

# Achieving Inclusive Growth Through Pro-poor Spending

3<sup>rd</sup> CSEA Annual Economic Policy and Fiscal  
Strategy Seminar

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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.

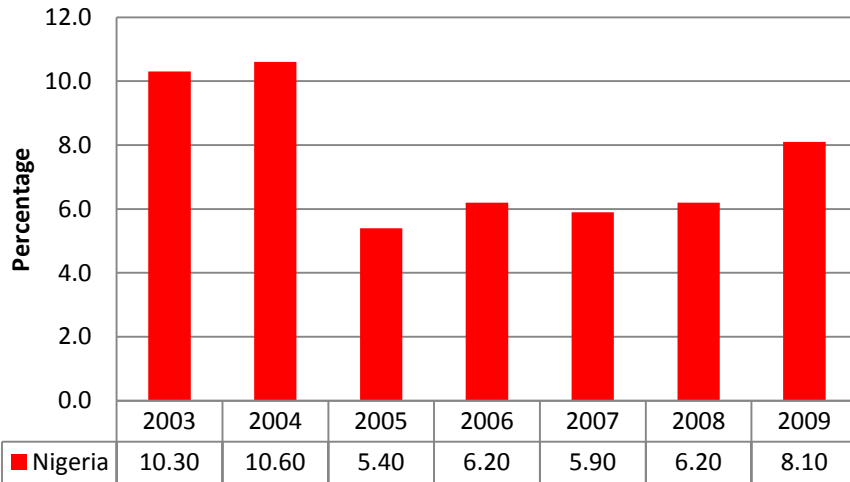
# Findings

- ❑ 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.

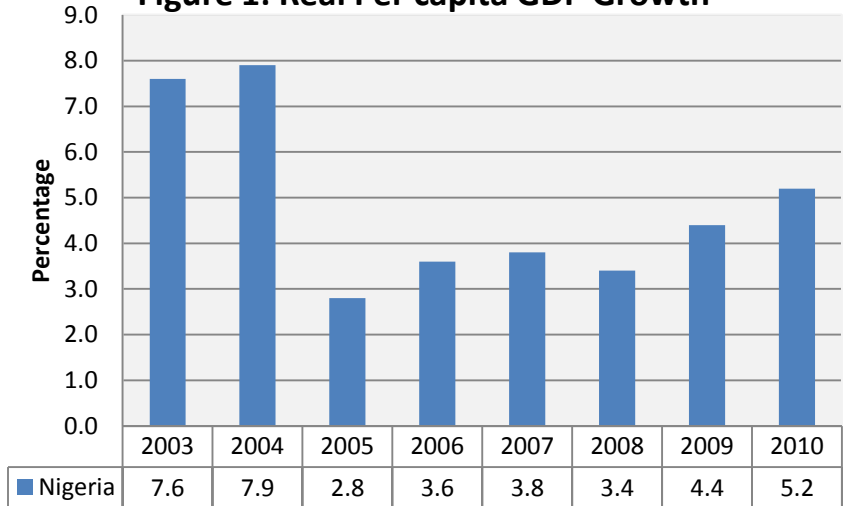
***\* So far there is economic growth***

# Findings

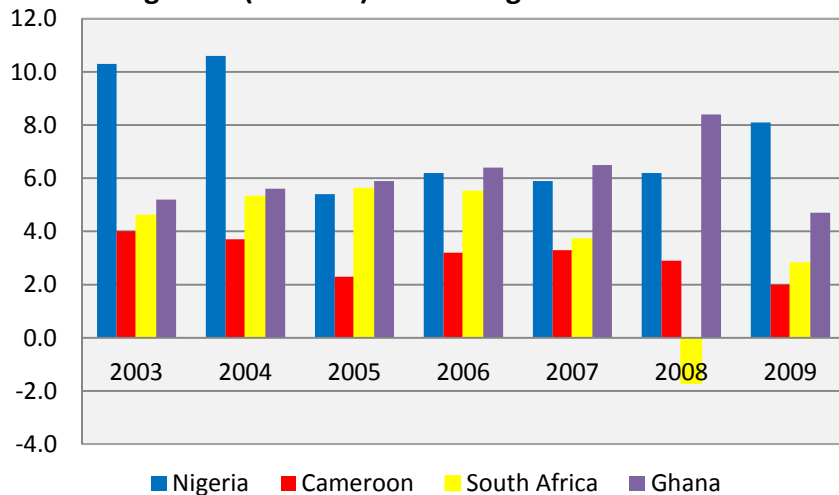
**Figure 1: Real GDP Growth (2003-2009)**



