This booklet aims to strengthen the initiative of the Nigerian government in poverty alleviation by publishing key facts and figures, while informing concerned policymakers and citizens. It answers such questions as:

- Who is poor?
- In what ways are they poor?
- Where do they live?
- Is poverty getting better or worse? And why?
- What can be done to reduce poverty?
Poverty is widespread and severe. Using the most recent poverty indicators such as illiteracy, access to safe water, and the number of poor people, Nigeria ranks below Kenya, Ghana, and Zambia. Nigeria's GNP per capita is also lower, while purchasing power continues to decline with high inflation and increasing income inequality (table 1). UNICEF classifies Nigeria as a country with severe child malnutrition and very high under-5 mortality rates. Access to education, health, water, and housing is inadequate. Although most of the poor

| TABLE 1 |
| Social Indicators: Nigeria and Selected Countries |
| (Percent, unless otherwise indicated) |

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<thead>
<tr>
<th></th>
<th>Nigeria</th>
<th>Côte d'Ivoire</th>
<th>Ghana</th>
<th>Kenya</th>
<th>Zambia</th>
<th>Indonesia</th>
<th>China</th>
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<tr>
<td>GNP per capita, 1995 (US$)</td>
<td>260</td>
<td>660</td>
<td>390</td>
<td>280</td>
<td>400</td>
<td>980</td>
<td>620</td>
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<tr>
<td>Population growth</td>
<td>2.9</td>
<td>3.6</td>
<td>3.0</td>
<td>2.8</td>
<td>3.1</td>
<td>1.5</td>
<td>1.1</td>
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<tr>
<td>Life expectancy, 1993</td>
<td>52</td>
<td>56</td>
<td>58</td>
<td>59</td>
<td>47</td>
<td>63</td>
<td>69</td>
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<tr>
<td>Infant mortality, 1994</td>
<td>114</td>
<td>90</td>
<td>74</td>
<td>59</td>
<td>108</td>
<td>53</td>
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<tr>
<td>Birth rate</td>
<td>43.3</td>
<td>45.1</td>
<td>41.4</td>
<td>37.4</td>
<td>47.3</td>
<td>25.0</td>
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<tr>
<td>Death rate</td>
<td>14.2</td>
<td>11.7</td>
<td>11.7</td>
<td>9.8</td>
<td>16.7</td>
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<td>Total fertility rate</td>
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<td>Dependency ratio</td>
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<td>108.6</td>
<td>102.9</td>
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<td>Access to safe water, 1993</td>
<td>40</td>
<td>83</td>
<td>56</td>
<td>49</td>
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<td>42</td>
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<tr>
<td>Urban</td>
<td>52</td>
<td>100</td>
<td>93</td>
<td>61</td>
<td>76</td>
<td>65</td>
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<td>Rural</td>
<td>20</td>
<td>75</td>
<td>39</td>
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<td>Gross primary enrollment, 1993</td>
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<td>Pupil/teacher ratios</td>
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<tr>
<td>Primary</td>
<td>39</td>
<td>37</td>
<td>29</td>
<td>31</td>
<td>44</td>
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<td>Secondary</td>
<td>20</td>
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<td>17</td>
<td>17</td>
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<td>Illiteracy rate, 1995</td>
<td>49</td>
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<tr>
<td>Female</td>
<td>61</td>
<td>62</td>
<td>49</td>
<td>42</td>
<td>35</td>
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<td>36</td>
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<tr>
<td>Population below relative poverty line, 1992–96</td>
<td>34</td>
<td>40</td>
<td>32</td>
<td>41</td>
<td>68</td>
<td>17</td>
<td>11</td>
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</tbody>
</table>

Source: World Bank Economic and Social Database.
live in rural areas, urban poverty is also becoming an increasing concern. Recent studies indicate a worsening trend in urban welfare indicators.

