Achieving Inclusive Growth Through Pro-poor Spending

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Presentation Outline

- Objectives
- Concepts
- Key Indicators
- Findings
- Conclusion
- Policy Recommendation
Objectives

This study aims to achieve the following objectives:

- Determine whether Nigeria is experiencing economic growth.
- Determine the nature of the growth in Nigeria – inclusive (Pro-poor) or exclusive (pro-rich)?
- Recommend ways to achieve inclusive growth or to sustain existing inclusive growth – emphasize Pro-poor spending.
Concepts

- **Inclusive Growth**
  - growth that enables the poor to actively participate in and significantly benefit from economic activities.
  - growth that reduces the level of poverty by providing everyone the minimum basic capabilities
  - Labour absorbing, mitigate inequalities, facilitate income and employment generation for the poor, particularly women (ADB, 1999)

- **Pro Poor Spending**
  - reduces the level of poverty, inequality and empowers females.
  - focuses on the development of key social and economic sectors; Education, Health, Agriculture...
Key Indicators of Inclusive Growth

- National level indicators:
  - Annual Budget Allocation/Spending.
  - National level economic activities as proxied by GDP
  - Per capita GDP and growth rate.
  - Human development index
  - National poverty and inequality data.
  - Other indicators prepared by NBS and other Experts.
Findings

- Growth is concerned with increase in aggregate productivity (output) and best proxied by GDP.
- Significant growth in recent years (Average Growth rate 7.5%)
- Real per Capita growth rate 4.8%
- Real GDP growth performs fairly well when compared with other African countries.
  - S/Africa, Cameroon and Ghana:
    - Average growth rate of 3.69%, 3.06% and 6.10% respectively.
    - Average real per capital growth rate 2.38%, 0.78% and 3.65% respectively.

  * So far there is economic growth
Findings

Figure 1: Real GDP Growth (2003-2009)

Percentage

2003 2004 2005 2006 2007 2008 2009
Nigeria 10.30 10.60 5.40 6.20 5.90 6.20 8.10

Figure 2: Real Per capita GDP Growth

Percentage

2003 2004 2005 2006 2007 2008 2009 2010
Nigeria 7.6 7.9 2.8 3.6 3.8 3.4 4.4 5.2

Figure 3: (Relative) Real GDP growth Rate

Figure 4. (Relative) GDP per capita Growth rate
Findings

- Poverty incidence remains very high
- Inequality is very significant
  
  ‘Immiserizing’ growth – Bhagwati (1958)
- Human Development is improving but still very low
- Unemployment is still prevalent especially among the Youths and the Female population

* growth not pro-poor (inclusive)
Findings

- But Poverty incidence remain very high
  - Poverty more prevalent in the Rural Areas
  - People with no education are mostly affected

![Graph showing poverty incidence (% of Total Population)]
Findings

- Inequality is very significant
  - Among the highest in the world (Gini coefficient 0.49)
  - Relatively high ratio of the average income of the richest 10% to poorest 10% (17.8)
  - 65% of the assets is controlled by 20% of the population

  - 1\textsuperscript{st} quintile: 1.43%
  - 2\textsuperscript{nd} quintile: 4.11%
  - 3\textsuperscript{rd} quintile: 12.82%
  - 4\textsuperscript{th} quintile: 17.04%
  - 5\textsuperscript{th} quintile: 64.78%
Findings

- Human Development is improving but at a very low rate
  - Average Index (2005-2011) is less than 0.50
  - Average Ranking (2005-2011) is 157th out of 180
    - In 2011, HDI is 0.459
    - Rank low among other countries; 156 out of 187 countries

![Human Development Index (2005-2011)](chart)

<table>
<thead>
<tr>
<th>Years</th>
<th>HDI Ranking</th>
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<tbody>
<tr>
<td>2005</td>
<td>158/177</td>
</tr>
<tr>
<td>2006</td>
<td>154/179</td>
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<tr>
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<td>158/177</td>
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<td>2010</td>
<td>159/178</td>
</tr>
<tr>
<td>2011</td>
<td>156/187</td>
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</table>
Findings

- Unemployment is still prevalent especially among Youths and the Female population
  - Youth (age 15-24) unemployment is as high as 49.5%
  - More unemployment in the rural than urban areas.

<table>
<thead>
<tr>
<th>Year</th>
<th>Composite</th>
<th>Urban</th>
<th>Rural</th>
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<tr>
<td>2003</td>
<td>14.8</td>
<td>17.1</td>
<td>13.8</td>
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<tr>
<td>2004</td>
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<td>2007</td>
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Findings


- Allocation to key social and economic sectors are very low
- Larger allocation to less priority sectors.
Conclusions

- So far there is an indication of *economic growth*
- However, there are some disconnection between growth and poverty
  - *Immisierizing growth*
  - Growth is not Inclusive i.e. *non pro-poor growth*
- Growth and employment rate is not keeping pace with increasing labour force
- Perhaps, a reflection of institutional weakness
  - Allocation to key social and economic sectors are low compared to less priority sector (Security …)
- This trend, if not checked, will threaten the realization of MDGs targets and;
- Hold back Vision 20:2020 objectives
Policy Recommendation

- Government needs to pursue policies that will reduce poverty and create employment
  - Implement policies that will improve the basic capabilities of the poor to benefit from the economic activities
  - Direct pro-poor policies should be facilitated through
    - Reallocate and raise total budget
    - Adequate public spending on the key social and economic sector
Policy Recommendation

Education (Social Sector)

Presently, average of 9% of the national budget is allocated to education

- Allocation less than minimum 24% recommended by UNESCO
- Larger percentage of the allocation goes to the pro-rich sub-sector (tertiary/university)

Government should ensure that at least 24% is allocated to education

- Reallocation within the sector to make it pro-poor (emphasis on primary and secondary education)
- More consideration to vocational and technical education
Policy Recommendation

Health (Social Sector)
Presently average of 5% of the national budget is allocated to Health
- Allocation less than minimum 15% pledged by African leaders
- Larger percentage of the allocation goes to the pro-rich sub-sector (Hospitals)

Government should ensure the minimum of 15% is allocated to Health
- reallocation within the sector to make it pro-poor (emphasis on preventive and other health)

Agriculture (Economic sector)
Present 1.83% allocation is far less than the 10% of the Maputo declaration

Government should implement the Maputo declaration
- Commitment and engagement of the States and LGAs are important if Nigeria is to achieve and Sustain Inclusive Growth
Thank You!