from Q2, 2017 to Q1, 2020. A major concern for the economy is the twin challenge of dwindling revenue due to declining crude oil price (which forms over 50% of revenue and over 90% of foreign exchange earnings), as well as the compounding impact of the COVID-19 on household earnings and general standard of living.

The challenges ahead would impact negatively in the management of the economy hugely as there is growing concerns in debt management profile of the economy, and like to worsen amid the steep decline in revenue associated with falling oil prices. It is expected that the effect of the COVID-19 would impact on aggregate demand, which we believe will ordinary fall, as more lockdowns of the economy is prevalent, also, Government expenditure will tend to rise in order to stimulate the economy.

Figure 3.7: How COVID-19 pandemic affects the components of aggregate demand

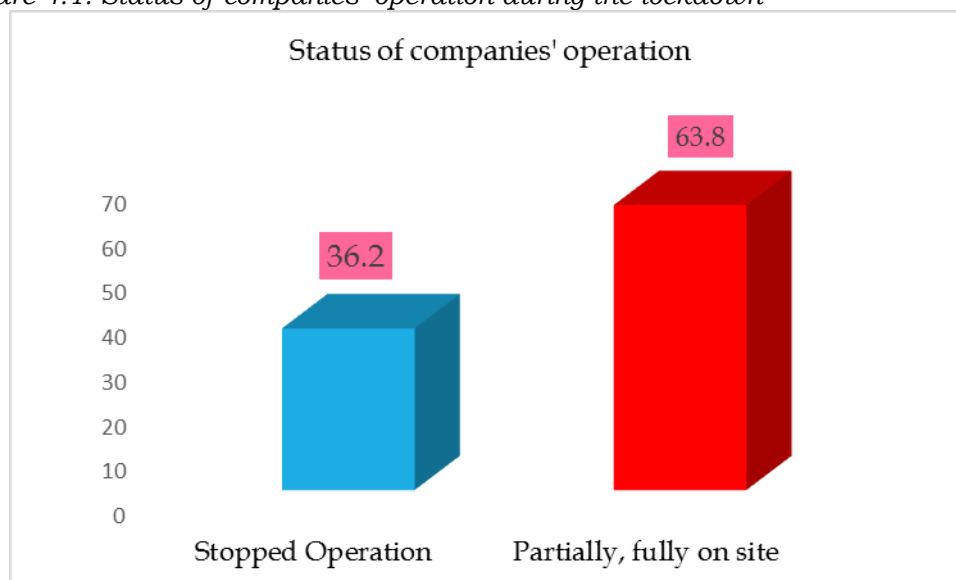


Adapted: CSEA April, 2020: Understanding the Impact of the COVID-19 outbreak on the Nigerian economy

4.0 Findings by Criteria: Assessing the Impact on Business

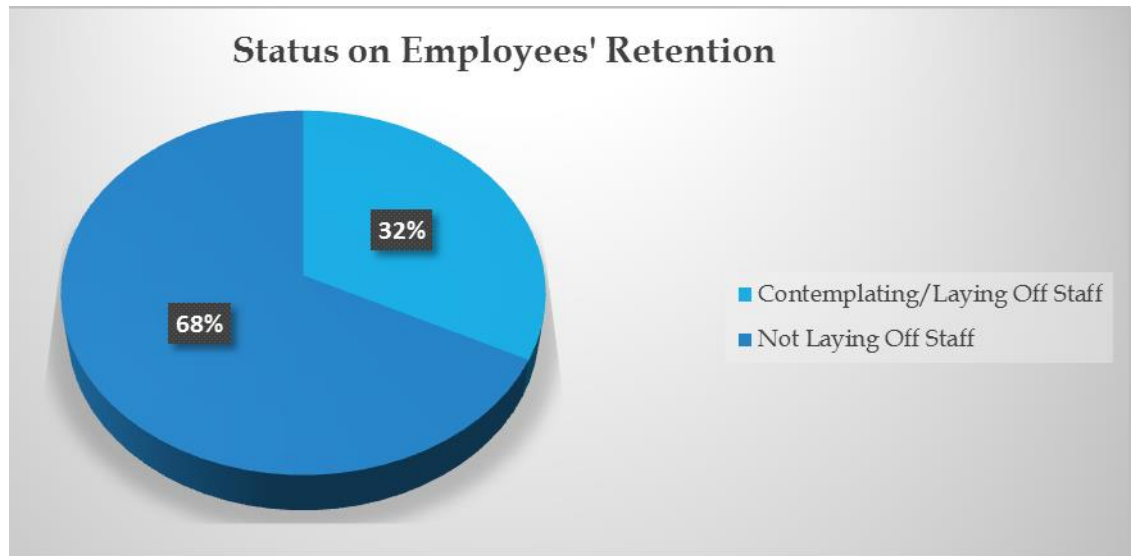
- Current state of enterprises, our needs assessment survey identified the following:
 - 63.8 per cent are either partially, fully on site or teleworking, while 36.2 per cent of surveyed enterprises have stopped operating due to COVID-19.
 - The worst-affected enterprises were primarily Agriculture, Farming & Fisheries; Aviation, Textile, Leather and Apparel (Garment manufacturing), Real Estate and Logistics; Hotel/Tourism and Manufacturing, employing between 2.28million and 3.75million of workers from the aforementioned sectors.
 - About 32.4 per cent of enterprises have had to or contemplating laying-off staff.
 - 85.5 per cent of respondents informed that in order to protect their enterprise against the scourge of COVID-19, they implemented changes in operations and service delivery, while 14.5 per cent could not effect any changes.
 - In order to help business recover after the COVID-19 pandemic, about 39 per cent of the surveyed enterprises ascertained access to alternative or external sources of funding, while 61 per cent could not access external funding mechanism. Disaggregating further the 39 per cent that have access to alternative /external sources of funding, revealed that 100 per cent were Multinational and Large Enterprises, with Annual turnover of N25billion and above.