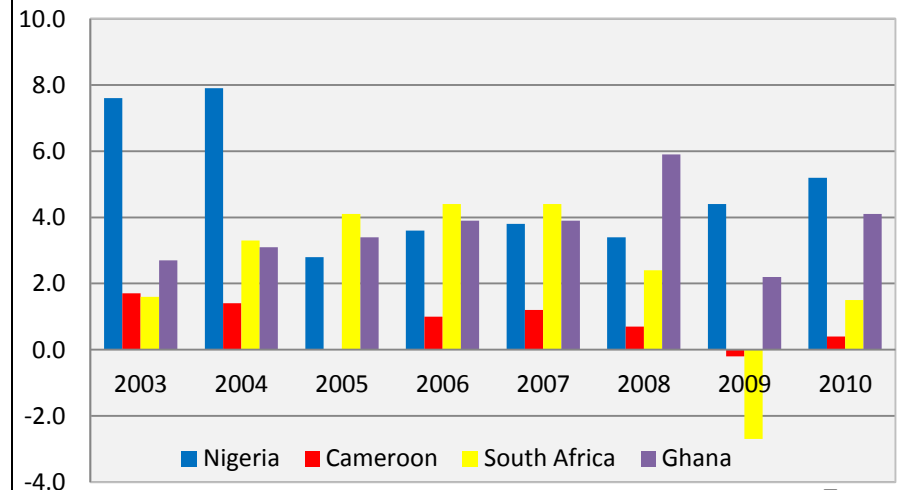
**Figure 1: Real Per capita GDP Growth**



