Policy Brief

NON-INCOME ASSESSMENT OF PRO-POOR GROWTH AND PROGRAMMES IN NIGERIA

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What are the issues at hand?

The Nigerian economy had over the years experienced diverse economic crises of varying dimension and intensity. The prolonged weak growth in the economy can be attributed to policy failure, poor governance, as well as considerable social and political instability. Presently, rising poverty levels and rapid decline in efficiency of public institutions are among the major development challenges that the country faces. In addition, corruption is seriously affecting effectiveness of various poverty reduction programmes. Also, inhibition of economic growth by some adverse macroeconomic shocks and inability of some proposed economic reforms to ensure adequate income redistribution are pertinent problems that have contributed to rising poverty and inequality.

Since 2001, the National Poverty Eradication Programme (NAPEP) has been spearheading the fight against poverty in all its dimensions. NAPEP principally seeks for programmes to ensure wealth creation through development of skills for investment in rural and urban transportation systems, energy, water and telecommunication infrastructure, provision of basic social services like primary and special education and primary health care. Also, given the multidisciplinary approach that is required for poverty alleviation, some government parastatals have been saddled with the responsibilities of implementing some reform programs that are meant for reaching the poor. Some other reform programs including privatization of several government parastatals, public service reform, recapitalization of the banking industry, restructuring of the petroleum downstream sector with upward review of the prices of petroleum products, among others, had been embarked upon.

In 2004, government adopted the National Economic Empowerment and Development Strategies (NEEDS) as the home grown official Poverty Reduction Strategy Paper (PRSP). The NEEDS package recognized institutional reform as a prerequisite for economic growth and development. This was a vital departure from earlier government reform efforts. Furthermore, the NEEDS strategy considered economic growth as a prerequisite for poverty reduction with a projection of annual GDP growth rate in the range of 5 to 7 percent between 2004 and 2007, while the non-oil GDP is expected to grow in the range of 7.3 to 9.5 percent. If achieved, by some projections, these goals are expected to produce 5 percent annual reduction in poverty incidence. Also, the NEEDS aimed at attaining average per capita consumption growth of 2 percent per annum, creation of 7 million jobs between 2004 and 2007, increase in immunization coverage to

60 percent by 2007, increase access to safe drinking water to an average of 70 percent and adult literacy rate of at least 65 percent by 2007.

There is need for poverty assessment judging from different indicators of households' welfare. This is very important because there is now a growing literature supporting the multidimensional nature of poverty. OECD (2006) submitted that the Development Assistance Committee (DAC) guidelines on poverty reduction emphasized the inter-linkages between the multiple deprivations that poverty takes. Therefore, our understanding of these inter-linkages will help to develop more effective pro-poor growth strategies and integrate these better into national poverty reduction strategies. It will also ensure that policies to address the multiple dimensions of poverty go hand-in-hand. Although the UNDP reports since 1994 acknowledged the complex and multiple facets of poverty, majority of poverty assessment studies in Nigeria have adopted the monetary approach.

The objectives of the study were to construct asset indices and determine access of the population to the selected attributes across its quintile distribution; provide a growth incidence analysis of the constructed asset index; estimate the spatial trends in asset poverty incidences and determine the impact of households' socio-economic characteristics and some state-level development programmes on asset index and its inequality.

How have we addressed the problem?

The study made use of survey based secondary DHS data for 1999, 2003 and 2008 with 7647, 7225 and 34070 respondents respectively. Lack of income and expenditure data in DHS compelled the construction of asset indices. To ensure comparability, asset indices were constructed with Factor Analysis (FA) by merging the different surveys and using information on durable consumer goods (ownership of radio, television, refrigerator, telephone, car, electric iron, electric fan and motorcycle), dwelling characteristics (sources of drinking water, type of toilet, main floor material and electricity). Also, further analyses were carried out with growth incidence curve (GIC) and regression-based decomposition.

What have we found?