Figure 4.1: Status of companies' operation during the lockdown



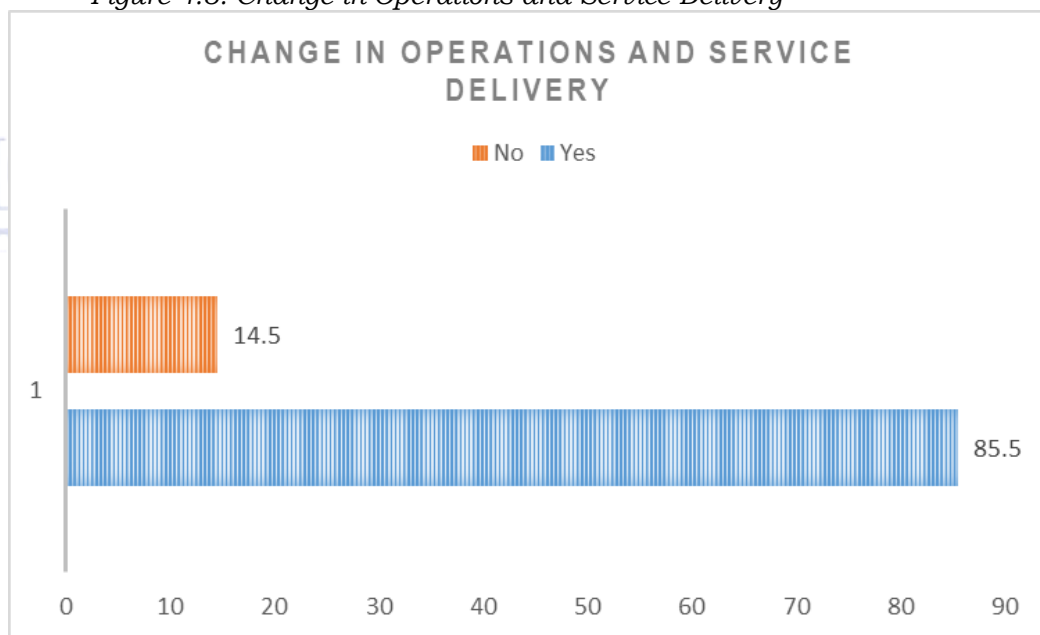
Source: NECA COVID-19 Enterprise Survey, 2020

Figure 4.2 Status on Employees' Retention



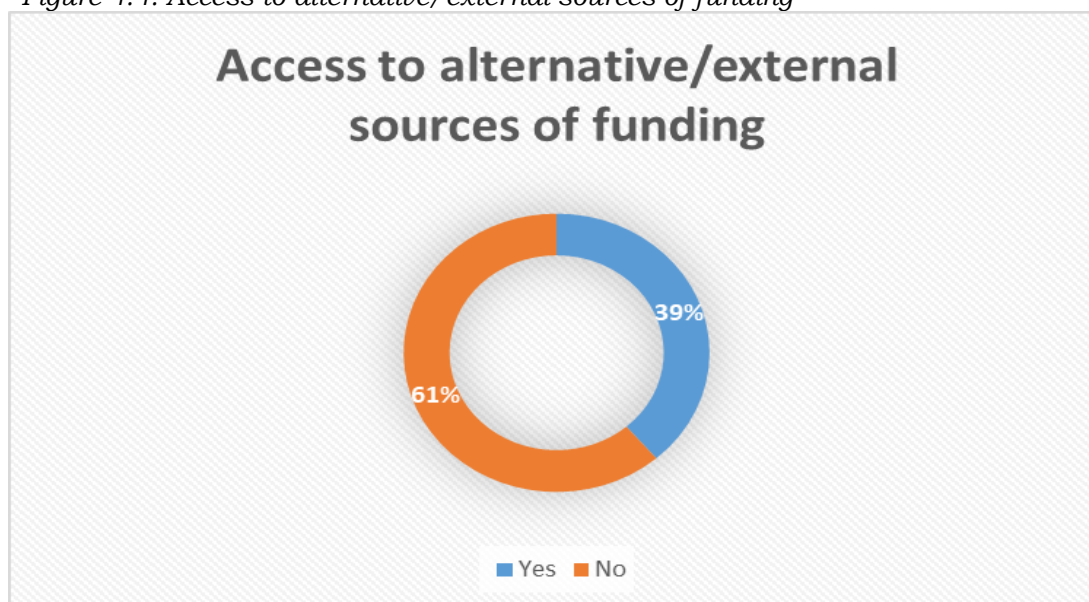
Source: NECA COVID-19 Enterprise Survey, 2020

Figure 4.3: Change in Operations and Service Delivery



Source: NECA COVID-19 Enterprise Survey, 2020

Figure 4.4: Access to alternative/external sources of funding

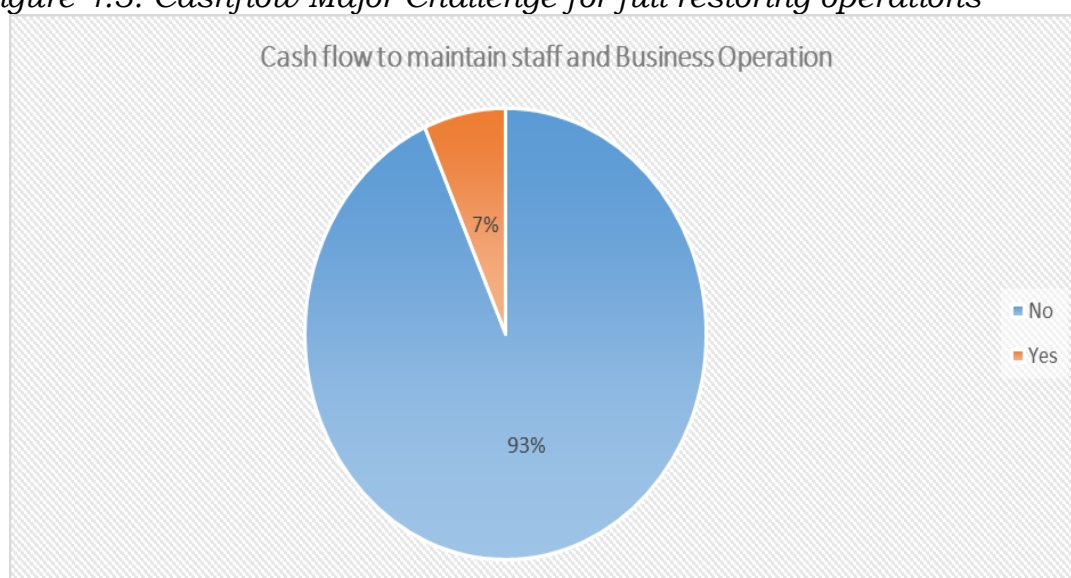


Source: NECA COVID-19 Enterprise Survey, 2020

Key Issues that Enterprise are Currently Facing

- Enterprises were requested to identify critical issues they faced as a result of the COVID-19 and resulting effects of lockdown. Irrespective of the size of companies, below is a reflection of the wide range of challenges facing enterprise.

