

CRITICAL APPRAISAL OF NIGERIA HEALTH CHALLENGES AND PROMISING POLICY OPTIONS

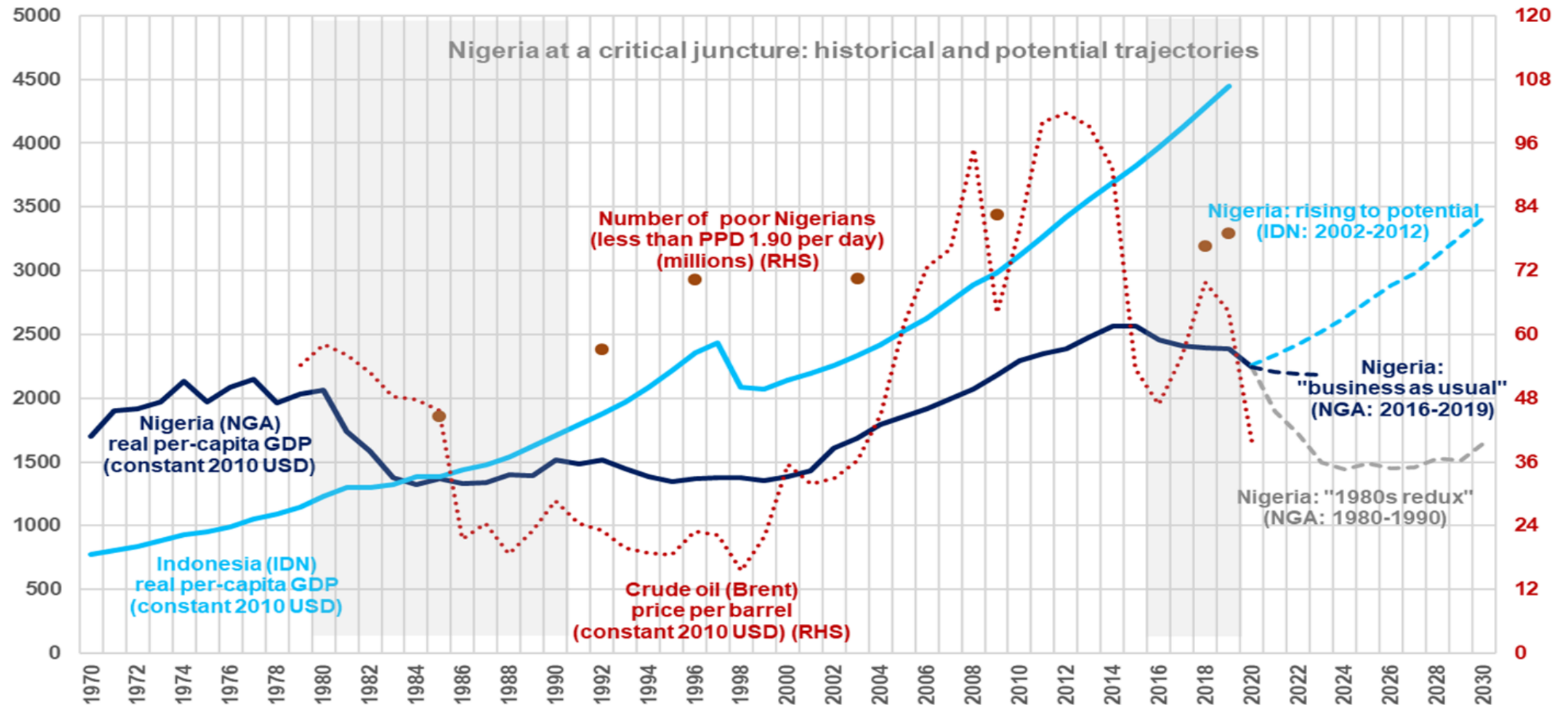
UHC 2023

Olumide Okunola
Senior Health Specialist
World Bank

December 16, 2020



Which way Nigeria

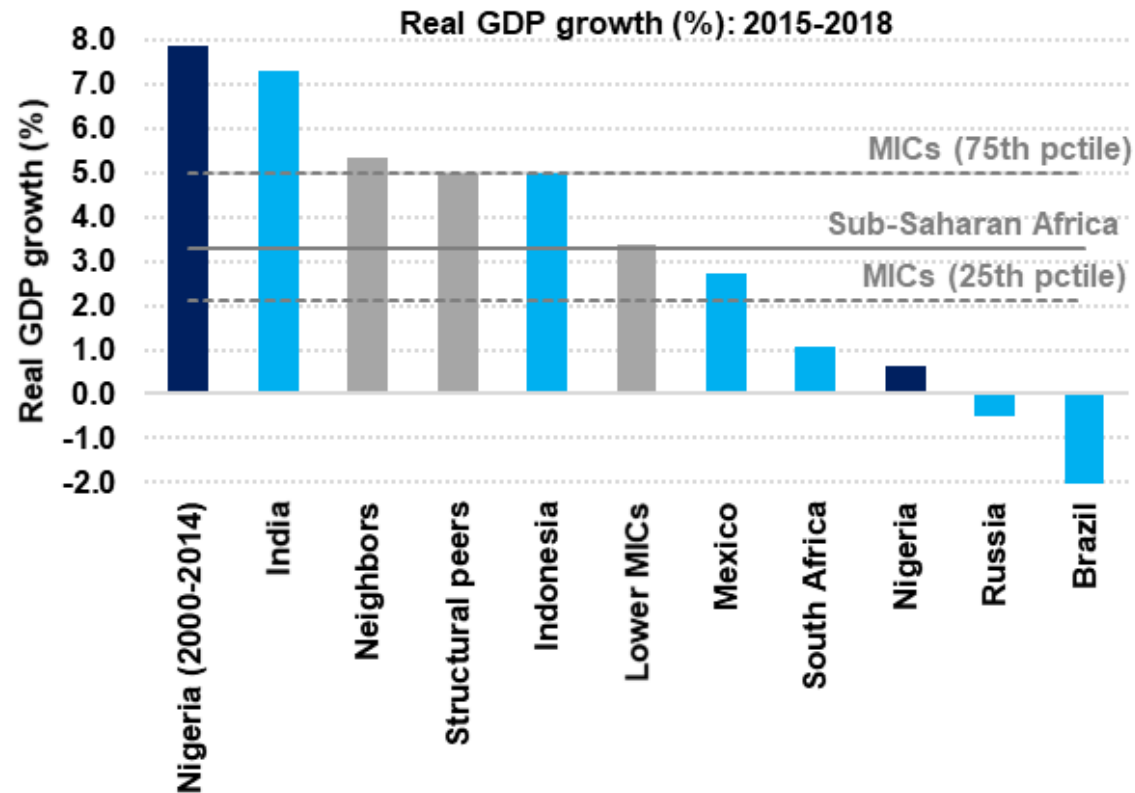


WHAT THIS PRESENTATION COVERS...