The proportion of Nigerian households with access to portable water in 1999, 2003 and 2008 were 67.61%, 43.77% and 58.69% respectively. Also, the proportions of urban households with access to portable water were 89.52%, 67.03% and 82.07% in 1999, 2003 and 2008, respectively while that for rural were 58.11%, 30.71% and 45.82%. However, rural poor households had better access to portable water than urban poor. Access to improved sanitation (toilet) slightly increased from 72.06 percent in 1999 to 74.34 percent in 2003 before sharply declining to 53.20 percent in 2008. Urban households' accesses to improved sanitation were 85.70%, 87.17% and 73.89% in 1999, 2003 and 2008, respectively as against 66.15%, 65.61% and 40.56% for the rural areas. Urban poor were also more deprived in access to improved sanitation than their rural counterparts. Access to electricity increased from 44.93 percent in 1999 to 52.21 percent in 2003, before slightly declined to 50.33 percent in 2008. The proportions of urban households with access to electricity were 84.27%, 84.93% and 84.79% in 1999, 2003 and 2008 respectively, which can be compared with 27.87%, 33.84% and 31.36% for the

rural sector. In the rural and urban sectors, poor households were more deprived in access to electricity than their rich counterparts. Proportions of households with access to telephone were 1.77%, 5.47% and 49.70% in 1999, 2003 and 2008 respectively. However, rural sector is much more deprived with 35.14% access in 2008, which can be compared with 76.14% for urban.

Using Factor Analysis, we constructed asset indices for the households. Average asset indiceswere-0.20, -0.07 and 0.06 in 1999, 2003 and 2008 respectively. In 1999, Lagos (0.88) and Delta (0.37) had the highest average asset indices while the lowest were in Jigawa (-0.84), Sokoto (-0.83), Kebbi (-0.77) and Zamfara (-0.72), all from northern Nigeria. In 2003, the lowest average asset indices were in Jigawa, Sokoto, Ebonyi and Taraba states with -0.84, -0.82, -0.79 and -0.77 respectively. In 2008, Lagos, FCT, Anambra and Edo states have the highest average asset index of 1.12, 0.77, 0.75 and 0.59, respectively. Also, the lowest values are in Bauchi, JigawaYobe, and Zamfara states with -0.66, -0.65, -0.61 and -0.57, respectively. Also urban sector has higher average asset index in all the years than rural areas with 0.47, 0.57 and 0.77 in 1999, 2003 and 2008, respectively. Between 1999 and 2003, the poorest quintile in the national data had asset growth rate of -1.62 percent, which can be compared with 184.52 percent and 5.70 percent for the fourth and fifth quintiles, respectively. However, between 2003 and 2008, the poorest quintile had growth rate of 0.79 percent, while the fourth and fifth quintiles had 57.96 percent and 7.69 percent, respectively.

Growth incidence analysis for 1999/2003 revealed that average asset growth of the poor is higher than the average growth rate up till about 60th percentiles.Although the poor benefited from asset growth, the rich obtained more benefits. It also shows that asset growth is highly pro-poor. Also, the figure shows similar results for 2003/2008, where growth is pro-poor but the rich benefited more than the poor.

The states with highest asset index poverty incidences were highly concentrated in the northern part of the country. In the urban sector, the proportion of the households that belonged to the poorest quintiles was lower than that of rural in all the years, with 9.35 percent, 10.34 percent and 9.03 percent in 1999, 2003 and 2008, respectively, while the values for rural are 56.88 percent, 55.86 percent and 54.24 percent. Inequality in asset is higher in urban sector in 1999, but higher in rural sector in 2003 and 2008.

Asset inequality decomposition results revealed thatresidence in urban area increased asset indicesHowever, in 1999 and 2003, asset acquisition in the urban sector ensured reduction in inequality due to redistribution in favour of the poor. The opposite was observed in 2008. Also, residence in north northern part of the country significantly reduced asset indices in 1999 and 2008. Also, the variable accounted for reduction in asset inequality in 1999, but increased it in 2003 and 2008. Households accumulated assets over the years as their sizes increased. Male headed households also had higher asset indices across the years. This variable accounts for very low reduction in asset inequality in 1999 and marginally increases it in 2003. As household heads aged, their indices of asset declined and the contribution to inequality was very low. Although more years of education will impact positively on asset acquisition, the distributional pattern from the expected impact is not going to favour the poor. This is due to the fact that poor households rarely explore the full benefits of educational opportunities due to several financial constraints.Rainfall distributions across the states have positive impacts on asset acquisition. The necessity of rainfall for asset acquisition can be assessed from the fact

that more than 65 percent of the Nigerian labour force was engaged in agriculture, and rainfall instability is a major constraint recently identified in Nigerian agricultural sector. The volume of loans disbursed to each state under the Agricultural Credit Guarantee Scheme (ACGS) positively increased asset indices in 1999 and 2003 andwith very low impact on relative inequality of asset indices. Asset indices decreased among households where majority of the state labour force was into farming. This also increased asset index inequality in 2003 and 2008 by 2.89 percent and 2.95 percent, respectively. As robbery cases increased, asset indices significantly increased in all the years. This presupposed that robbery is highly rampart in wealthiest states. Immunization increased asset index inequality by 2.89 percent in 2003, while it reduced it in other years. Penetration of mobile telephone in the states increased asset indices and its inequality in 2003 and 2008.