Figure 4.3: Cashflow Major Challenge for full restoring operations

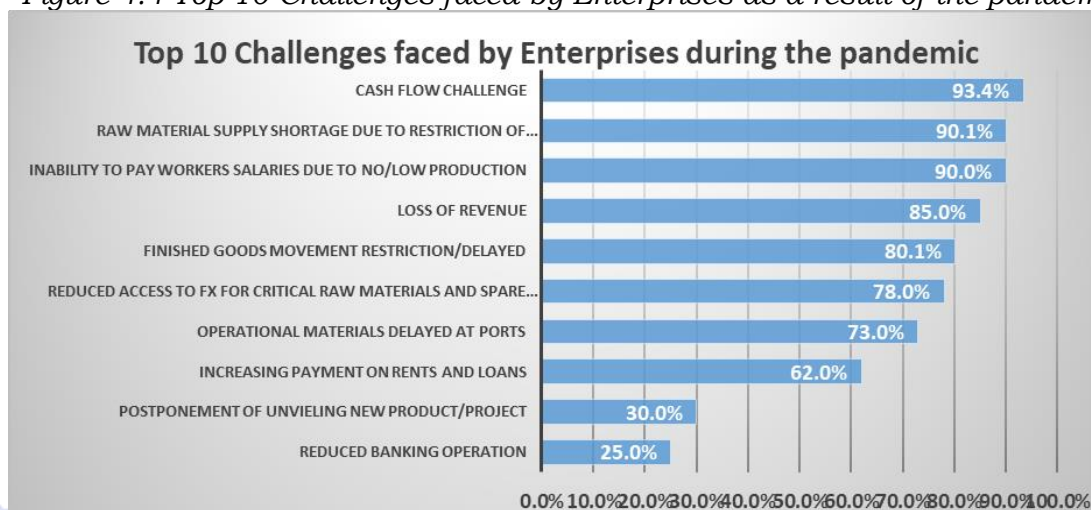


Source: NECA COVID-19 Enterprise Survey, 2020

93.4 per cent of enterprise stated that one of the critical challenge currently facing as a result of COVID-19 was cash flow to maintain staff and business operations, which would prevent them from fully restoring operations, when the lockdown eased.

92.3 per cent of respondents informed that their customers/clients purchasing power have been badly affected, which resulted to lower demand than normal.

Figure 4.4 Top 10 Challenges faced by Enterprises as a result of the pandemic

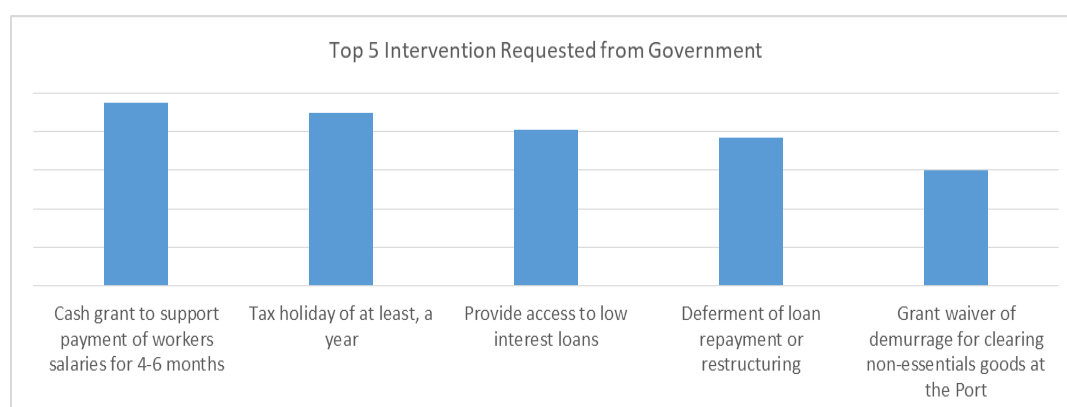


Source: NECA COVID-19 Enterprise Survey, 2020

The top 10 challenges as identified by enterprises depicts some of the resultant effect the lockdown and restriction of movement of goods and persons, unless essentials goods have on business as well as individuals. As reflected in business, growing concerns on security and high rate of crimes was witnessed during the lockdowns. It would lead further to high stockpiling of inventory and falling customer demand.

