



Policy Brief

A Benefit Incidence study of The Nigerian Government's Spending in Education and Health

March, 2012
Volume 1 Issue 6

INSIDE THIS ISSUE

- 1 Introduction
- 2 Background
- 3 Methodology
- 4 Results and Conclusions
- 5 Policy Implications and Recommendations

1. Introduction

This policy brief discusses how the public expenditure benefits the rich more than the poor. The full study analyses the incidence of public expenditures in the Nigerian education and health sectors revealing that more of children enrolled in primary schools are from poor households. This is in contrast to public expenditure on secondary and tertiary education which benefits richer households. Further analysis in the health sector show that the poorest households were the least likely to report sickness and seek treatment, making them minority users of the government health services. The wealthiest households, however, are the main users of health facilities. Another analysis known as progressivity and targeting test, was carried out using benefit concentration curves for both sectors. The results show that Nigeria's in-kind subsidy is poorly targeted.

2. Background

In spite of impressive growth performance in recent years, spending by the federal government in most sectors, especially social sectors remains inadequate and skewed against the poor. This is in addition to the problem of poor service delivery and lack of public expenditure accountability. In effect, this pattern of service delivery that provides fewer public/merit goods to poor income families has raised doubts on government sensitivity to the plight of citizens. It also casts doubt on the quality of government policies, which many say are not evidence driven. This Benefit Incidence Analysis (BIA) attempts to provide some insights on how the Nigerian government has managed its resources towards meeting the needs of the citizens, especially the poor. It examines the beneficiaries of government expenditure in the social sectors of education and health, and answers the question of equity in the provision of social services among different income groups in Nigeria.

3. Methodology

This analysis aims at revealing who benefits from government's subsidy. This analysis includes four main methodological steps:

First, obtain the unit subsidy of providing a particular service: this is calculated by dividing actual government expenditure by beneficiaries of that service. Secondly, obtain the unit subsidy of providing a particular service: this is calculated by dividing actual government expenditure by beneficiaries of that service. Thirdly, divide the population into quintiles based on a welfare measure, usually per capita expenditure or income.

"This is in contrast to public expenditure on secondary and tertiary education which benefits richer households."

“Despite the huge allocations to tertiary education, enrolment into tertiary institutions is still very low relative to enrolment into basic education.”

Lastly, obtain the number of beneficiaries in each social sector per facility level and income group. Obtain the distribution of benefits by multiplying the unit cost of providing a service by the number of users in each facility level and income group.

For this analysis, data on actual expenditure in the Federal government budget was obtained from the Budget Office of the Federation. Information on the use of government education and health facility and the socio-economic characteristics of the user are taken from the National Living Standard Survey (NLSS) 2004 obtained from National Bureau of Statistics.

4. Results and Conclusions

Education

The incidence analysis is conducted in three (3) sub-sectors of the Nigerian educational system, namely: Primary, Secondary and Tertiary.

Educational level	Actual Government Expenditure (2008)	Utilization (NLSS 2004)	Unit Subsidy(₦)
Primary	41,195,092,963	18,678,000	2,205.5
Secondary	16,477,669,977	9,906,000	1,663.4
Tertiary	125,981,876,421	1,350,000	93,319.9

Source: Own estimates

Table 1 show that the estimated government expenditure per student for 6-years compulsory basic education in 2008 was NGN 2, 206 compared with NGN1, 663 for secondary education and NGN 93,320 for tertiary education. The high cost of human resource and facilities input relative to low enrolment into tertiary education could explain this finding.

“Free basic education increases primary school enrolment of the lower income groups more than the richer groups.”

Education Facility Level	Quintiles					Total
	(poorest)	2	3	4	(richest)	
Primary	4.79	3.982	3.711	3.415	2.780	18.678
Secondary	1.459	1.761	1.996	2.131	2.559	9.906
Tertiary	0.23	0.300	0.140	0.210	0.470	1.350

Source: Own estimates

Table 2 presents the school population ranked into income groups, from the lowest to the highest, based on their per capita monthly average expenditure. The findings show that lower-income group have higher share in total primary enrolment compared to the wealthiest group. This can be attributed to the free basic education.

However, for secondary education and tertiary education, higher-income groups have greater share in total enrolment. Table 3 shows that in 2008, 25.6% of total spending in primary education went to the poorest group, as against 14.9% that went to the richest 20%. For tertiary education the poorest 20% received 17% of total spending while 34.8% of total spending in this sub-sector was spent on the richest 20%.