*Nigeria and external agencies are working closely to develop a poverty alleviation strategy.* Given the size of the problem, the federal government launched a Poverty Assessment in 1994 in partnership with the World Bank, UNICEF, and the Overseas Development Administration. The results of the assessment (completed in 1995) were discussed at federal, state, local, and community levels. Soon after, the

![FIGURE 1](https://example.com/figure1.png)

**Priority Welfare Indicators**
Population living below the poverty line (₦395), by state, 1992

National Planning Commission was given the task of developing a strategy for poverty relief by setting up a Poverty Alleviation Programme Development Committee. The Committee has put forward a draft national strategy, Community Action Programme for Poverty Alleviation (CAPPA), for federal government consideration.

The oil boom in the early 1970s brought mixed blessings. When oil prices, output, and exports rose, the government suddenly had a huge cash flow to invest in infrastructure development and to greatly improve social services. Real wages increased in nonagricultural (mainly urban) sectors. Average per capita income rose sharply (figure 2). Imports as a share of GDP at factor cost soared from 21 percent in the 1960s to 83 percent in the early 1980s.

Agriculture was devastated. Agriculture fell from 60 percent of GDP in the 1960s to 31 percent by the early 1980s. Production declined because of inexpensive imports (given the highly appreciated exchange rate) and heavy demand for construction labor encouraged migration of farm workers to towns and cities. A major agricultural net exporter in the 1960s and largely self-sufficient in food, Nigeria quickly became a net importer of agricultural commodities. This phenomenon has been termed "Dutch disease." It occurs when a boom in an export commodity (oil in this case) has undesirable effects on other activities (box 1). At the same time, cheaper imports of machinery and spare parts fueled a temporary manufacturing boom.

Poverty increased when oil prices fell. After 1982, when oil prices began to fall, the welfare system fell apart and poverty increased sharply. Between 1980 and 1984, average per capita income dropped, as did private consumption per capita (figure 2).
Economic mismanagement added to the pain. There were several reasons for worsening economic conditions after 1980. Falling oil revenues drastically reduced the Nigerian government’s capacity to spend. At the time, however, the authorities saw this as only temporary and continued borrowing externally against expectations of a return to high world oil prices. The result, combined with rising world interest rates, was big and growing foreign debt. Other important factors were also at work. The slow (even negative) growth in the economy was also due

**BOX 1. THE “DUTCH DISEASE”**

Why did Nigeria's booming oil export wealth have so little lasting benefit? The short answer is mismanagement of those oil resources. As some other oil exporters have found, a dramatic increase in oil revenues, when not managed carefully, produces “Dutch disease.” This phenomenon has adverse repercussions in other sectors of the economy. The disease is most pernicious when the boom that started the problem reverses itself. Immobility of resource flows compounds the problem. The increase in oil revenues causes an appreciation of the real effective exchange rate, which changes the relative profitability of traded vs. nontraded goods. Nontraded goods (mostly construction and public services) are encouraged and traded goods production (mainly agriculture) are discouraged. When oil revenues fall, as they did dramatically in Nigeria between 1980 and 1986, the economy is left with an unsustainable import- and capital-intensive production structure.

Nigeria also had its own disease, that compounded the effects of “Dutch disease.” Doves of farm workers moved from the rural sector into nontradable production in search of higher (but temporarily) nominal wages in the urban sector. On top of that, excessive mechanization by better-off farmers, thanks to subsidies and underpriced capital goods, further displaced labor in rural areas. Misallocation of resources in agriculture included construction (but not completion) of huge irrigation projects that drew capital into agriculture, but showed few tangible benefits. Although the authorities attempted to reverse the negative impact on agriculture through fertilizer and interest-rate subsidies, they simply led to further inefficiencies in resource allocation. Subsidies tended to benefit large, better-off farmers, not small farmers—who became poorer.
to the government's inability to manage the exposure to oil price volatility and the use of resources for unproductive investments. This meant a huge waste of resources and multiple inefficiencies in resource allocation.

**Falling oil prices in 1986 prompted policy changes.** The Nigerian crisis deepened in 1986 when oil prices fell dramatically to US$14 a barrel, compared with US$27 in 1985. This prompted three major policy changes in late 1986. The exchange rate was sharply devalued, import licenses were abolished, and agricultural marketing boards were eliminated.