Areas of Intervention from Government

Figure 4.5 Top 5 area of Interventions request from Government



Source: NECA COVID-19 Enterprise Survey, 2020

Figure 4.6 Key Issues facing Enterprises



Source: NECA COVID-19 Enterprise Survey, 2020

Figure 4.7: Disruption of Supply Chains

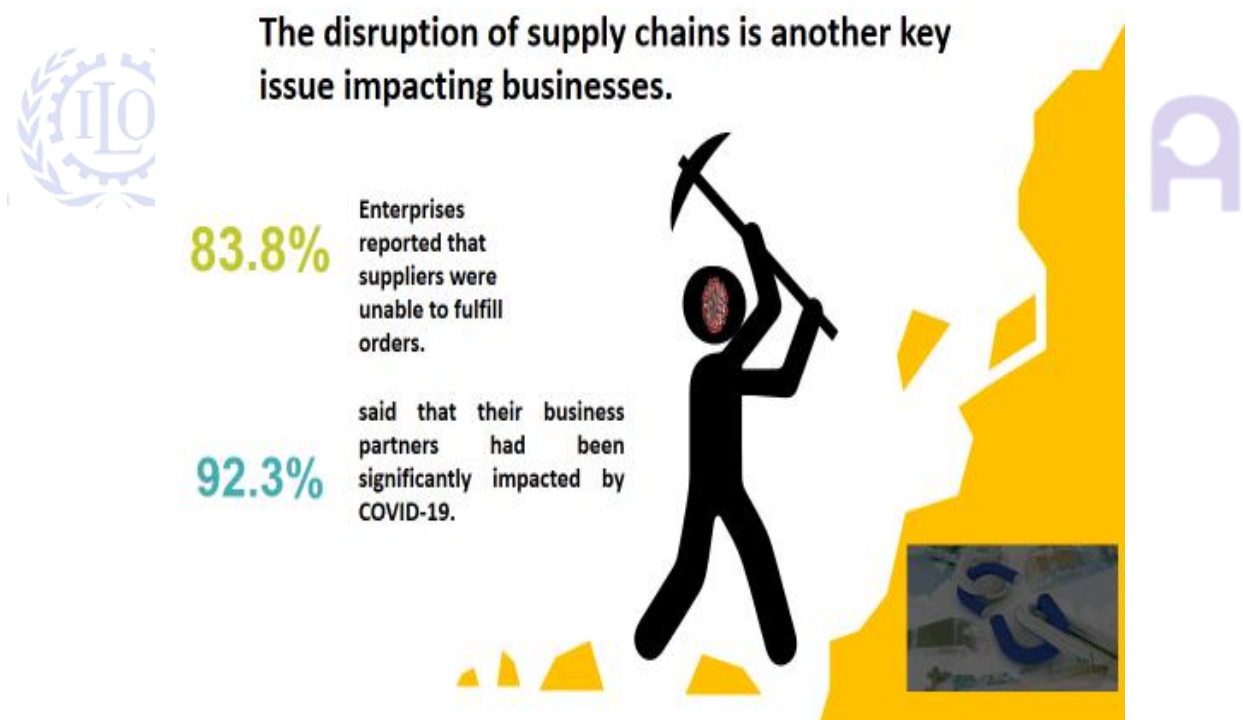
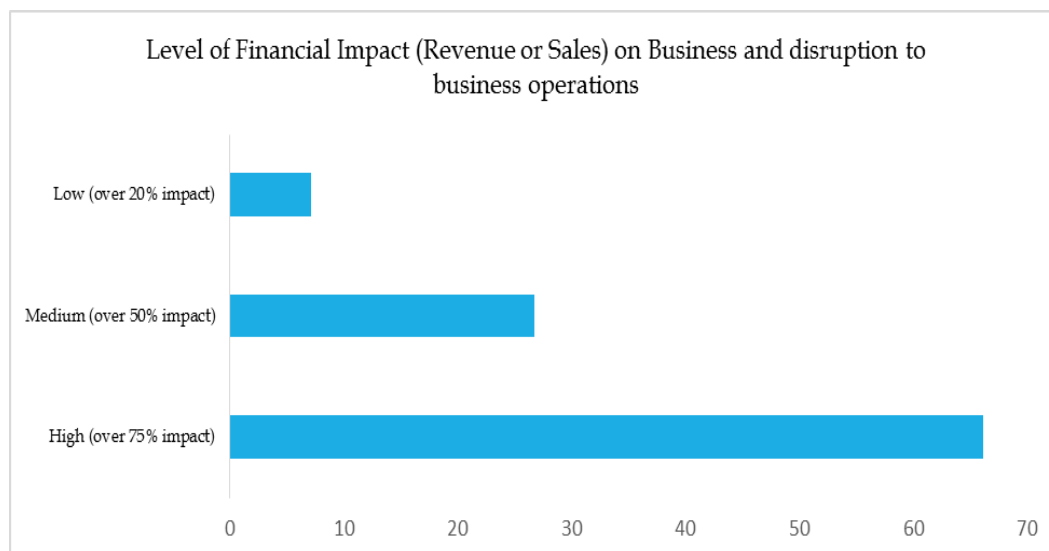


Figure 4.8 Financial Impact on Business



Source: NECA COVID-19 Enterprise Survey, 2020

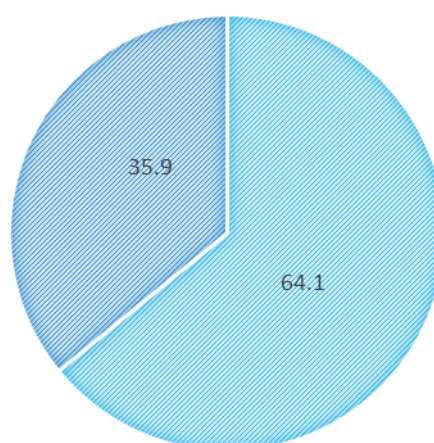
4.9 Insurance Cover

Respondents were asked to provide information on the insurance policy in place to cover their properties, equipment, workers and products in transit. 64.1% of respondent informed that their Enterprises were under full insurance coverage, while 35.6% responded of having partial insurance covers.

Figure 4.9 Insurance protection for Business

LEVEL OF PROTECTION (INSURANCE COVER)