**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)***



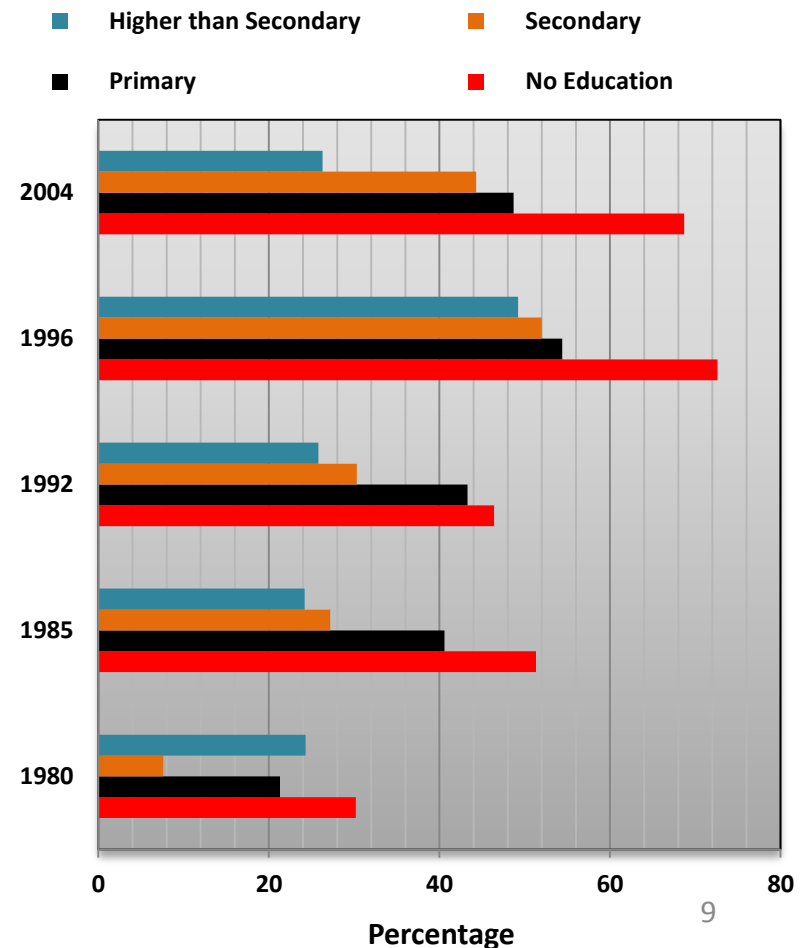
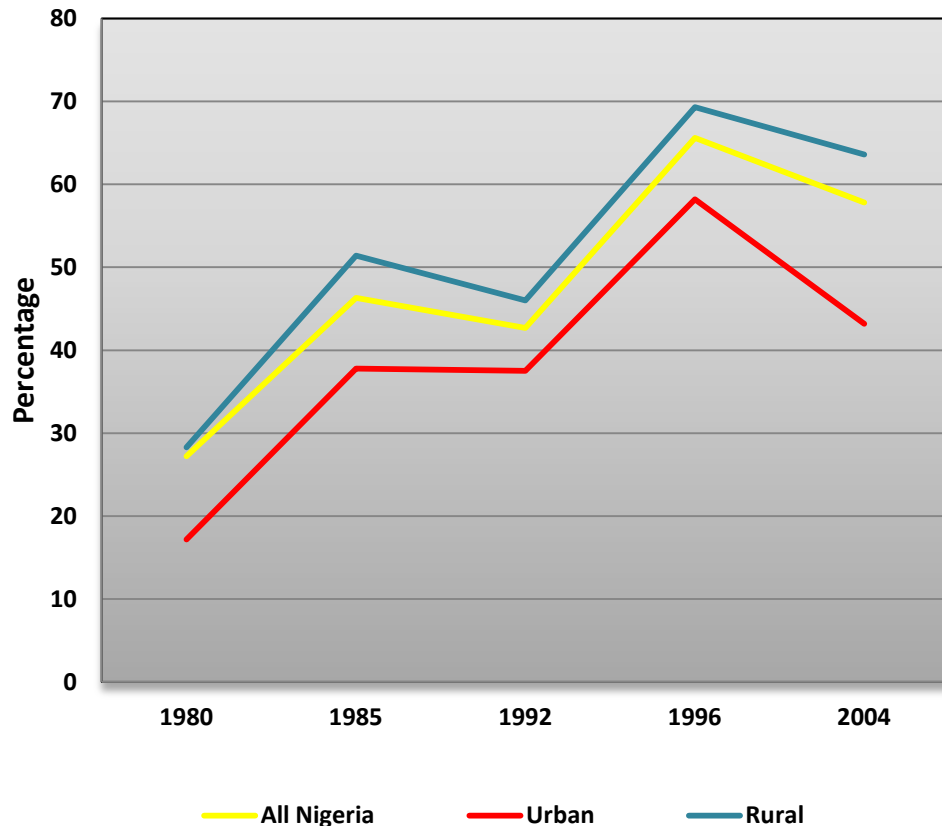
# Findings