**Winners in 1986–92: farmers.** Locally grown grains were suddenly able to compete with increasingly expensive imports while cocoa and rubber exports earned more naira, especially since farmers could collect full world prices due to the elimination of marketing boards. Since most people were from rural areas, most families gained from this change, especially those in the south, where either food crops or cash crops could be grown for export. Agro-industry also gained from increased agricultural output. Other industries, which produced goods competing with imports such as textiles and furniture, were also suddenly more profitable. Moreover, the end of import licensing made it easier to purchase needed chemicals and spare parts even though prices remained high.

**But many suffered declines in living standards, 1985–92.** Policy-change losers were mainly people who remained in less profitable construction or service jobs. Employees of some manufacturers, who were overdependent on imported machinery and parts—such as automobile assembly—also suffered. This was a special problem for the Kano-Kaduna and Lagos-Ibadan regions, which are home to many such industries.

**Those living in poverty declined substantially between 1985 and 1992.** With rural areas improving the fastest, 1.3 million poor people
moved out of poverty. For all Nigerians, mean per capita household spending rose by 34 percent between 1985 and 1992. Real per capita income and private consumption, however, did not exceed the levels seen in the early 1970s.

In 1992–95, however, poverty was again on the rise. This was due mostly to adverse policy changes. Increasing government deficits in 1992 and 1993 led to high inflation and pressure on the exchange rate. In 1994, the government tried to control the situation by abandoning the market-determined exchange rate rather than holding down budgetary spending. Output slowed to a near standstill and exports and imports plunged. The government corrected course again in 1995 but growth in real per capita income (averaging 2.5 percent a year between 1986 and 1992) turned negative (minus 1 percent) between 1993 and 1995. More recent estimates put the number of Nigerians living in poverty in 1995 at 40 percent.

Profile of Poverty

Poverty in Nigeria has been widespread. In 1985, 43 percent of the population was living below the poverty line. This means 36 million people had no more to spend than ₦395 a year in 1985 prices (almost US$325 at 1992 prices and exchange rate) and could not consume more than 2,100 kilocalories. In the absence of an official definition, this poverty line was obtained by calculating two-thirds of the mean per capita household expenditure for 1985. By this poverty line measure, half of the rural population was poor, while in urban Lagos a quarter was poor. Those unable to spend more than ₦198 a year in 1985 prices were extremely poor—10 million people or around 30 percent of all poor people in 1985. Poverty would be higher, of course, if a higher value was taken as the poverty line; a poverty line of ₦528 would have resulted in 58 percent poverty in 1985. Conversely, a poverty line of ₦318 in 1985 prices would have placed 32 percent of the population in poverty.
Income measures do not show an improvement in welfare. The trend in per capita private consumption shows that it peaked in 1982, and since 1985 (excluding 1993) has been declining. Such falls in incomes, especially set against the 1973–80 boom times, were strongly felt by all Nigerians and would explain why the decline in poverty between 1985–92 was not readily appreciated by most people. Compared with 1985, the bottom 18 percent of the population had a lower standard of living in 1992 in terms of mean per capita household expenditure.

In 1985–92 the incidence of poverty fell, but income inequality worsened. The 1992 household survey indicates that the number of people who fell below the poverty line declined from 43 percent in 1985 to 34 percent in 1992. This, however, translates into only a small decline in the number of poor people—from 36.1 million in 1985 to 34.7 million in 1992. This is mainly because a sharp increase in population growth has not enabled Nigeria to realize large reductions in the number of poor (table 2).

Where survey data is available, it shows that income inequality worsened in 1985–92, despite the decline in the number of poor. In 1985 the top 10 percent had more than 35 percent of income, rising to 45 percent in 1992. In contrast, the lower 10 percent had only 2 percent of income in 1992 (figure 3). All deciles have a lower share of the total expenditure except the top two. The real per capita spending of the bottom two deciles were lower in 1992 than in 1985—poor people became poorer.

The bottom 20 percent had lower living standards in 1992 than in 1985. For the lowest one-fifth who lost ground in 1985–92, their average per capita expenditure was N253 in 1985 and N164 in 1992.

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1. A higher poverty line would change the relative levels of poverty in the two years, but the fact that poverty declined by 9–10 percent between 1985 and 1992 would remain unchanged.