■ Fully Insured ■ Partially Insured



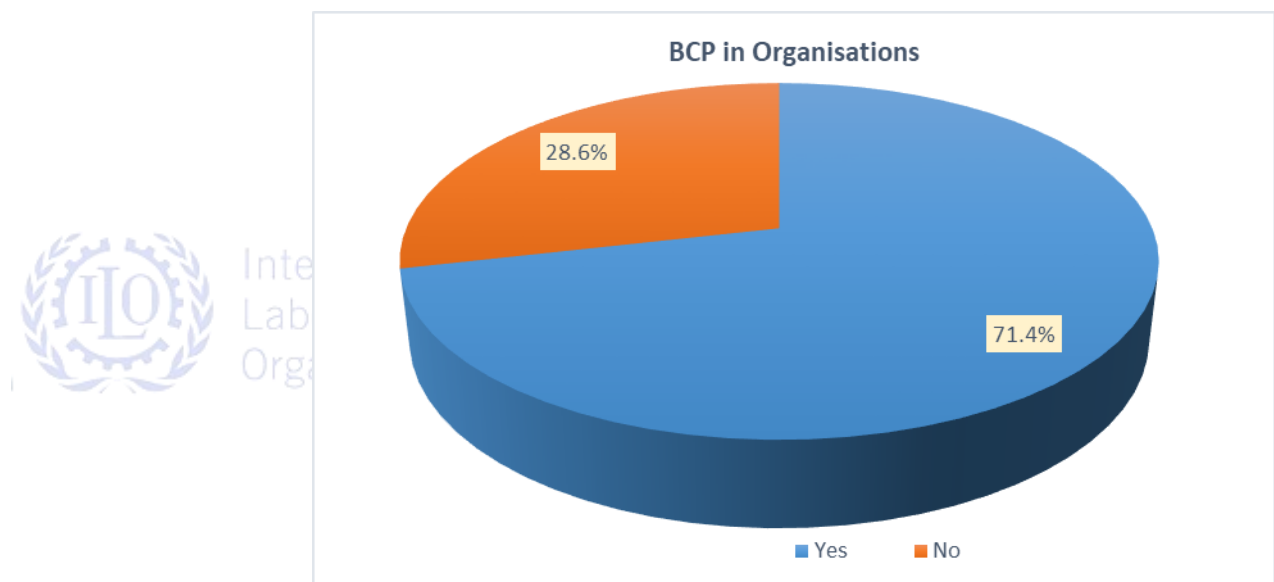
Source: NECA COVID-19 Enterprise Survey, 2020

4. 10: Business Continuity Plan (BCP)

Business Continuity Planning is the process involved in creating a system of prevention and recovery from potential threats to a company. The plan ensures that personnel and assets are protected and are able to function quickly in the event of a disaster.

Respondents were asked if they have the BCP plan in place before the COVID-19. About 71.4% informed that they have the BCP policy in place. It is worrisome and could be significantly delay the full recovery process for the 28.6 per cent of the enterprises. Suggesting that NECA should further encourage its members in developing BCP in case of future occurrence that might unexpectedly happen, such like the COVID-19.

Figure 4.10- Business Continuity Plans

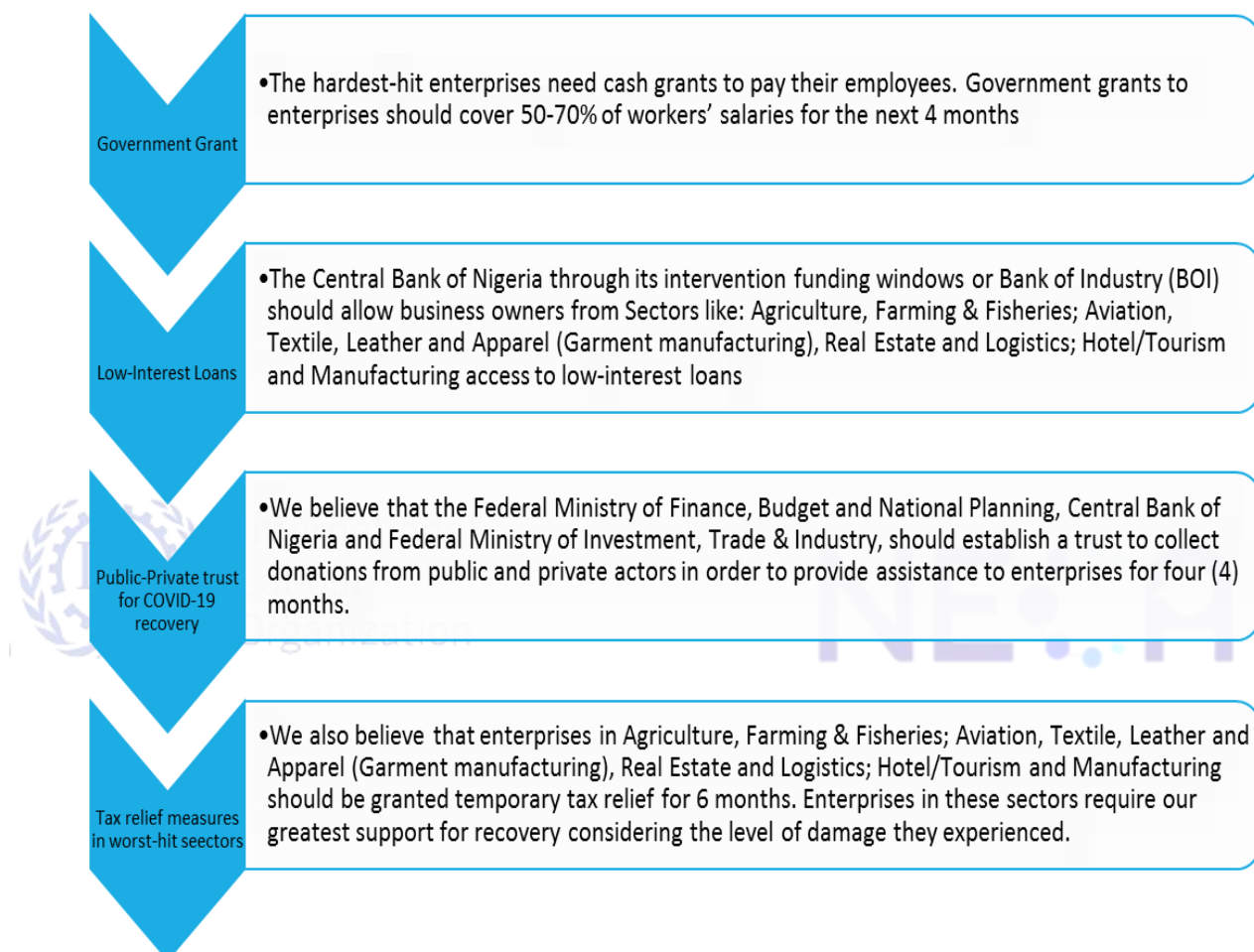


Source: NECA COVID-19 Enterprise Survey, 2020

5.0 Proposed Measures for Urgent Intervention for Enterprises

Consequently, respondents were requested to propose measures for intervention in mitigating the direct and indirect impact of the pandemic. The survey recommended the following measures, which will be critical to enable enterprises, their workers and families to cope with challenges resulting from COVID-19.