What are the policy implications of the findings?

Government's intervention programmes for ensuring better access to portable water and sanitation should be redressed because of their presently low impacts. Our results also indicated that urban poor households were more deprived in access to portable water and sanitation. This also necessitates government to critically consider how the poor have been targeted in some on-going intervention programmes for ensuring attainment of some MDGs. The northern states were found to be more deprived and exhibited highest asset poverty incidences. Government's current efforts at reducing poverty in northern Nigeria are not yet achieving the desired results. Despite such intervention programmes like Fadama and others that were sponsored by several international agencies, it is unequivocally ridiculous that northern state were not making progress in alleviating its deepened poverty.

Government's on-going efforts at ensuring educational development in Nigeria are commendable because of expected positive impact on asset acquisition. It is however important that poor households have not benefited tremendously from such educational programmes. Also state-level disbursement of loans by the Agricultural Credit Guarantee Scheme (ACGS) are adequately in order. Government's intervention programmes in ensuring better access to mobile phone is also a welcome development for enhancing households' welfare in Nigeria.

What need to be done?

. The results show that asset index growth was pro-poor in the national analysis between 1999/2003 and in 2003/2008. It was also found that the poorest households are more deprived, with more impact on the urban poor. Government should therefore ensure adequate maintenance of water pipes and availability of water for the people. More involvement of the private sector, especially the telecommunication industries and banks should be sought. Also, government needs to come up with appropriate reforms to address major problems befalling the water sector.

Access to improved sanitation had also declined over the years. Access to sanitation in rural areas is worse than urban. Urban poor are also more deprived in access to improved sanitation than their rural counterparts. There is need for proper interventions that will focus on ensuring access to adequate sanitation in Nigeria. Enforcement of existing legislation on what should be the minimum facilities to be contained in a dwelling should be properly enforced. The involvement of sanitation

officers in ensuring compliance to existing laws should be strengthened, especially in urban slums areas where majority of the urban poor live.

It was found that urban areas have higher access to improved dwelling characteristics and assets than rural areas. Residence in urban area, though decreased asset inequality in 1999 and 2003, was however found to have increased its inequality in 2008. Development of rural infrastructure and wealth creation skills, in order to enhance economic opportunities of rural people will go a long way in having holistic development framework that will lead to rapid poverty reduction.

About half of the Nigerian population lacked access to electricity in 2008. Government needs to show sincere commitment towards addressing the key bottlenecks within the power sector. The power sector, as the driver of major economic activities in the country needs to be focused for better performance, but sincerity of purpose is very important.

Although Nigerian population now has better access to telephone service than it was in a decade ago, the urban poor are still more deprived. It was also found that access to telephone increased inequality in asset indices. This goes to show that the poor are not befitting as much as the rich from the economic transformation opportunities that have been unfolded by the growing access to telephone services. It also shows the depth of poverty among urban poor, because majority of the urban cities have the much needed connectivity coverage. It is therefore suggested that government should come up with some programmes within the mandates of NAPEP to specifically target urban poor and the excessively deprived in the society.

It was found that education increased asset index but also increased its inequality. There is need to ensure that the poor have access to education. Previous efforts of the government in targeting some marginalized groups in the society, especially the pastoralists, majority of who are in northern Nigeria where poverty is endemic will have some impacts. There is also the need for government to ensure proper functioning of the financial institutions. It was found that access to credit is potentially loaded for improving households' access to assets and improved dwelling.

There is the need to address several problems befalling agricultural development in Nigeria because state-level involvement in it reduces asset. This confirms the fact that the poor are largely concentrated among the farming communities. Promotion of policies to ensure better agricultural product pricing and creation of production incentives in terms of access to basic inputs will go a long way in reviving the sector. Similar finding was also recorded for trading parameter that reduced asset index. Constraints for setting up trades should be revisited. Efforts to ensure better access to stalls and provision of conducive environment for the development of small and medium scale enterprises will go a long way in addressing poverty.