❑ But Poverty incidence remain very high

➤ Poverty more prevalent in the Rural Areas

➤ People with no education are mostly affected

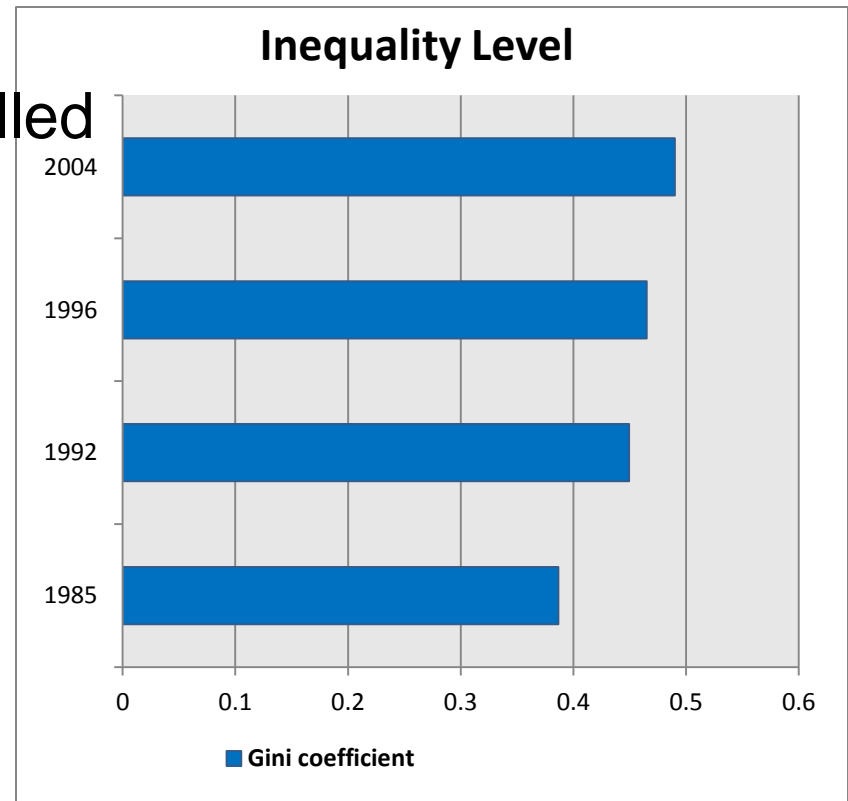
Poverty Incidence (% of Total Population)