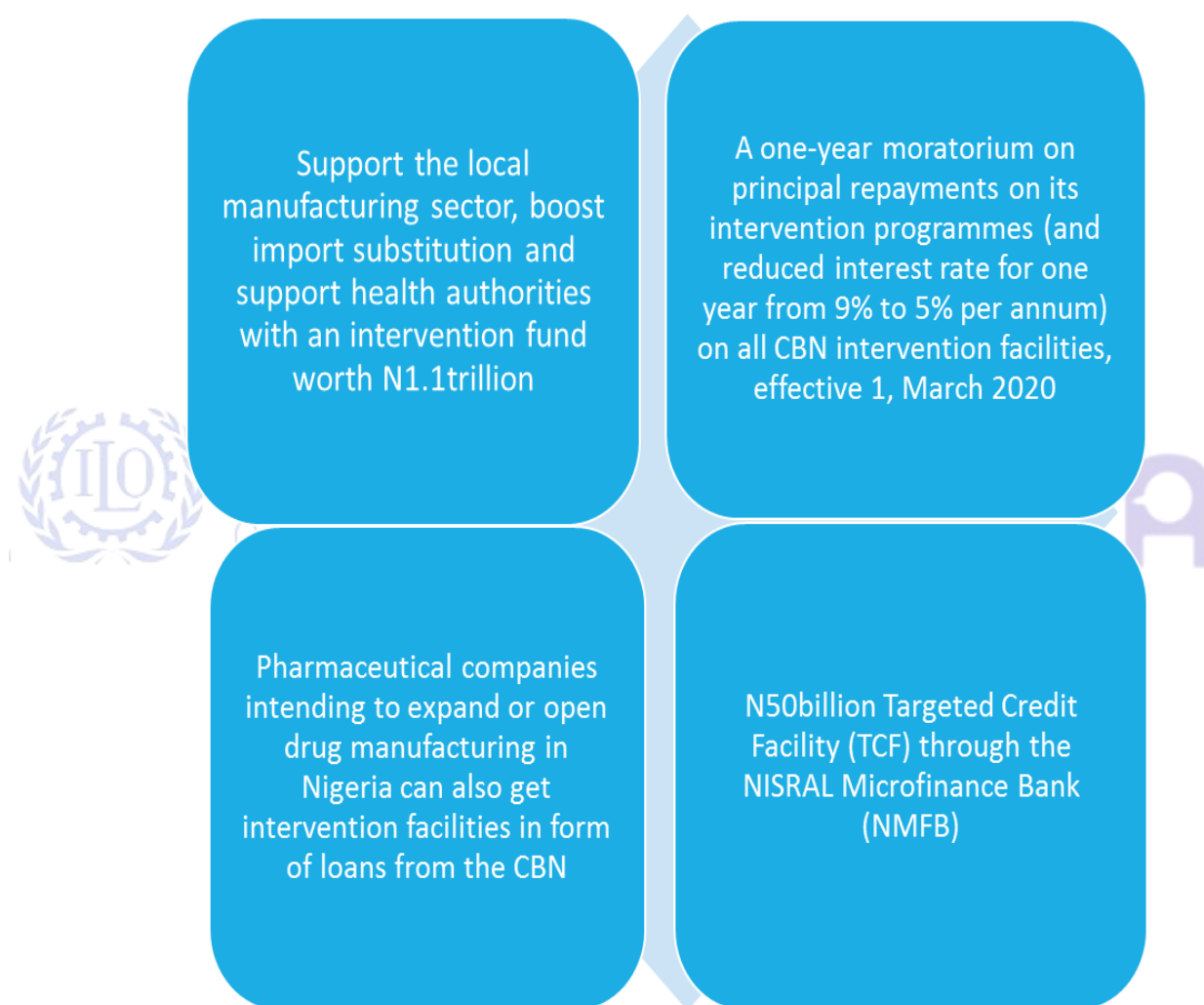
Figure: 5.1 Measures for Enterprise Intervention



Source: NECA COVID-19 Enterprise Survey, 2020

5.1 **Supportive Policy Measures announced by Central Bank of Nigeria (CBN) towards COVID-19 for Industries**

The COVID-19 pandemic is having an unprecedented impact on businesses and workers around the world with Nigeria currently at a critical point in the response. At this time, Employers are faced with the difficult challenge of trying to sustain their businesses in the face of an economic downturn while also looking after the welfare of their employees. While supportive policy measures such as announced by the Central Bank of Nigeria (CBN) to:



Source: Central Bank of Nigeria (adapted)

Other Measures by CBN

Regulatory restriction was introduced to restructure loans in the impacted sector
Adjustment of the official exchange rate by 15%
Ongoing plan to unify the various exchange rates

Overview of Key Fiscal Intervention and Stimulus packages

- ▶ Establishment of a N500 billion COVID-19 Crisis Intervention Fund to upgrade Federal/State healthcare facilities and finance the creation of a special Public Works programme.
- ▶ Enhanced financial support to the States for critical healthcare expenditure: US\$190million World Bank Regional Disease Surveillance facility to be accessed by the Nigeria Centre for Disease Control (NCDC). Also, the Federal Government has approved N102.5billion for direct interventions in the healthcare sector.
- ▶ Augmentation to the States' FAAC allocations and a moratorium on States' Debts: US\$150million from the Nigeria Sovereign Investment Authority (NSIA) Stabilization Fund to support the June 2020 FAAC disbursement
- ▶ Strategic Sectoral Intervention: Small/Micro Enterprises are now completely exempted from corporate taxation; corporate tax rates for Medium-sized Enterprise reviewed downward from 30% to 20%; and the Finance Act, 2019 VAT Exemption List for essential food, medical supplies and other basic items that are critical in our efforts to address the COVID-19 pandemic.



Amendment of 2020 Appropriation Act: Revision of oil price benchmark and production \$28 and 1.94mbpd respectively.