Education Facility Level	Quintiles					Total
	1	2	3	4	5	
	(poorest)				(richest)	
Primary	25.6	21.3	19.9	18.3	14.9	100
Secondary	14.7	17.8	20.2	21.5	25.8	100
Tertiary	17.0	22.2	10.4	15.6	34.8	100

Source: Own estimates

“Health spending in Nigeria is not pro-poor since the bulk of government subsidy goes to the rich income groups.”

Health

The results for the health sector indicate that the unit subsidy for hospitals is greater than the unit subsidy for health centres, implying that the service cost in hospitals is greater than that of health centres (see Table 4).

Health facility level	Actual Government Expenditure (2008)	Utilization (NLSS 2004)	Unit Subsidy(N)
Hospital	45,569,277,024	51,454,000	885.6
Health centre/unit	19,767,952,116	77,532,000	254.9

Source: Own estimates

Table 5 shows that poorer households report less incidence of illness, indicating a relatively low rate of utilization compared to those in the richer groups.

Health Facility Level	Quintiles					Total
	(Poorest)	2	3	4	(Richest)	
Hospital	6.734	9.828	9.594	10.556	14.742	51.454
Health centre	12.428	15.366	15.236	15.496	19.006	77.532
Total	19.162	25.194	24.830	26.052	33.748	128.986

Source: Own estimates

Further analysis of household survey data shows that the poor are less likely to take action and seek treatment at a private health facility, mainly due to the charge to be incurred on such services.

Table 6 shows that health spending in Nigeria is not targeted at the poor since the bulk of government subsidies go to the fourth and fifth groups. For example, the poorest group received about 13.1% of the total benefit for hospital visits while about 28.7% was received by the richest group. Utilization and benefits of health facilities also followed the same trend.

“Provision for scholarships, bursaries, loans as well as health insurance can be redesigned to meet the needs of disadvantaged groups.”

Table 6: Distribution of benefit of health Expenditure by Quintile and Facility level (%) across

Health Facility Level	Quintiles					Total
	1	2	3	4	5	
	(poorest)				(richest)	
Hospital	13.1	19.1	18.6	20.5	28.7	100
Health centre	16.0	19.8	19.7	20.0	24.5	100

Source: Own Estimates

5. Policy Implications and Recommendations

It is commendable that government expenditure and subsidies in primary education are targeted at the poor, however there is a need to redirect its subsidies in secondary and higher education to the poor. Similarly, the results show that expenditure in the health sector is pro-rich for hospitals and health centres.

To ensure better targeting of resources, the study recommends the following:

- Firstly, the mechanism for providing scholarships, bursaries and loans as well as health insurance should be redesigned so as to meet the needs of disadvantaged groups.
- Secondly, the accessibility of government facilities to disadvantaged groups should be considered so as to reduce catastrophic out-of-pocket spending by these groups.
- Thirdly, health insurance schemes should be strengthened to enhance access of the poor to health care delivery. In addition, measures should be initiated to improve the quality of service delivery, with a view to improving the rate of utilization of government services.
- Lastly, there is a need to introduce Public Expenditure Tracking Survey (PETS). The PETS is a tool used to investigate the flow, major leakage and misuse of public funds. This will help increase transparency and accountability of government expenditure.

About CSEA

The Centre for the Study of the Economies of Africa (CSEA) is an independent non-profit organization established by Dr. Ngozi Okonjo-Iweala. CSEA aims to strengthen the evidence-based policy space through high quality and timely research.

Further Reading

This policy brief is a summary of a research conducted by CSEA. For the full report and other reports published by CSEA, please visit www.cseaafrica.org.

- Mark, P. (2002), "Benefit incidence analysis: how can it contribute to our understanding health system performance", *DFID health system resource centre issue paper*.
- Demery, L. (2000), "Benefit incidence: a practitioner's guide", *Poverty and social development group African region, the World Bank*.
- Uneze, E.F., Okebukola O. and Nwadike G.C., (2010), "A benefit Incidence Analysis of Education and Health Spending", *a research report prepared for the Global Development Network (GDN) under the Strengthening Institutions to Improve Public Expenditure Accountability Project*.
- Foreign Exchange
1 USD = 155.77 NGN (Naira)
1 GBP = 250.90 NGN

Centre for the Study of the Economies of Africa

No. 4 Dep Street,
Off Danube Street
Maitama, FCT Abuja
Nigeria

Phone: +234-9-8709090

E-mail: enquiries@cseaafrica.org

Website: www.cseaafrica.org