# Findings

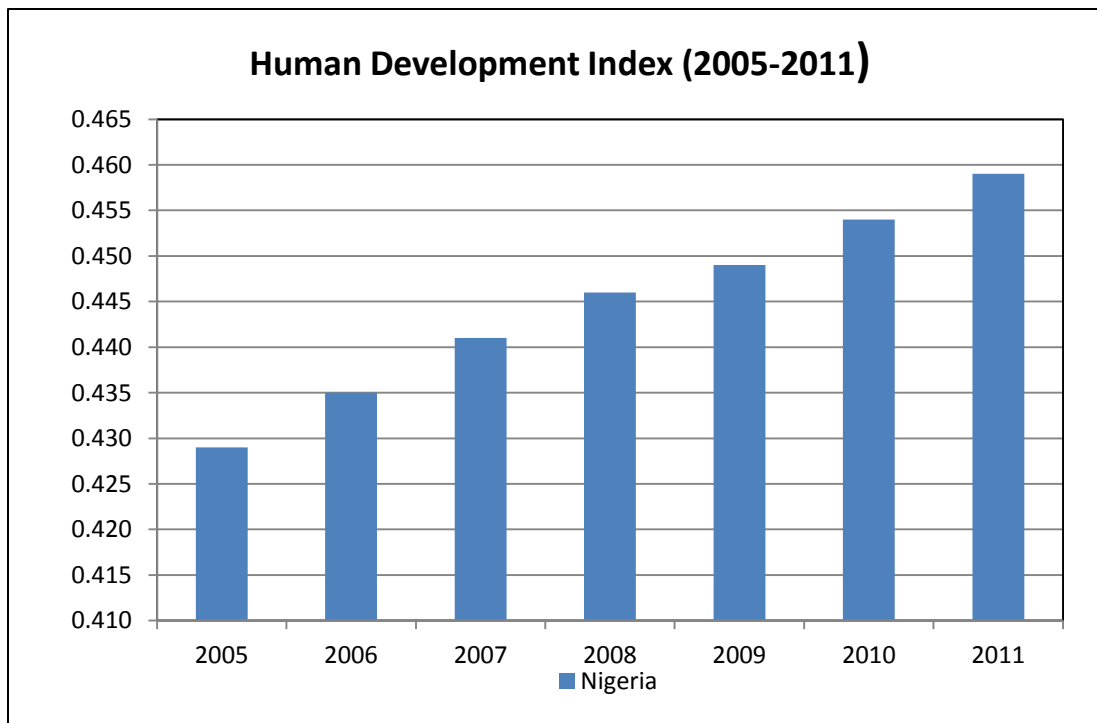
## □ Inequality is very significant

- 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<sup>st</sup> quintile: 1.43%
  - 2<sup>nd</sup> quintile: 4.11%
  - 3<sup>rd</sup> quintile: 12.82%
  - 4<sup>th</sup> quintile: 17.04%
  - 5<sup>th</sup> 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 157<sup>th</sup> out of 180
  - In 2011, HDI is 0.459
  - Rank low among other countries; 156 out of 187 countries

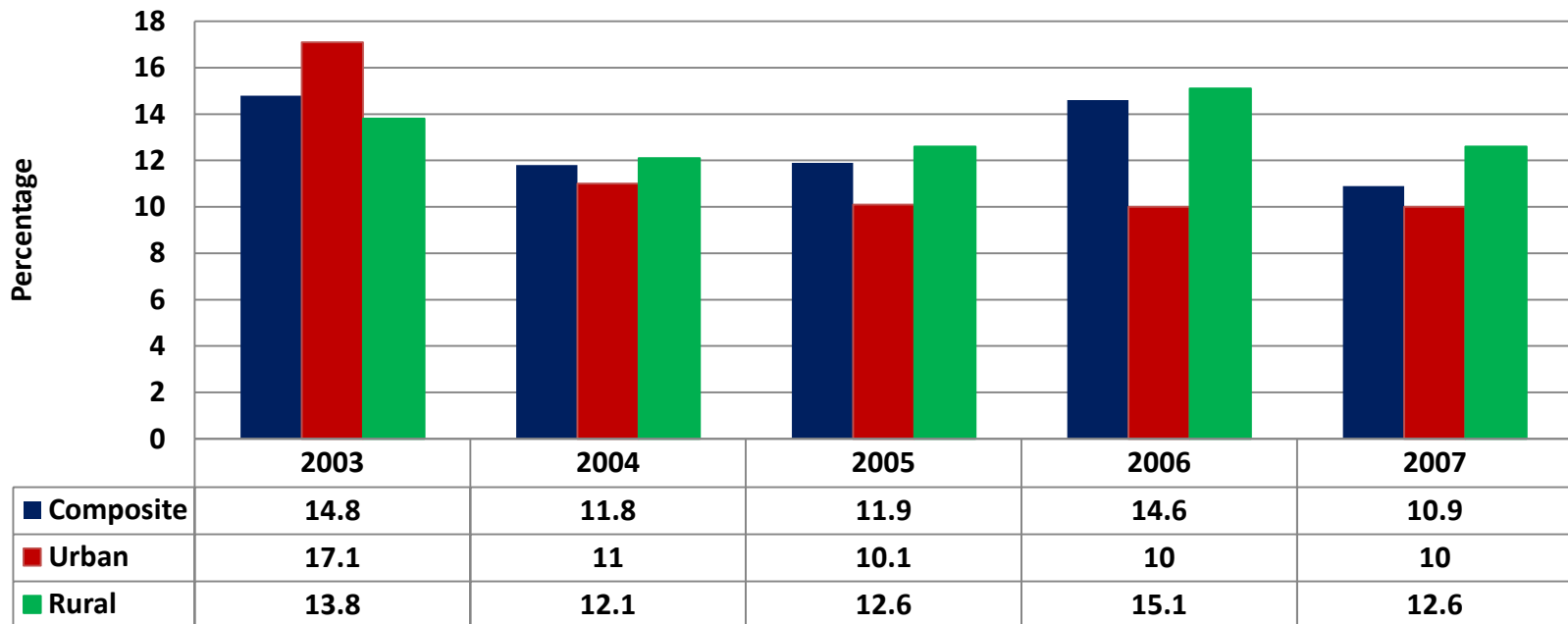


Years	HDI Ranking
2005	158/177
2006	154/179
2007/8	158/177
2009	158/182
2010	159/178
2011	156/187

# Findings

- ❑ Unemployment is still prevalent especially among Youths and the Female population
- Youth (age15-24) unemployment is as high as 49.5%
- More unemployment in the rural than urban areas.