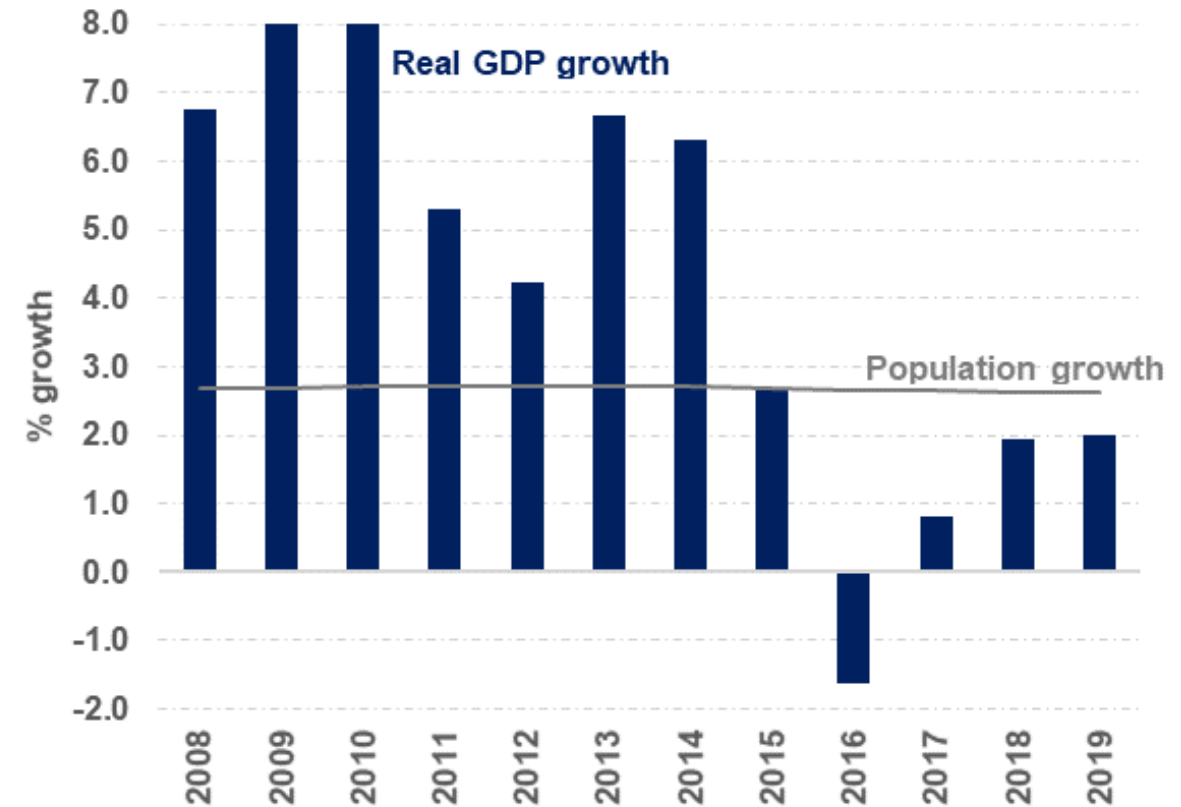
1. **WHICH WAY NIGERIA:**LIVES AND LIVELIHOODS
2. **NIGERIA'S HEALTH CARE:** SOME POLICY OPTIONS
3. **CONCLUSION.**

GROWTH HAS SLOWED SINCE 2015...

...AND IS NOW BELOW NIGERIA'S NEIGHBORS AND PEERS...



...AND BELOW THE RATE OF POPULATION GROWTH



...AND PUBLIC SPENDING IS CONSTRAINED BY ONE OF THE LOWEST REVENUE TO GDP RATIOS IN THE WORLD

...and inefficient by the standards of regional and global comparators.



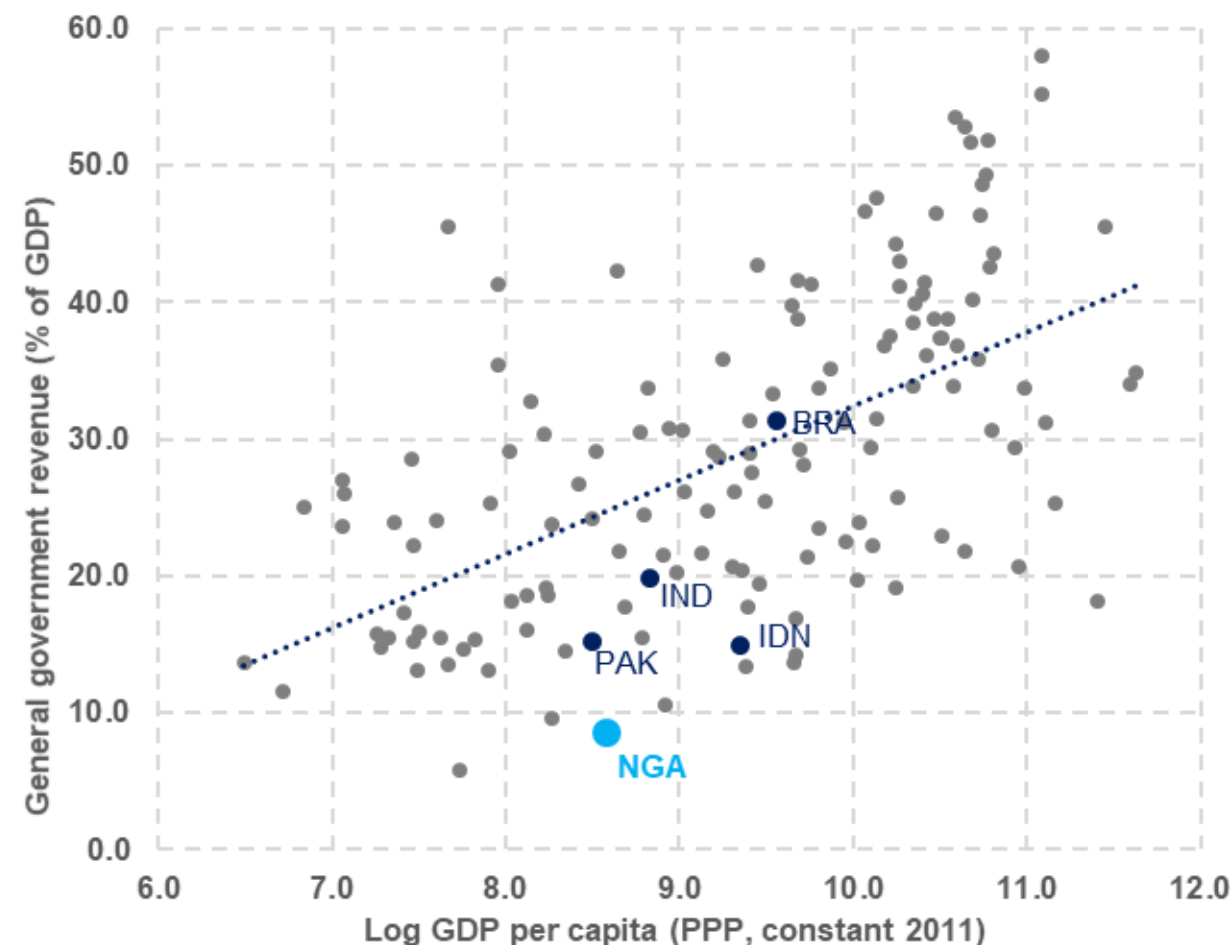
AT 8% OF GDP, NIGERIA'S REVENUE TO GDP RATIO IS ONE OF THE LOWEST IN THE WORLD

- Oil revenues are volatile and below potential due to insufficient contributions from Nigeria National Petroleum Corporation.
- Non-oil revenues are less than 4% of GDP due to a sub-optimal VAT system, tax expenditures, and high tax compliance costs