2. All population figures in this booklet are obtained from United Nations population estimates for Nigeria in World Population Prospects 1995.
TABLE 2
Incidence of Poverty in Nigeria, 1985–92
(Percent, unless otherwise indicated)

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<tbody>
<tr>
<td>Extreme Poor (₦198)</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Number of poor (millions)</td>
<td>10.1</td>
<td>13.9</td>
<td>1.5</td>
<td>4.3</td>
<td>8.6</td>
<td>9.6</td>
</tr>
<tr>
<td>Poverty incidence</td>
<td>12.0</td>
<td>13.6</td>
<td>4.9</td>
<td>10.9</td>
<td>16.1</td>
<td>15.4</td>
</tr>
<tr>
<td>Poverty depth</td>
<td>4.2</td>
<td>8.5</td>
<td>0.9</td>
<td>6.1</td>
<td>4.2</td>
<td>8.0</td>
</tr>
<tr>
<td>All Poor (₦395)</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Number of poor (millions)</td>
<td>36.1</td>
<td>34.7</td>
<td>9.7</td>
<td>11.9</td>
<td>26.4</td>
<td>22.8</td>
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<tr>
<td>Poverty incidence</td>
<td>43.0</td>
<td>34.1</td>
<td>31.7</td>
<td>30.4</td>
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<td>36.4</td>
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<tr>
<td>Poverty depth</td>
<td>15.7</td>
<td>14.7</td>
<td>9.1</td>
<td>12.0</td>
<td>18.9</td>
<td>16.1</td>
</tr>
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</table>


despite the increase in national average expenditure of 34 percent. One in five Nigerians lives on less than ₦164 per capita a year, which barely provides half the nutritional requirements for healthy living. In both urban and rural areas, a family spends around two-thirds of household expenditure on food alone, while the poorest households spend up to 90 percent of their income on food.

DISTRIBUTION OF POVERTY

*Poverty is highest in rural areas.* The number of rural poor is roughly twice that of the urban poor (figure 4). The depth of poverty (that is, the average shortfall from the poverty line) was more than double in rural areas. The average per capita expenditure of a poor rural household was one-fifth of the nonpoor in 1992. Of the extremely poor, 85 percent lived in rural areas and more than two-thirds lived on farms. Income inequality is also worse in rural areas, with a Gini coefficient of 45.6 compared with 39.9 for urban Lagos. Compared with Ghana and
Uganda, Nigerian income inequality is worse; however, the South African income distribution is less even than the Nigerian.

**Rural poverty fell in 1985–92—urban poverty increased.** The number of rural poor declined from 26.4 million in 1985 to 22.8 million in 1992. In towns and cities, it rose from 9.7 million to 11.9 million in 1985–92. The depth of poverty declined from 19 to 16 percent in rural areas, while it increased in urban areas from 9 to 12 percent.

**Extreme poverty rose in 1985–92, substantially in urban areas.** In Nigeria in 1985–92, total extreme poverty increased from 10.1 million people to 13.9 million with a near-threefold increase in the urban extreme poor—from 1.5 million to 4.3 million people. Moreover, the depth and severity of extreme poverty increased more than sevenfold in urban Nigeria compared with a twofold increase in rural areas.

**Poverty varies with geography.** The low educational attainments and rural character of poverty is mirrored in the geographical distribution of poverty. The northern states, which are substantially rural and have had less exposure to education express more poverty than other parts of the country. The southeast and southwest of Nigeria are substantially better-off compared with the northeast and northwest. Half of those in the lowest expenditure quintile live in the northeast and northwest, while another fifth are in the central region. A third of Nigeria’s poor are concentrated in three northern states—Sokoto, Kaduna, and Kano. Sokoto, Kano, and Bauchi (another northern state) had a poverty rate of more than 50 percent. Gongola, Cross Rivers, and Sokoto showed no reduction in poverty in 1985–92.