6.0 Lessons Learnt and Good Practice

From this research, it is obvious that businesses are operating in a seemingly unfriendly environment with many Government bottlenecks hindering business survival. The pandemic exposed the appalling state of public health systems and the fickleness of global economies. Unlike other climes where businesses had significant support from Government, the Nigerian experience is different.

Encouraging examples of Government support could be drawn from the following countries:

COUNTRY	GOVERNMENT SUPPORT
Australia	Tax-free cash-flow boost for employers; Apprentice wage subsidy; boosted instant asset write-off
France	Rescheduled loans; utilities bills (rent, gas, electricity) suspension; creation of solidarity fund
Germany	Short term work allowances for employers
Italy	Suspension of taxes and social security contributions. Tax credit equals 60% of the rent and 50% of sanitation costs.
Japan	Support to businesses to pay leave allowance to workers. Loans at low interest rate.
Maldives	Deferment of loan payment. 40% and 30% subsidies on electricity and water bills respectively. 3 months allowance for people who lost their jobs.
New Zealand	Wage subsidy schemes for struggling businesses. Leave and self-isolation support, business cash-flow and tax measures.
North Macedonia	Direct financial support to MSMEs. Support to companies in salary payment. Subsidies to companies in sectors with greater impact such as tourism, transport, aviation, etc.
Singapore	A rebate of 8% of wages for 3 months. Wage credit to employers. Property tax rebate.
South Africa	Agreement between social partners to work together in managing issues arising from Covid-19.
Spain	Tax deferrals. Special financing line for hard-hit sectors. Cash transfer support to businesses. Temporary Employment Regulation Schemes created.
Sweden	Creation of a crisis package worth 300 billion kronor to protect businesses and jobs. Take-over of sick pay responsibilities in April and May. Deferred contribution by employers for social security.
United Kingdom	Business interruption loan, small business grant, business rate relief, SME grants, etc.
New Zealand	Wage subsidy schemes for struggling businesses. Leave and self-isolation support, business cash-flow and tax measures.

Responses by Select ECOWAS Countries:

► **Ghana:**

i) Corporate Income Tax

The outbreak is a non-adjusting event as at 31 December 2019 since little was known of the virus. Therefore, the outbreak posed minimal tax consequences as at 31 December 2019. The reason being that, adverse adjustments such as increase in provisions including bad debts and impairments (which are treated as non-allowable expenses under our current Income Tax Act, 2015 (Act 896)) that may arise as a result of the pandemic may not be required.

ii) Payment and Filing of Tax Returns

The Revenue Administration Act, 2016 (Act 915) allows taxpayers to apply for extension of deadlines for filing and paying tax. The Commissioner-General may grant the approval if good cause is shown. As a result, where taxpayers envisage that they will be unable to file their tax returns by the due dates, an opportunity for extension could be sought for a maximum period of two months.

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- Legislation to implement provisions previously announced by the Minister of Finance includes tax relief measures in response to the coronavirus (COVID-19) pandemic.
 - Some of the relief proposals either required that they be enacted into law or needed the written directive from the Commissioner-General before becoming effective and binding on both the revenue authority and taxpayers.
 - Under the prior release, the date for filing of self-assessment tax returns for companies having a 31 December year-end was extended from 31 March to 30 April 2020.
 - The due date for filing annual corporate income tax and individual income tax returns has been extended from four months to six months after the end of the tax period. Taxpayers who resolve their outstanding debts by 30 June 2020 will be granted relief from penalties.

iii) Personal Income Tax

The Ghana tax system taxes individuals on residency basis. As such, a non-resident becomes resident for tax purposes if present in the country for an aggregate period of one hundred and eighty-three (183) days or more in any twelve-month period that commences or ends during the year of assessment. This law does not take into consideration a non-resident who has overstayed and thus attained residency status as a result of the pandemic.

Therefore, where there is no legislative instrument that amends this provision, instead of the individual being subject to tax in Ghana at the non-resident rate of 25%, that individual will be subject to tax

at the graduated tax rate with 30% being the highest marginal rate on annual taxable income exceeding GHS240,000.

► **Cote D’ivoire:**

The suspension of tax audits procedures for a three-month period;

- The reduction of 25% of Transport Business license;
- The postponement of payment for three months of :
 - Flat-rate taxes for small traders and craftsmen (particularly in the scrublands, restaurants, nightclubs, pubs, cinemas and places of entertainment);
 - Taxes, duties as well as social contributions in case of cash flow difficulties encountered by companies;
 - Taxes on capital income for companies operating in tourism and hostels sectors and which experiencing economic difficulties;
- Exemption from import duties and taxes of health equipment, materials and other health inputs related to the fight against COVID19;
- Penalty waiver for delays in the execution of public contracts and orders with the State and its branches during the crisis period;
- Reimbursement of VAT credits within two (2) weeks by a lightening of customs controls prior to import and the strengthening of customs controls after the import ;
- Payment of public debt, especially to companies affected by the crisis with priority to invoices under 100 million xof in order to reach the maximum number of companies, especially the Small and Medium Enterprises;
- The reorganization with the two Ports (Abidjan and San Pedro) of the payment of storage fees during the period of the pandemic in order to defer the penalties in case of exceeding the deadlines related to the storage and stevedoring activities.



Senegal:

► Employment-related measures

- Tax rebates and suspensions granted to companies which undertake to keep their workers in activity for the duration of the crisis, or to pay more than 70% of the wages of non-active employees during this period. This cash facility concerns the deductions made from salaries and social contributions that private sector companies pay to the Social Security Fund and IPRES (Retirement pension fund institute in Senegal).