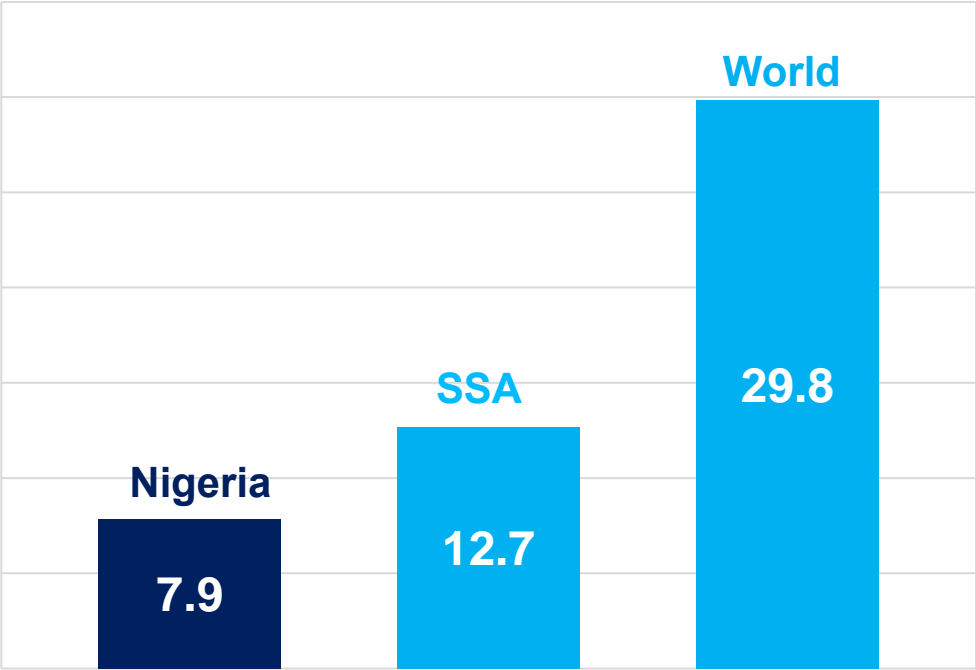
FASTER AND SUSTAINED GROWTH WILL REQUIRE NON-OIL REVENUES TO BE AT LEAST 12% OF GDP

- Government has initiated a first set of revenue reforms (Finance Act 2020) and others are planned under the Strategic Revenue Growth Initiative
- Tax policy and administration measures, combined with better expenditure quality, can boost revenues in a way that does not affect growth



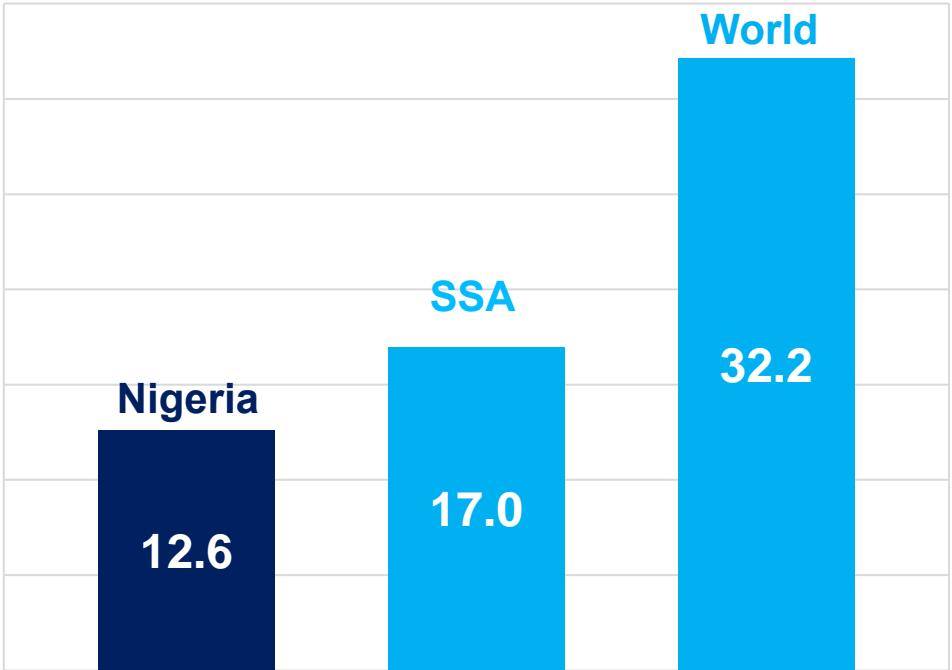
REVENUES: NIGERIA HAS AMONG THE LOWEST REVENUES GLOBALLY, WHICH TRANSLATES INTO LOW SPENDING AND FISCAL RISKS

General Government Revenue
2015-2019 (% of GDP)



Source: IMF Fiscal Monitor.

General Government Expenditure
2015-2019 (% of GDP)



Source: IMF Fiscal Monitor.

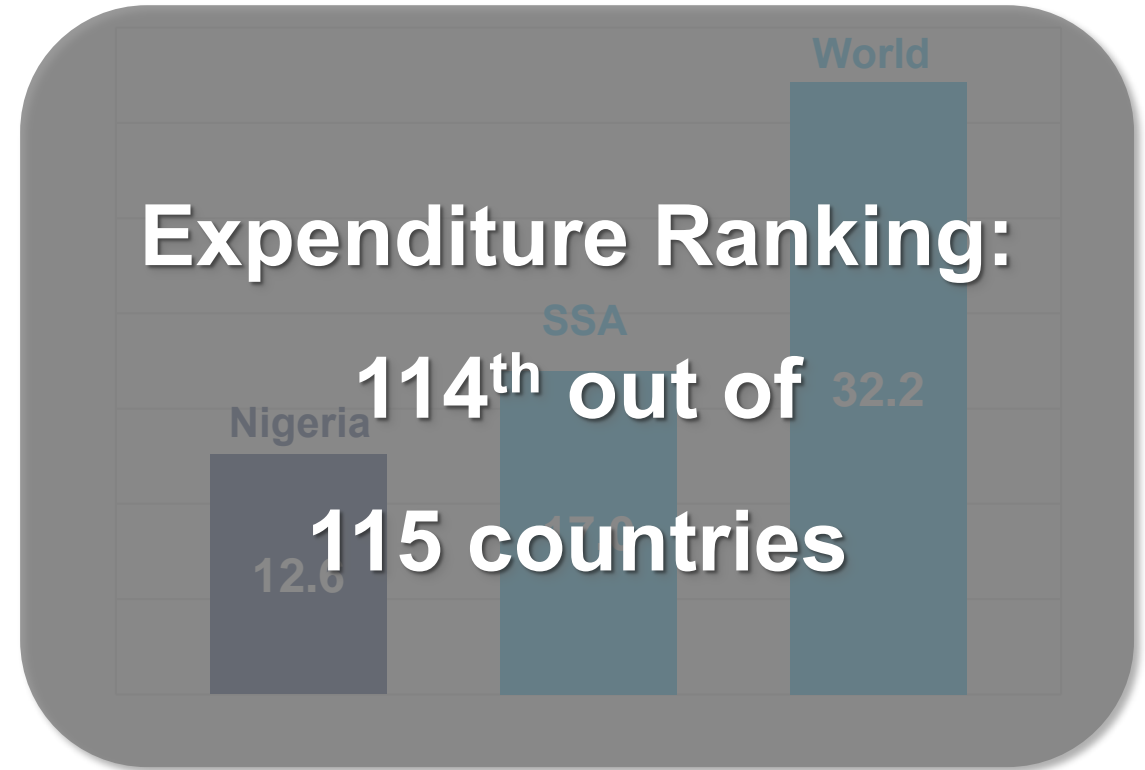
REVENUES: NIGERIA HAS AMONG THE LOWEST REVENUES GLOBALLY, WHICH TRANSLATES INTO LOW SPENDING AND FISCAL RISKS

General Government **Revenue**
2015-2019 (% of GDP)



Source: IMF Fiscal Monitor.