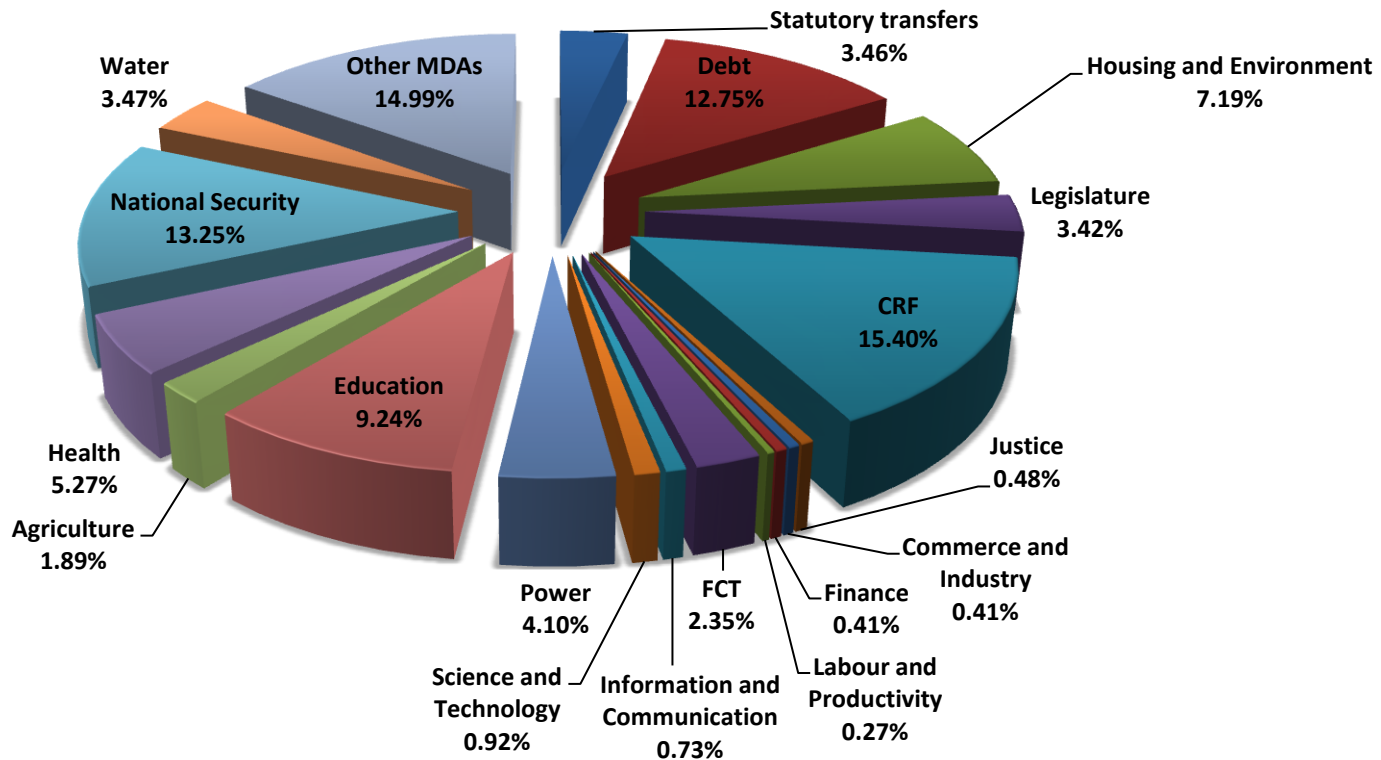
Unemployment rate (% of Labour Force)



# Findings

## ❑ Federal Government Annual Average Budget 2006-2011.

- 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
  - *Immiserizing 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 benefits 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!**