ADDRESSING INEQUALITY IN NIGERIA

With considerable human and natural resources – including $400 billion in oil revenues over the last 40 years – Nigeria has the potential to lower its poverty rates and satisfy its population’s needs in terms of infrastructure, education and health services. However, evidence shows that oil revenues have instead contributed to widespread inequality, worsened in the aftermath of the economic crisis of the 1980s. The rich got richer, the poor got poorer and the middle class disappeared. Moreover, industrial activity is not sufficient to provide significant tax revenues. It is therefore imperative that public spending initiatives increasingly focus on reducing the welfare gap.

RESEARCH TO INFORM PUBLIC SPENDING

Such initiatives, however, should be informed by knowledge of the incidence of current and potential future public spending on the poor in Nigeria. Researchers based in Nigeria have taken up this challenge by estimating the average and marginal benefit incidence (MBI) of public spending on education, health and infrastructure in Nigeria, using Nigeria Bureau of Statistics (NBS) Living Standard Household Survey Data of 2004.

KEY FINDINGS

Results of the study show that spending on social utilities in Nigeria is not pro-poor. Furthermore, accessibility is uneven as urban (vs rural) areas receive more than 50% of the general spending. There are also substantial regional disparities: the South benefits more in terms of access to vaccinations, as well as primary and secondary schools, while the North benefits more in terms of access to water and electricity, as well as prenatal and postnatal health services.

The marginal benefit incidence (MBI) analysis shows that the poorest groups would benefit more from spending on social utilities for which their current accessibility rates are high. Such utilities include primary and secondary school facilities, child vaccination, prenatal consultation and electricity.

CONCLUSIONS & POLICY RECOMMENDATIONS

To effectively reduce the welfare gap within Nigeria, government spending should focus on increasing access to social utilities for the poor, particularly by focusing more public spending on rural areas. In particular, rural areas should be provided with vaccines and health care facilities, as well as information programmes on the importance of vaccination and postnatal care to mitigate infant and maternal mortality. The increase in tariff rates on utilities - such as the recent 10% increase in electricity rates - may deteriorate the situation where current accessibility rates are low, particularly in rural areas, where concessionary tariff rates should be granted.

The National Health Insurance Scheme (NHIS) should be designed to make provision for all Nigerians, covering for all types of preventive care.

Regional disparities could be bridged by devoting more resources to education and vaccination programs in the North and more resources to infrastructure and pre and post-natal health services in the South.

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