General Government **Expenditure**
2015-2019 (% of GDP)



Source: IMF Fiscal Monitor.

NIGERIA'S ECONOMY HAS BEEN HIT HARD BY COVID-19

...in 2020 it recorded its deepest quarterly contraction since the 1980s

How has COVID-19 affected Nigeria's economy?

Oil price

- In 2020 oil exports are expected to fall by 43%
- ...and fiscal revenues are expected to fall by about 25%

Capital flows

- In 2020 net portfolio investment is projected to shrink by 2.1 p.p. of GDP due to global risk aversion and uncertainty around foreign exchange policies.

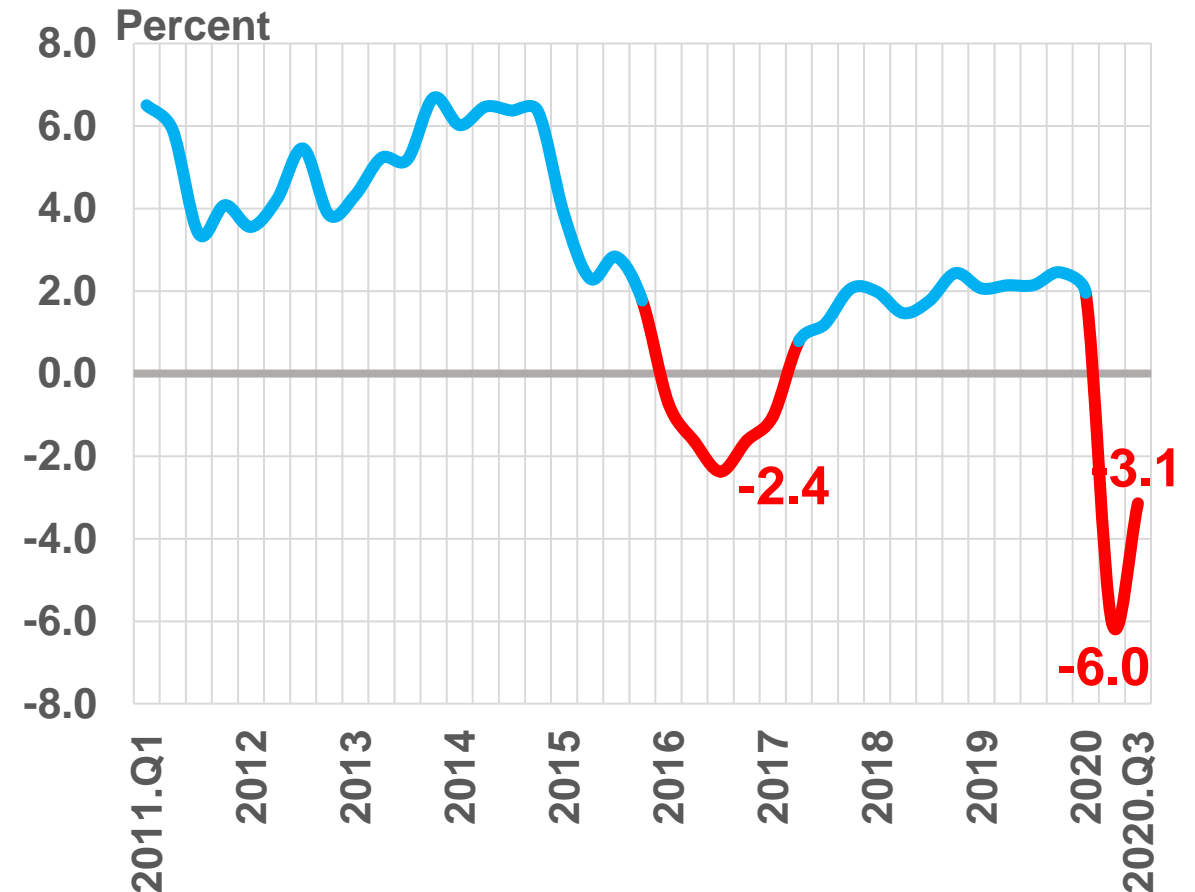
Remittances

- In H1 2020 remittances fell by about 50%
- 1 in 2 Nigerians live in a household that receive remittances

Mobility

- The non-oil industry and services were heavily affected by mobility restrictions
- As of Q3 2020 these sectors contracted by 4.6% and 3.6%, respectively.