**Changes in poverty also vary with geography.** Poverty fell by 16 percentage points in the southeast in 1985–92, compared with a 1 percentage point increase in the northwest. This is because the northern states have seen less than 10 percent growth in per capita expenditure compared with a more than 40 percent increase in some southern states.
The poor are often concentrated in communities without basic services. The Participatory Poverty Assessment, conducted in ninety-five communities and covering forty-five local government authorities, shows that poor communities are usually cut off from the benefits of development—roads, potable water supply, and safe sanitation. They also generally lack access to health and education services.

CHARACTERISTICS OF POOR HOUSEHOLDS

Educated Nigerians fare better than the noneducated. Completing primary education makes a big difference between being poor and nonpoor in Nigeria. Those with secondary or higher education have half the poverty incidence of those with no education. Attending primary schools reduces the probability of being poor by almost 50 percent, attending secondary by another 20 percent.

Most of the poor live in rural areas and are involved in farming. Before the discovery of oil, Nigeria’s economy was primarily agricultural and, despite its decreased role as a component of GDP, the sector continues to employ about 72 percent of the labor force. It is not surprising then that 68 percent of the extreme poor are dependent on agriculture for their livelihoods. Most are mainly self-employed or family workers and live in regions with poor infrastructure, poor access to services, unfavorable agro-climatic conditions, or all three.

Poor households have many members with few jobs. The probability of being poor increases with household size, especially if there are more than ten members and only a few have jobs. The older the household head, the larger the family, and so the greater likelihood of being poor. Poor rural households have an average of seven members with two employed, while nonpoor rural households have four members on average, with two employed. The average urban poor households consist of eight, compared with four for the nonpoor, with an average of two people employed in each. Poor households in both
urban and rural areas have an average of three children, compared to less than two in the case of the nonpoor.

*Where the household head is employed, there is low poverty.* For households with a wage-earning head, poverty fell from 46 percent in 1985 to 28 percent in 1992. When the head of the household was self-employed, poverty fell from 52.5 percent to 35.1 percent. Where a female was head of the household and was responsible for making decisions, the family was less likely to be poor.

### POPULATION

*The rapid population growth in Nigeria is a concern.* Nigeria's average population growth of around 2.9 percent and its impact on economic welfare is a serious worry. The average Nigerian woman has six children, compared with five children in Ghana and Kenya. Knowledge of modern contraception is one of the lowest in Africa, with 7 percent usage. If recent population trends continue, by 2015 the population will double from its current estimate. The urban population is increasing rapidly at almost double the natural rate of growth (because of migration and urbanization) and this makes the challenge of urban poverty reduction and welfare improvement a daunting task.

### HEALTH AND NUTRITION

*Nigeria's health sector shows significant regional differences in performance.* These variations include those in health status, health service use, and resource availability. More than 80 percent of hospital beds (state and private) are in the southern region. Public-sector health staff are concentrated in urban areas, leaving the rural poor's health needs mostly unserved. This is reflected in the minimal health coverage.
FIGURE 5
Nutrition Status of Children Under 5, 1990
(Percent)

Prevalence

Urban
Rural
All

Wasting
Stunting
Underweight

Source: Nigeria: Key Social Statistics.

of the predominantly rural north compared to the urban south. About 41 percent of rural women receive no delivery care. The incidence of sexually transmitted diseases, estimated at a prevalence rate of 3.8 percent, is on the rise, especially among youth in urban areas.

Per capita health spending is low and does not focus on quality. Per capita health expenditure of US$9 a person is much lower than in other African countries—for instance, in Ghana (US$14) and Kenya (US$16). Improvements in Nigeria’s health care are occurring at a very slow pace. Public health services are compromised by limited resources spent on factors that maintain and improve quality; in 1990, health spending as a percentage of GDP was 2.7 percent in Nigeria, 3.5 percent in Ghana, and 4.3 percent in Kenya.

Nigerian children have poor health, much worse than in most other African countries. Children’s health is a good indicator of the health of Nigerians, since it covers more than 45 percent of the present 104 million population, with implications for the future. Under-5 mortality is 20 percent in Nigeria, compared with 15 percent in Ghana and 9 percent in Kenya. One in every six children under age 5 had at least one episode of diarrhea in the previous two weeks, with little gender variation. In 1990 infant mortality was 11.4 percent in Nigeria (one of the worst in Africa) and compares to 7.4 percent in Ghana and 5.9 percent in Kenya.