► **Economic stimulus measures**

- Creation of a fund with an envelope of 1.4 billion FCFA ('2.1 million),
- Development of a contingency plan following the evolution of the pandemic for an amount of 64 billion FCFA (97.6 million euros).
- Referring to the private sector, Amadou Hott, Minister of the Economy, suggested that banks will provide facilities to the most affected companies and operators.
- Safeguarding macroeconomic and financial stability to support the private sector and maintain jobs through a liquidity injection program accompanied by fiscal and customs measures.
- Thus, 302 billion will be spent on payment due to the state's suppliers;
- The rules and priorities of payment contributing to the objective of economic stability will be published and shared with companies, which will undertake to maintain salaries and wages to their employees;
- Establishment of an envelope of 100 billion specifically dedicated to the direct support of the sectors of the economy affected the most by the crisis, in particular transport, hotel industry but also agriculture;
- Establishment of a financing mechanism up to 200 billion, accessible to affected companies, according to a simplified procedure;
- Reorganization of the national budget by cuts on operating expenses and deferring investments; which corresponds to a saving of 159 billion. Also the government will secure 178 billion to partially cover losses in budget revenue caused by the crisis.

Other measures and sources

- Establishment of a Response and Solidarity Fund against the effects of COVID- 19 called "FORCE-COVID-19".
- Creation of a COVID-19 growth and economic watch committee.
- Creation of a "national crisis cell and a fund for response and solidarity against the effects of Covid-19".

Other Social measures

- Support for the health sector to the tune of 64.4 billion, to cover all the expenses linked to the response against COVID-19.

- Reinforcement of the population's social resilience based on the State's following expenses' assumptions:
 - 15.5 billion, for the payment of electricity bills of households subscribing to the social bracket, for a two-month period; or approximately 975,522 households;
 - 3 billion, to cover the water bills of 670,000 households subscribed to the social bracket, for a two-month period;
 - 69 billion, instead of the 50 billion initially planned, for the purchase of food for the benefit of one million eligible households;
 - 12.5 billion, to help the diaspora.

Source: KPMG Government and Institution Measure in Response to Covid-19, 2020



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7.0 RECOMMENDATIONS

Following the Research, it is obvious that businesses are impacted significantly by the pandemic. More so, many of the enterprises were struggling to stay afloat and on the brinks of close-up because of the inhospitable operating environment before the pandemic. The crisis brought to the fore the long term issues that most businesses have had to deal with.

In order to mitigate these challenges, especially at this period, the research work recommends that the Nigeria Employers' Consultative Association should do the following:

- **Engage** Government at all levels with empirical evidence of the challenges that businesses face and the consequential effects of large scale unemployment and socio-economic dysfunction that could arise.
- **Request for Job Retention Scheme** which include but not limited to:
 - **Government grants:** The hardest-hit enterprises need cash grants to pay their employees. Government grants to enterprises should cover 50-70% of workers' salaries for the next 4 months.
 - **Low-interest loans:** The Central Bank of Nigeria through its intervention funding windows or Bank of Industry (BOI) should allow business owners from Sectors like: Agriculture, Farming & Fisheries; Aviation, Textile, Leather and Apparel (Garment manufacturing), Real Estate and Logistics; Hotel/Tourism and Manufacturing access to low-interest or zero-interest loans.
- **Public-private trust for COVID-19 recovery:** We recommend that NECA should advocate that the Federal Ministry of Finance, Budget and National Planning, Central Bank of Nigeria and Federal Ministry of Investment, Trade & Industry, should establish a trust to collect donations from public and private actors in order to provide assistance to enterprises for four (4) months.
- **Tax relief measures in worst-hit sectors:** Enterprises in Agriculture, Farming & Fisheries; Aviation, Textile, Leather and Apparel (Garment manufacturing), Real Estate and Logistics; Hotel/Tourism and Manufacturing should be granted temporary tax relief for 6 months. Enterprises in these sectors require greatest support for recovery considering the level of damage they experienced.
- **Extended Moratorium on existing loans:** Advocate for loan moratorium or loan-cancellation as the case may be on case-by-case basis.

- **Incentive for non-lay off of Staff:** Advocate for incentives (tax rebates or direct patronage) for businesses that resists the pressure to lay-off staff during the period.
- **Purchase of Made-in-Nigeria Goods:** Advocate for the patronage of made-in-Nigeria goods to boost consumption and survival of local businesses.
- **Rent /Lease Deferrals:** Advocate for rent or lease payment deferrals for small and medium businesses whose ability to meet those obligations are greatly impaired.
- **Collaboration with Trade Unions:** Collaborate with the Central Labour Organisations to promote industrial peace and understanding.



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For any enquiries about this report, please email neca@neca.org.ng



About Nigeria Employers' Consultative Association (NECA)

Nigeria Employers' Consultative Association of Nigeria (NECA) is the voice of business in Nigeria. It is a Business Membership Organisation (BMO) that advocates for businesses while representing Employers' interest in all sectors of the economy.

NECA was formed in 1957; incorporated as a company limited by guarantee under the provision of the Corporate Affairs Commission Matter Act 1990. It has been the vanguard and main voice of the private sector in Nigeria. The organization has won the confidence and respect of government and other stakeholders in Nigeria through its philosophy of constructive policy dialogue and protection of economic interest of the business community. As such has become recognized by the government as the representative of Employers according to the International Labour Organisation (ILO) Conventions.

What We Do

NECA is committed to its members. We provide:

- Advocacy and Advisory Services
- Training in various areas e.g.
 - Labour, Employment & Social Laws
 - Occupational Safety and Health
 - Start-Your-Business
 - Capacity Building and Manpower development
- Human Resources and Industrial Relations advisory services
 - Review of staff conditions of service
 - Handbook/Employment Contract
 - Human Resources recruitment Exercise
 - Remuneration Survey
 - Over the phone consultancy
- Assistance/Guidance on disciplinary & arbitration hearing
- Promoting and Influencing policies and laws that will enhance your business competitiveness.
- Monitoring and analyzing government policies

Benefits to Your Business

- Affiliation to an association that represents the voice of business in Nigeria, which is recognized by the government
- Effective representation and protection of business interest in relation with the three tiers of government.
- Access to Industrial & Labour relations advice

- Advice on Tax and Labour related issues
- Your business rights and interest are protected through all legal and legitimate means
- Discounted rates for an in-demand business course
- Access to local, regional & international business opportunities and conferences
- Access to serve on various Government Ministries/Agencies boards representing employers
- Networking opportunities
- Access to Weekly newsletters that provide updates on issues that can affect your business



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