Quarterly (y-o-y) economic growth in Nigeria



IMPACT ON LIVES: Situational Snapshot as at 26th Nov 2021

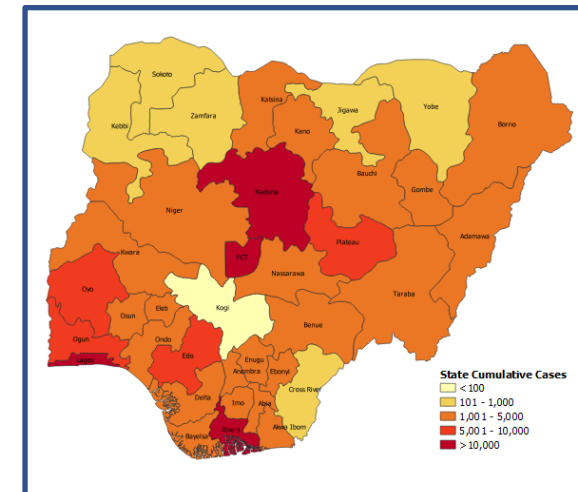
213,883
CASES

3,479,682
TESTS

3,814
(1.8%)
ACTIVE CASES

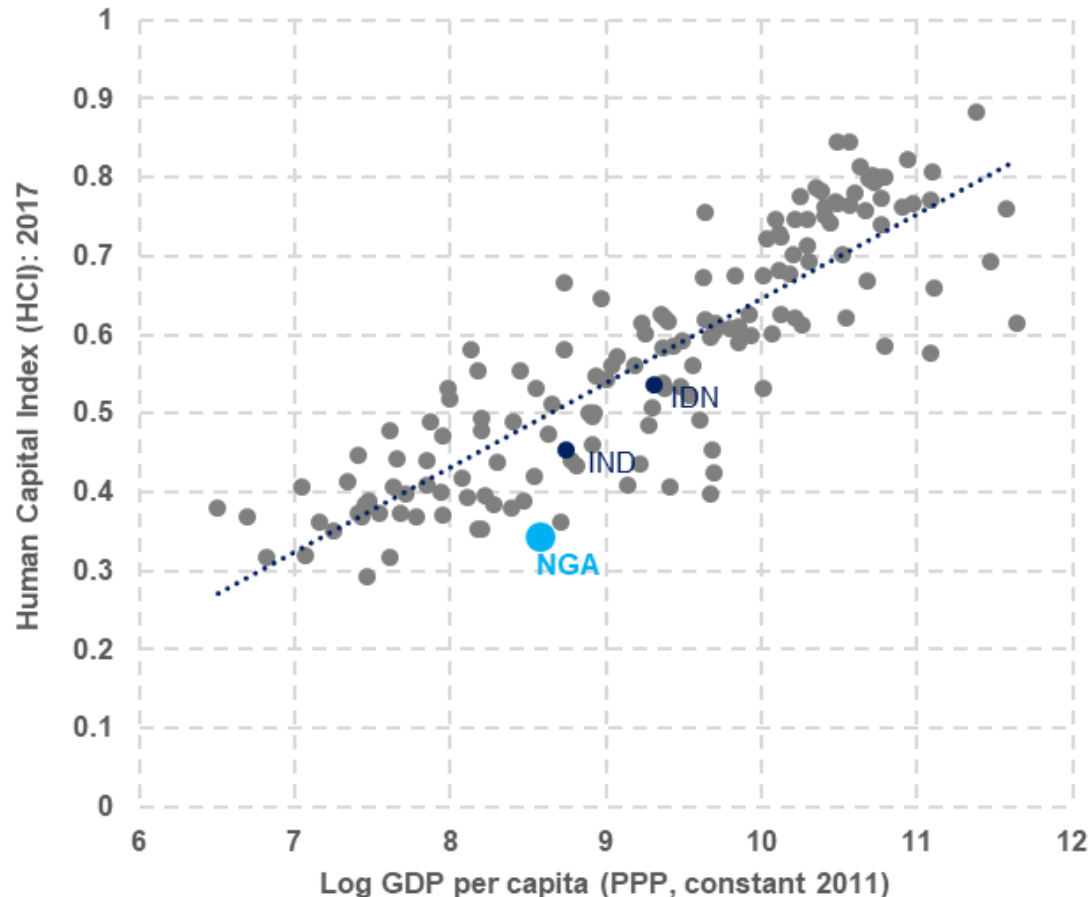
207,094
(96.8%)
DISCHARGED

2,975
(1.4%)
DEATHS



NIGERIA'S HUMAN CAPITAL CHALLENGE

SIXTH-LOWEST GLOBALLY ON THE HUMAN CAPITAL INDEX



NUMBER OF OUT-OF-SCHOOL CHILDREN

One in every five of the world's out-of-school children is in Nigeria



NUMBER OF PEOPLE DEFECATING IN THE OPEN

58% of all Nigerians lack access to basic sanitation services and 47 million people still practice open defecation, a number second only to India.



NUMBER OF UNDER-5 CHILD DEATHS

Nigeria will soon over take India as the country with the most under-5 child deaths in the world, over 700,000 a year



PERCENTAGE OF CHILDREN STUNTED

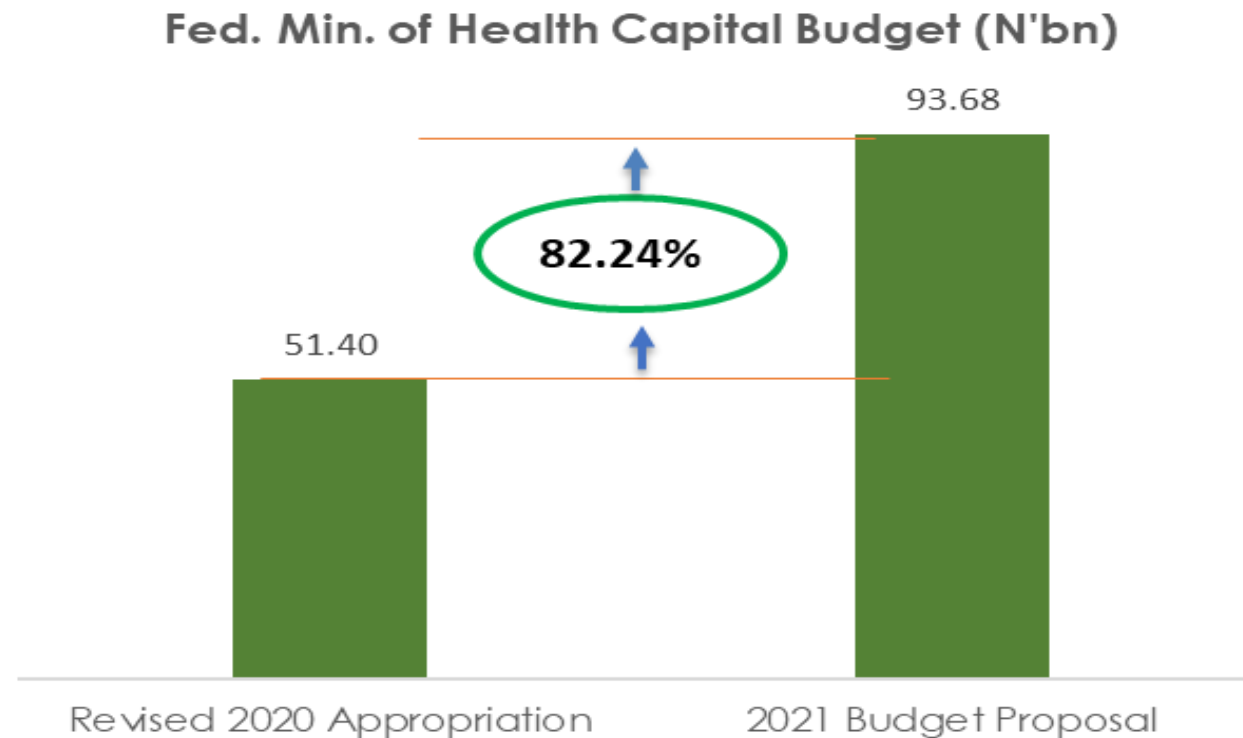
One in every three children under five years of age (32%) suffers from chronic malnutrition, among the highest in the world