Childhood malnutrition is common—the consequences serious. The nutritional welfare of Nigeria’s children is precarious. Many households are unable to provide adequate nutritious food for all family members, which has led to increasing malnutrition. Childhood malnutrition and its consequences, such as wasting and stunting, are widespread—caused by poor diet, short birth intervals, and rampant disease.

The incidence of wasted, stunted, and underweight children is higher in rural areas (figure 5). Of those under 5 years old, 36 percent are mod-
erately underweight, while 12 percent are severely underweight; and 16 percent of babies have low birth weight. In the under-5 age group, 9 percent are wasted while 43 percent are stunted, according to the 1990 Demographic and Health Survey. In Ghana, only 8 percent were wasted and 30 percent stunted.

**All regions suffer from severe malnutrition.** Because northern states have lesser access to health services than the south, children in the north are more likely to suffer from malnourishment and diarrhea. Stunting is prevalent among 50 percent of those under 5 in the northwest and northeast, and among 40 percent in the southern regions.

**Most infant mortality in Nigeria is preventable.** A third of women and children are anemic. Endemic goiter and other micro nutrient deficiencies are common. All this is reflected in high infant and child mortality rates. Yet almost 80 percent of deaths are caused by preventable diseases (figure 6). Good ventilation in houses and early vaccinations would help reduce the infant mortality by 20 and 10 percent, respectively. The immunization coverage is only 22 percent for children between 12 and 23 months.

**Access to water and sanitation is limited, which harms people’s health.** Access to safe water and sanitation is very low. Only 36 percent in rural areas have access to potable water while 80 percent of urban-dwellers have access, 48 percent of the urban population have no access to adequate sanitation.

**EDUCATION**

**Nigerians are not receiving good quality and job-related education.** Low educational achievement in general and low literacy rates, especially for women, hinder human capital development and economic growth. Gross enrollments for primary schooling fell from 93 percent in 1982-83 to 78 percent in 1990-91. Recent surveys have shown that there was an increase in enrollments between 1991 and...
There are wide regional disparities in education and literacy. In the south, primary and secondary school enrollments are double those in the north. Household surveys show that 73 percent of the male population in the northwest have never attended secular schools, compared with 18 percent in the southwest; among females, the figures are 80 and 30 percent respectively. More than 40 percent of teachers in northern schools do not have appropriate teacher training qualifications. In the southeast, many boys now drop out of school to work in the informal sector. The literacy rates by gender and region show marked disparities between north and south (figure 7).

PUBLIC SPENDING AND SOCIAL INDICATORS

Oil revenues have made little improvement in people's lives. Nigeria has an abundance of land, oil, and natural resources, but many of its people are still very poor. Nigeria earned almost US$200 billion between 1970 and 1990 from oil, but this has made little impact on the welfare of the people. Nigeria's oil wealth has not been wisely invested to provide a sustainable stream of benefits to the poor. Education and health services, which grew rapidly in 1973–83, started to decline in the mid-1980s with falling government revenues. Capital spending was sus-
Pended and routine recurrent expenditures cut drastically, leading to a sharp decline in the quality of services. This has had a negative impact on human development and welfare.

Recurrent spending does not focus on quality improvements. Social-sector allocations have increased in the 1990s (figure 8). But rapid price increases and lack of efficiency, transparency, and accountability of public expenditures have prevented the government from realizing intended improvements. The quantity and quality of basic services have deteriorated and benefits to the poor have dwindled. Tertiary services absorb a disproportionately high percentage of government financing in both health and education. In some, almost 90 percent of recurrent spending goes to personnel costs, leaving little for drugs, textbooks, and maintenance, which are also necessary for quality improvement. The continuously changing roles in providing services at different government levels only add to fiscal inefficiencies.