#1: POLICY OPTION ~ COUNTERCYCLICAL APPROACH TO HEALTH SPENDING

Increased prioritization for human capital accumulation

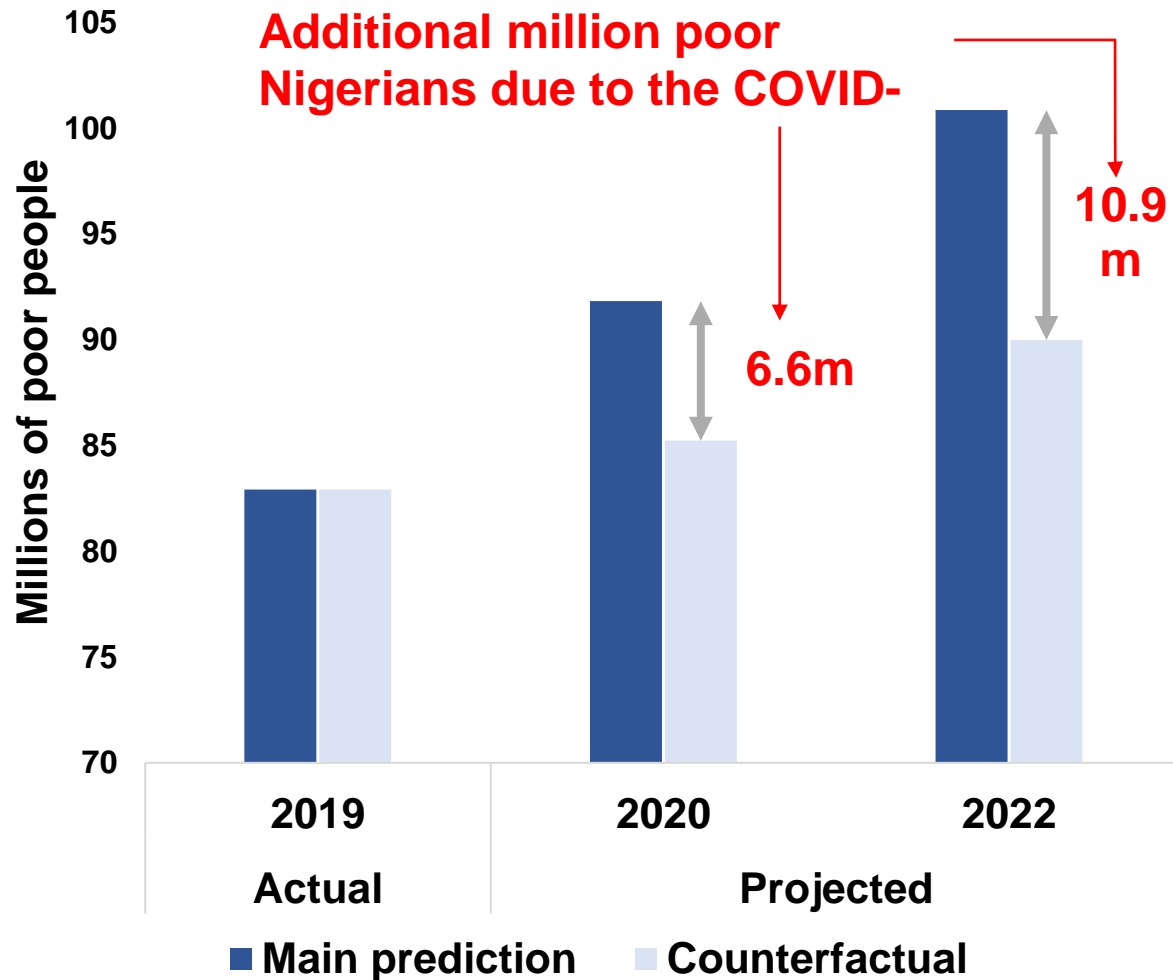
2020 – 2021 Budget Proposal:

Capital allocation to the Federal Ministry of Health has increased by 82.24% from the current 2020 revised budget of N51.4bn to a proposed sum of N93.68bn for 2021, with spending on strengthening Primary, Secondary and Tertiary healthcare systems prioritised.



#2:POLICY OPTION ~

BY 2022, ABOUT 11 MILLION MORE NIGERIANS ARE EXPECTED TO FALL INTO POVERTY DUE TO THE COVID-19 CRISIS



- Before COVID-19 (the counterfactual scenario), about 2 million Nigerians were expected to fall into poverty in 2020 as population growth outpaced economic growth
- With COVID-19, the recession is likely to push an additional 6.6 million Nigerians into poverty in 2020, bringing the total newly poor to 8.6 million this year
- This implies an increase in the total number of poor in Nigeria from about 90 million in 2020 to about 100 million in 2022
- Northern states are more likely to be affected
- The following factors help explain this increase in poverty:
 - Having a vulnerable employment;
 - Receiving fewer remittances; and
 - Being close to the poverty line.

#3:POLICY OPTION ~ EXPLICIT BENEFIT PACKAGE

Basic Medical Package of Health Services in Nigeria:

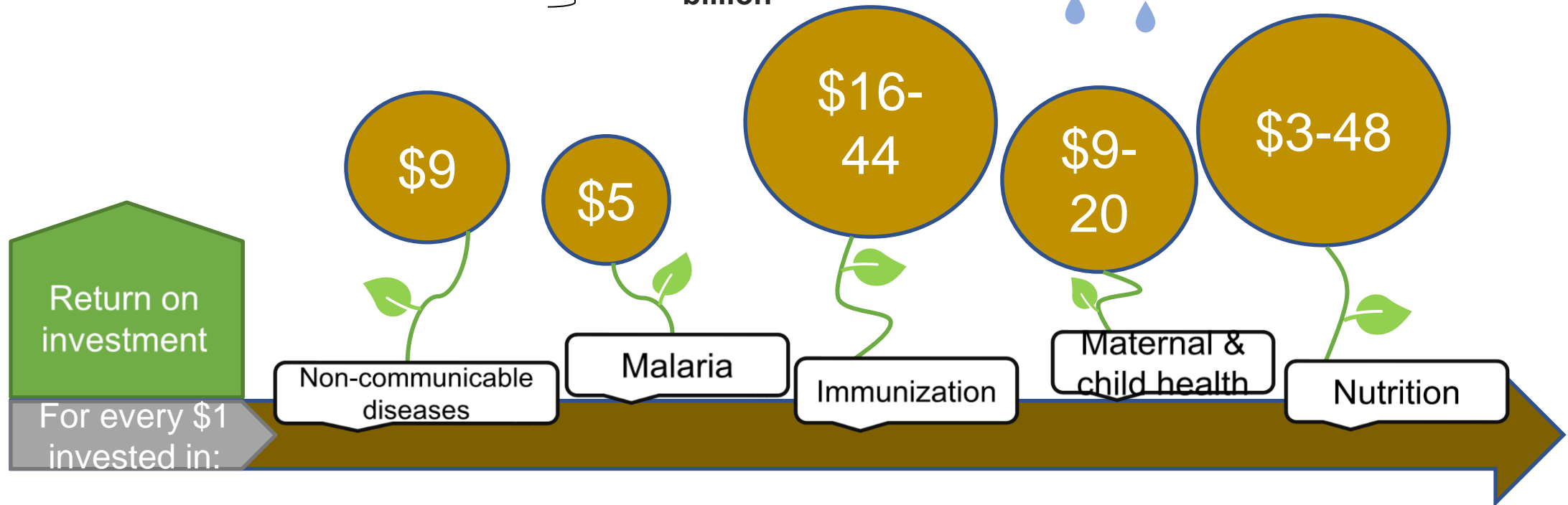
- 16 ANC interventions
- 6 delivery interventions
- 9 postnatal interventions
- 19 child health interventions
- 1 adult malaria intervention
- 1 non-communicable disease intervention
- 5 family planning interventions

Examples ~
US\$11.04 per
capita or
US\$2.2
billion



=

Total
government
health
spending in
NG!



#4:POLICY OPTION – DRM

...Nigeria is among the highest consuming countries of ‘soft drinks’ globally and volume of consumption is expected to continue to rise.