### SET PRIORITIES

Any successful strategy to improve welfare, involving all stakeholders, must include three simultaneous courses of action—toward a strong and focused emphasis on economic growth, better access for the poor to social services and adequate infrastructure, and targeted interventions to protect the poorest or the most vulnerable in society. To achieve economic growth and reduce poverty, there must be prudent fiscal and monetary policies with incentives to create more and wider sources of growth, and to support the development of the private sector as the catalyst for growth. The government needs to focus efforts on policy aspects of improving the quality of human resources and rely more on the informal and formal private sector to increase capital investment.
The Vision 2010 Committee has made a good start in setting priorities and goals. It is broadly acknowledged that Nigeria needs to reorient development strategy and set real objectives to address the poverty and welfare concerns of its people. Vision 2010 calls for various targets for Nigeria’s upliftment—economic growth of 6–10 percent a year, inflation down to 3–5 percent a year, higher levels of literacy and quality education, and effective and comprehensive health care.

**BENEFITS OF ECONOMIC GROWTH**

*Prudent economic policies and a growing economy can reduce poverty.* Growth and poverty reduction experienced between 1985 and 1992 showed that even modest growth on its own can help reduce the number of poor people. To make bigger reductions, simulations show that consumption expenditures would need to grow at 5–7 percent a year, within the framework of broad-based growth, with higher rates in fast-growing urban areas.

*Rapid growth and substantial poverty reduction will require policy changes.* To gradually reduce the ranks of the poor, growth must not only be rapid but broad-based and geared toward generating employment. The obvious primers are removal of price distortions and deregulation of economic activities, including liberalization of trade, privatization and investment in technology, and physical capital. Incentives to the informal and private sectors to increase capital investment are also imperative. Pricing policies, land laws, property rights, and the tax structure are vital policy instruments for farming, mining, and manufacturing. Other factors crucial to poverty reduction include improved access to credit, technology, materials, and markets, as well as ancillary services, such as research and extension.

**DEVELOP HUMAN RESOURCES**

*The poor need more access to social services and infrastructure.* This is critical for sustained long-term growth to enable the poor to
increase their human capital and make full use of their major asset—their labor skills. The spotlight must be on primary health care, primary education, water supplies and sanitation, rural roads, and urban transport. This means an increase in funding to increase the number of facilities and improve service quality.

**Increasing the supply of, and access to, potable water is important in reducing poverty.** This is not only because of the clear health benefits but because many household members (mainly women and children) spend inordinate amounts of time looking for good water when they could be gainfully employed elsewhere. Provision and maintenance of rural roads, and affordable and timely mass transportation in urban areas provide people with access to jobs and markets. Access could be made sustainable through reasonable levels of cost recovery (with due consideration given to the very poor) and increased community participation in the development and maintenance of infrastructure and the provision of services.

**Regional disparities in access to services need attention.** Regional disparities in social indicators show the need for a carefully tailored approach in the design of any poverty alleviation program. Rural areas and northern regions in Nigeria have low-quality services and poor accessibility.

**TARGETING AND SAFETY NETS**

*There should be targeting and safety nets for those remaining in poverty.* Some vulnerable groups cannot benefit from broad-based growth and improved service. Targeting specific groups and areas avoids spreading public resources too thinly over the entire population. In delivering some services and resources to reach poor areas and communities, the government could build on existing community-based organizations and activities to ensure effectiveness and sustainability.
Nigeria already has initiatives that could form a core targeting program. The National Directorate of Employment, the Peoples Bank, community banks, and the Family Economic Advancement Programme are examples of public-sector initiatives aimed at the poor. These could be strengthened through design as well as careful coordination and collaboration with private-sector nongovernmental and community-based organizations. In making a strong case for a new approach to poverty reduction in Nigeria, the Poverty Alleviation Programme Development Committee of the National Planning Commission has suggested that “a poverty program should contain a large number of relatively small, well-targeted, demand-driven projects and sub-projects that can be implemented by the communities themselves.”

Public-sector capacity and accountability need strengthening. The effectiveness of the three-pronged strategy will depend critically on increasing institutional capacity and accountability at each level of government. There are four key issues here—intergovernmental coordination, transparency and accountability, and administrative capacity for planning, budgeting, delivery of services, and monitoring of results. Monitoring poverty and welfare indicators across the country is crucial for development planning and public accountability. Nigeria’s strong statistical tradition is an asset but still needs additional resources. Finally, national and local governments’ willingness and ability to draw in and collaborate with community groups and other elements of civil society will make a measurable difference in the fight against poverty.