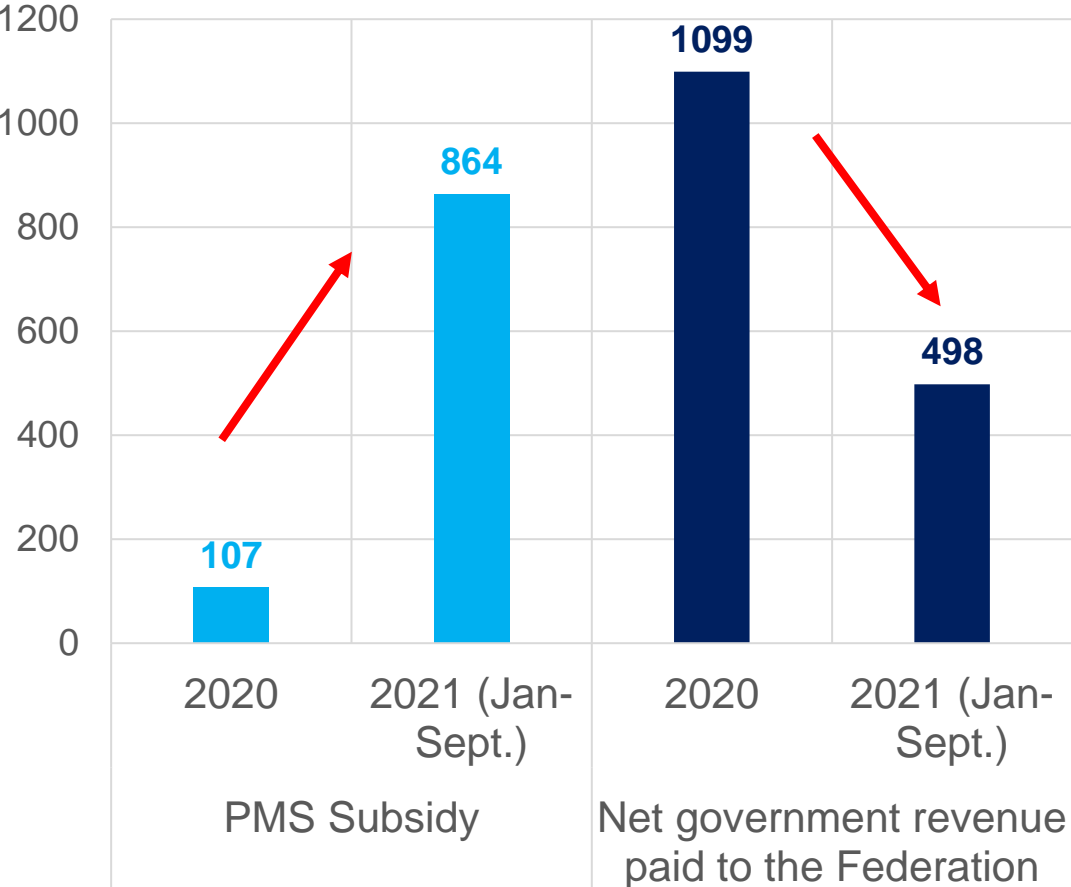
1. **4th highest** soft drink consuming country globally (by total volume), with over 40 million litres sold yearly (lower than only USA, China, Mexico)
2. **7th highest per capita** consumption of carbonated soft drinks globally with 49 8-ounce servings consumed per capita per year (2019)^a
3. There are relatively low levels of awareness across the population, of the negative health impact of SSB consumption

NIGERIA IS THE ONLY COUNTRY IN THE WORLD THAT SUBSIDIZES ONLY PMS, THE COST OF WHICH IS MASSIVE AND UNSUSTAINABLE

...as a result, Nigeria is sacrificing critical investments in physical and human capital.

The cost of PMS subsidy is at a six-year high...

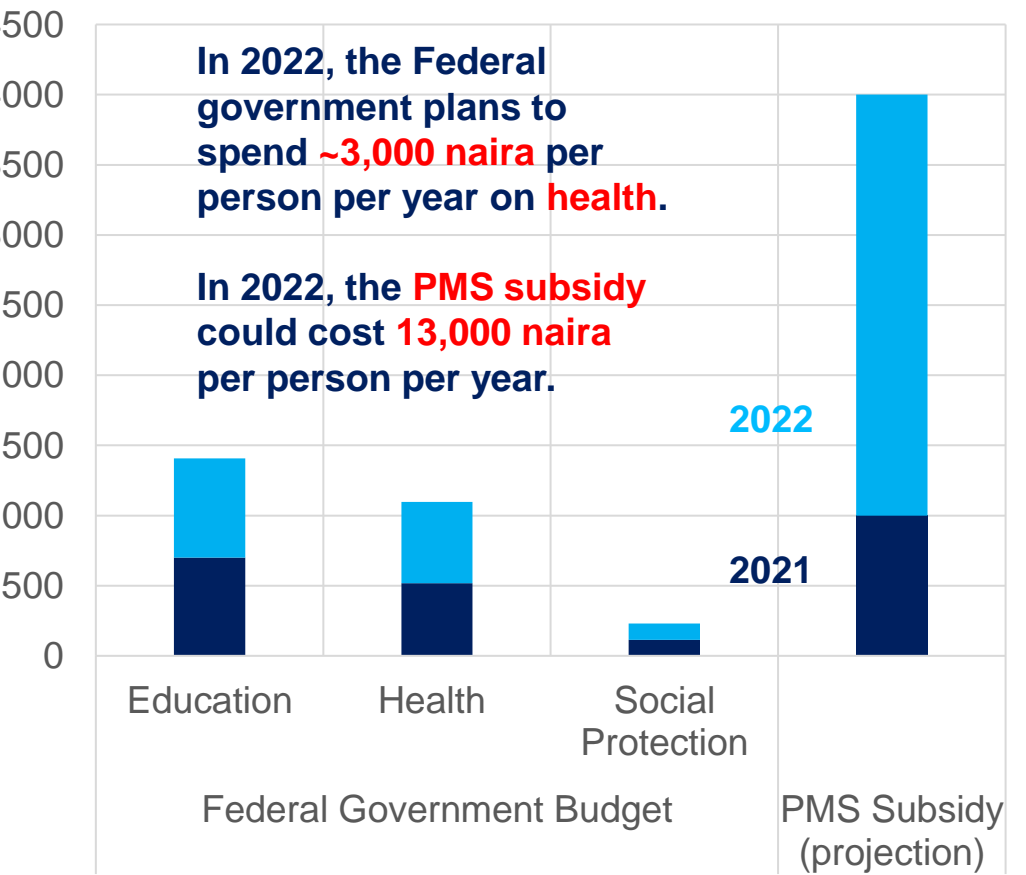
Billions of naira



Source: CBN.

...significantly reducing fiscal space for social

Billion of naira



Source: NBS, CBN, and World Bank estimates.

Incremental revenue potential from increased health taxes is significant

- With the introduction of specific taxes on alcohol and tobacco in June 2018, current health taxes on tobacco and alcohol use a mixed system.
- The taxation levels still fall short of WHO recommendations.
- Current estimates lie between **NGN483 bn** and **NGN937 bn** of incremental revenues for alcohol and tobacco alone
- For context, govt. health expenditure was NGN1,191bn in 2019.

<u>Tariff Description + 2020 rate</u>	<u>Duty (Proposed)</u>	<u>Estimated additional revenue (annual)</u>
Beer and Stout 20% plus NGN3,500 per hectoliter	Option A 20% plus NGN 13,000 per Hectoliter (10000 centilitres)	NGN 158 billion.
	Option B 20% plus NGN 40,280 per hectoliter	NGN 612 billion
Wines 20% plus 15,000 per hectoliter	20% plus NGN 54,870 per hectoliter	NGN 33 billion,
Spirits and Other Alcoholic Beverages 20% plus NGN 20,000 per hectoliter	20% plus NGN 6,400 per liter of alcohol in the spirit at 20C	NGN 150 billion.
Cigarettes and Tobacco 20%	20% plus NGN 7,600 per thousand	NGN 142 billion
SSBs	TBD	
Total potential revenue		Beer Option B NGN 483 billion Beer Option C NGN 937 billion

Source: WBG document – Excise Reforms for Finance (Fiscal Stimulus) Bill 2020 – Updated Nov.2020

#5:POLICY HEALTH EFFICIENCY

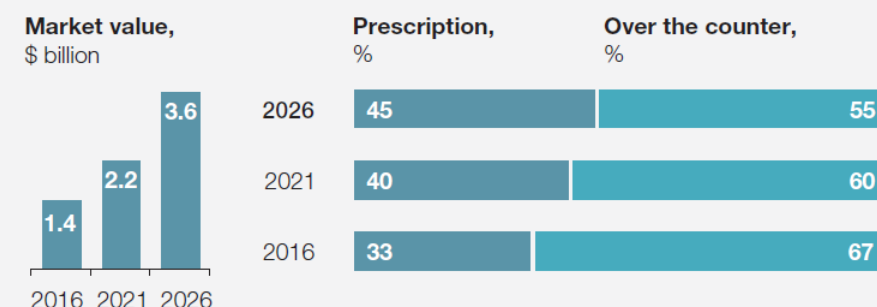
OPTION~ SYSTEM

PHARMACEUTICALS
CONSTITUTE A SIGNIFICANT
SHARE OF OUR HEALTH
SPENDING

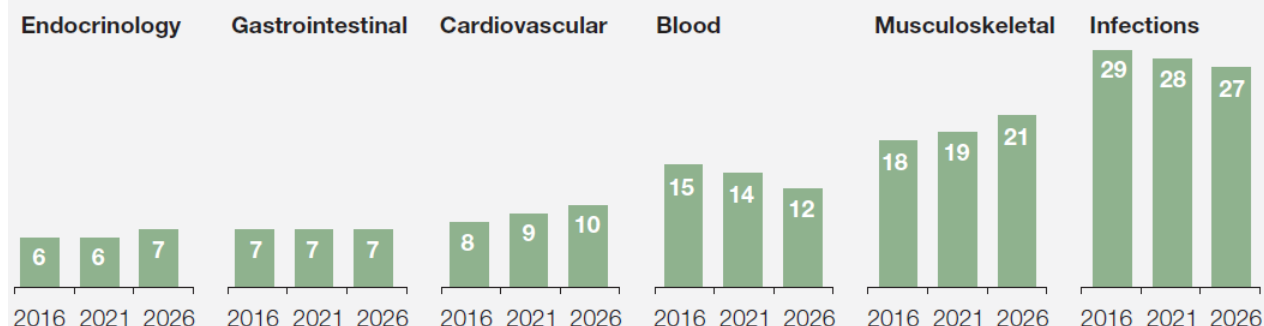
- CENTRALIZED PURCHASING
- EDL
- HTA ~ New medicines; generics; benchmarking; pricing

The top six therapeutic areas could deliver more than 80 percent of market value in 2026.

Decomposition of Nigeria's pharmaceuticals opportunity



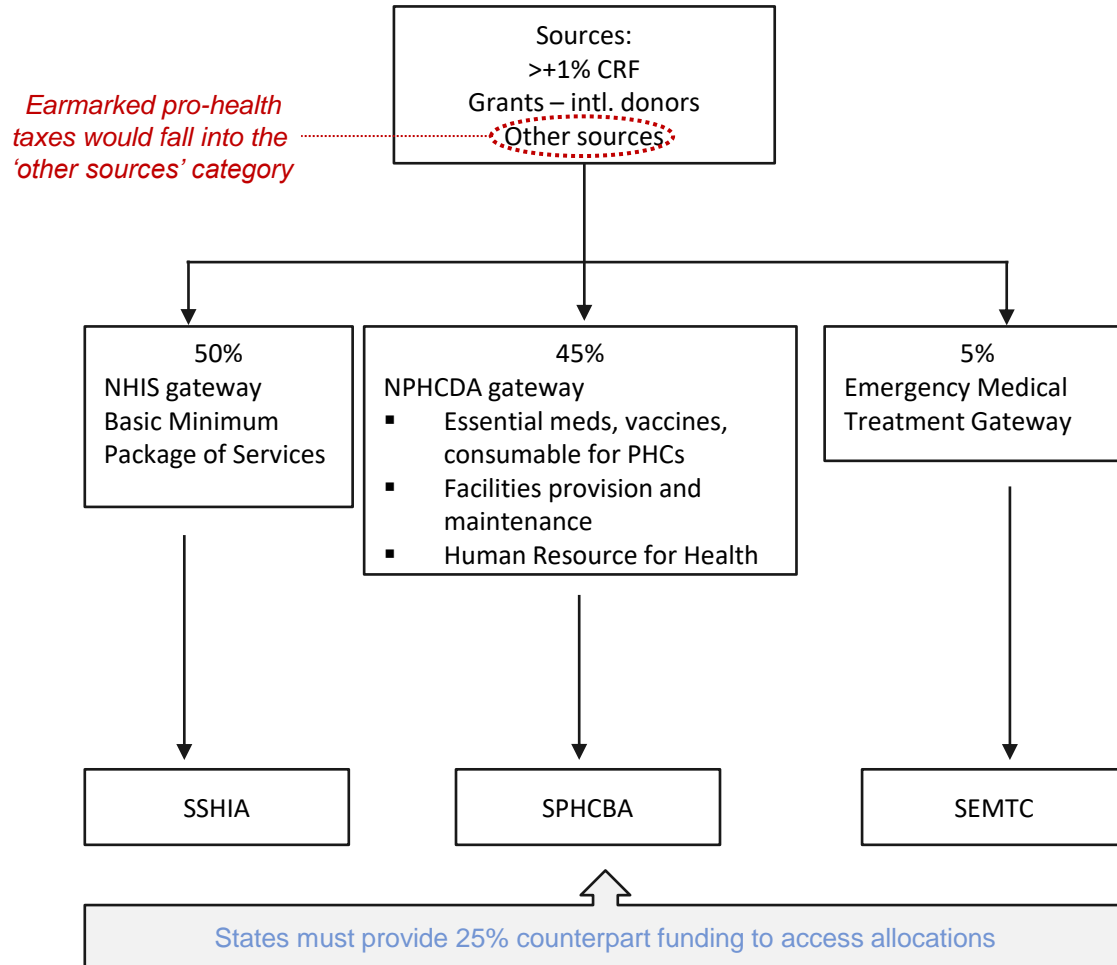
Share by the top 6 therapeutic areas,¹ %



CONCLUSION ~

The Basic Healthcare Provision Fund is a potential structure through which to channel the earmarked funds.

BHCPF CURRENT FUNDING STRUCTURE



POTENTIAL BENEFITS OF USING THE BHCPF

- Conservative estimates suggest approximately NGN 500 billion added revenue per annum from tobacco and alcohol excise increases
- If current BHCPF funding levels are increased, for example using potential incremental revenues earmarked for health, the impact will be revolutionary
- We could provide (per annum):

20 – 27 million*
lives covered by the
BMPHS

- @ NGN12,000 per person
- 633,446 currently enrolled, only a fraction accessing care

NGN 225 bn
through NPHCDA gateway

- Maintenance of primary care facilities, lab equipment, transport, essential drugs, vaccines and consumables and development of HR for primary health
- NGN13.9 disbursed so far

NGN 12.5 bn to
NCDC

- Total NCDC allocation for 2021 is NGN2.9 bn