CONCLUSION

Nigeria faces enormous developmental challenges. Successfully meeting them is crucial for poverty reduction. Given the profile, magnitude, and dynamics of poverty in Nigeria, it is imperative that government and civil society make an unwavering commitment to poverty reduction and place it at the heart of the development strategy.
Growth and institutional reforms undertaken in tandem are vital for sustainable poverty reduction. A viable and stable macroeconomic framework must be established and must include maintenance of a competitive real exchange rate and streamlining of the incentive regime to promote broad-based economic growth with equity. This implies adopting sectoral policies and rearranging priorities in public expenditures to promote efficient broad-based economic growth, increase productivity, and target the poor. There is also a need to reform the public sector so that it works in partnership with the private sector and civil society. All this means Nigeria must make a fundamental shift away from policies and institutional arrangements that promote rent-seeking toward policies, programs, and institutions that promote efficient, sustainable, broad-based growth and poverty reduction.

Nigeria needs a renewed vision and commitment for poverty reduction. There is already a broad consensus in the country that a new approach is needed. A rapidly growing economy is essential. So too is broad participation in the growth process, which will ensure reductions in poverty. Participation in planning and implementing poverty-reduction programs can be widened and deepened through decentralization, new arrangements with community-based organizations, and with nongovernmental organizations and the private sector.

REFERENCES


GLOSSARY

Average per capita consumption: The average amount of consumption accruing to each individual in a household.

Devaluation: The act of lowering the exchange value of a currency by lowering the number of units of a foreign currency required to buy the same unit of the local currency. For example, if US$1=N22 and it is adjusted to US$1=N80, then the naira has been devalued.

Exchange rate appreciation: The official exchange rate is a measure of the average value of national currency per unit of a foreign currency. An exchange appreciation means that less naira are given up in exchange of the same unit of a dollar or pound. If, for example, at one time US$1 was exchanged for N85 and later US$1 was exchanged for
N80, then the value of the naira is said to have increased, or appreciated, against the dollar.

**Gini coefficient/Income inequality:** The Gini coefficient is a summary measure of how unevenly incomes are spread in a given population. The coefficient ranges between 0, representing perfect equality, and 1, representing complete income inequality.

**GNP per capita:** Gross national product (GNP) measures the total domestic and foreign value added created by residents of a country. GNP per capita is therefore the value of GNP for every individual in the country.

**Gross enrollment:** the total number of children enrolled at a certain level of schooling (whether or not they belong in the relevant age group for that level) expressed as a percentage of the total number of children in the relevant age group for that level.

**Inflation:** Increase in the amount of money needed to purchase the same basket of goods and services as time passes by. This increase is generally reflected in a sharp increase in the price level and the cost of living.

**Malnutrition:** A worsening of health resulting from the relative or absolute shortage of one or more essential nutrients or calories.

**Poverty depth:** The average gap or distance between the income of the average poor and the poverty line. More specifically, the extent to which the incomes of the poor lie below the poverty line.

**Poverty incidence:** Also referred to as the headcount ratio, is defined as the fraction of the population below the poverty line. For example, the proportion of people in the total population who fall below N395 a year.
Poverty line: The value of income (expenditure) per person that is needed to consume food and other items for a healthy living is defined as the poverty line. For example, Nigeria’s poverty line was defined as N395 per person in 1985.

Purchasing power: The number of naira required to buy the same amount of goods and services as a U.S dollar would buy in the United States.

Real wages: The current value of the earnings of workers adjusted for inflation in consumer goods.

Stunting: Slow growth resulting from frequent episodes of acute malnutrition or long-term food deficiency. Also called chronic malnutrition.

Terms of trade: Terms of trade measures the relative movement of export and import prices and is calculated as the country's index of average export price to the average import price.

Under-5 mortality rate: The probability of a newborn dying before reaching the age of 5, often expressed as a share of 1,000 live births.

Wasting: Rapid weight loss from malnutrition. Also called acute malnutrition.
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