A Better Future for All Nigerians: Nigeria Poverty Assessment 2022

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THE SCALE OF NIGERIA’S POVERTY-REDUCTION CHALLENGE CANNOT BE OVERSTATED
EVEN BEFORE COVID-19, NIGERIA’S GROWTH WAS INSUFFICIENT TO LIFT PEOPLE OUT OF POVERTY

- Nigeria aspires to lift 100 million people out of poverty by 2030
- Yet since 2015, and right through the COVID-19 crisis, population growth outstripped real GDP growth, pushing living standards down
- Indeed, the COVID-19 crisis ushered in the deepest recession in Nigeria since the 1980s
- More than two-thirds of Nigerians are aged less than 30 – with a young and growing population, the need for Nigeria to harness the potential of its demographic dividend is more urgent than ever

Note: Real GDP deflated using the GDP deflator.
Source: Nigerian National Bureau of Statistics (NBS) and World Bank estimates.
SOME 4 IN 10 NIGERIANS LIVE BELOW THE POVERTY LINE, WITH POVERTY CONCENTRATED IN RURAL AREAS, IN NORTHERN NIGERIA

The 2018/19 Nigerian Living Standards Survey (NLSS) yielded the first official estimates of poverty in Nigeria in a decade.

Poverty is high in Nigeria – at **40.1 percent** in 2018/19 – but it is also clustered in the north; Nigeria is **spatially unequal**.

**Poverty headcount rate in Nigeria in 2018/19, by urban-rural**

![Bar chart showing poverty headcount rate in Nigeria in 2018/19, by urban-rural categories.]

**State-level poverty headcount rate in 2018/19**

![Map showing state-level poverty headcount rate in Nigeria in 2018/19.]

Note: Estimates exclude Borno. Poverty rate calculated using Nigeria’s national poverty line. Source: 2018/19 NLSS, Humanitarian Data Exchange (for shapefiles), and World Bank estimates.
Non-monetary indicators of poverty overlap significantly with monetary poverty, and tell a similar spatial story.

Overlaps between different dimensions of poverty in Nigeria in 2018/19, by north-south:

- Non-monetary deprivation in terms of education and basic infrastructure – including electricity, water, and sanitation – is also widespread.

- This means almost half (47.3 percent) of Nigerians were multidimensionally poor in 2018/19.

- Like monetary poverty, non-monetary deprivations are also more concentrated in northern Nigeria and in rural areas.

- As such, the overlap between different dimensions of poverty is also large, especially in rural areas and in the north – this has implications for targeting programs.

WHY DOES POVERTY PERSIST? PRODUCTIVE JOBS ARE SCARCE AND DELINKED FROM GROWTH, WHILE SHOCKS ARE RIFE
POVERTY REDUCTION IN NIGERIA WAS STAGNATING EVEN BEFORE COVID-19, IN PART DUE TO THE STRUCTURE OF ECONOMIC GROWTH

Estimated poverty trends in Nigeria, 2010-2019

- Specialized statistical techniques suggest that poverty declined slowly in the first half of the 2010s, but this reversed after the 2016 recession hit.

- When Nigeria was growing, richer Nigerians appeared to benefit more; their fortunes waxed and waned with economic growth more than the fate of the poor.

- This begs a key question: why might living standards be delinked from growth in Nigeria? Could the labor market influence the structure of growth?

The labor market is not creating enough of the jobs that could lift people out of poverty

The total share of people working is similar among poor and non-poor Nigerians, but poorer Nigerians face underemployment...

...and wage jobs are very scarce, especially for the poor

While oil makes up 80 percent of Nigerian exports, mining and extractives comprise less than 1 percent of jobs
Nigerians’ jobs are precarious – the labor market has shown significant churn when shocks like COVID-19 hit.

Despite a dramatic initial drop, Nigerians soon returned to work after COVID-19 first struck.

Yet as the crisis continued, households turned to small-scale non-farm enterprise activities to cope – just as they had turned to farming in the 2016 recession – with the additional work sometimes coming at the expense of education.

Overall labor market responses to the COVID-19 crisis

Panel A: Share of respondents working

Note: Sample is the main respondent in each NLPS household.
Source: NLPS and World Bank calculations.

Panel B: Job type for full working-age population

Note: Sample is all individuals of working age, that is, those aged 15–64. Primary job refers to the job that individuals spent the most hours doing in the last week. Sample restricted to a balanced panel of individuals observed throughout the period of interest.
Source: NLPS and World Bank calculations.
CLIMATE AND CONFLICT SHOCKS WERE PROLIFERATING IN NIGERIA EVEN BEFORE COVID-19, BUT SOCIAL PROTECTION IS SCANT

- Climate and conflict shocks were proliferating in Nigeria even before COVID-19; especially in places where poor Nigerians live
- Further shocks continue to emerge; with the effects of COVID-19 persisting, the Ukraine conflict could impact the price of key commodities
- Mechanisms to insure against these shocks for Nigerian households remain limited, despite current efforts to expand; in 2018/19, less than 2 percent of Nigerians lived in a household enrolled in the National Social Safety Nets Project (NASSP), and less than 4 percent of households received any cash transfers during the COVID-19 crisis
- This exposure to shocks has led to dangerous coping strategies – such as scaling back education and reducing food consumption – which could have negative long-run consequences for human capital

Source: ACLED and World Bank estimates.
WHAT SHOULD BE DONE? THE RECOMMENDATIONS ARE NOT NEW – BUILD HUMAN CAPITAL, BOLSTER PRODUCTIVE JOBS, AND EXPAND SOCIAL PROTECTION – BUT THE TIME IS NOW
THREE IMMEDIATE POLICY PRIORITIES CAN HELP NIGERIA RECOVER FROM THE COVID-19 CRISIS IN THE SHORT TERM

1. **Roll out vaccines quickly and equitably**: tackling the direct health effects of the virus remains critical, especially given uncertainty around new variants.

2. **Recoup the learning lost from school closures**: encouraging physical school attendance is essential, but low-tech remote solutions that work for the poor should be ready just in case.

3. **Expand social protection**: new data and techniques could enable rapid geographical targeting to reach the right people quickly and transparently; in the long-run this could help households undertake higher-risk higher-productivity activities.

Note: Darker areas have a higher concentration of poverty.
Source: 2018 DHS, 2018/19 NLSS, National Social Safety Nets Coordinating Office for shapefile, and Chi, Fang, Chatterjee, and Blumenstock (2021) for poverty estimates.
AT LEAST THREE TYPES OF DEEP REFORMS ARE NEEDED TO FOSTER AND SUSTAIN PRO-POOR GROWTH FOR POVERTY REDUCTION

1. Macroeconomic reforms – including to fiscal, trade, and exchange rate policy – could help diversify the economy, invigorate structural transformation, and hence create good, productive jobs especially wage jobs that offer the best pathways out of poverty

2. Policies to boost the productivity of farm and non-farm household enterprises – including access to inputs, credit, and markets – will be crucial, as structural transformation will not happen overnight

3. The bedrock of infrastructure needs to be strengthened: access to electricity, water, and sanitation is strongly linked to monetary poverty, while information and communication technologies could boost access to jobs and markets and support the roll-out of key government policies, including social protection
AS WELL AS THE ‘WHAT’, IT IS ALSO VITAL TO CONSIDER ‘HOW’ TO IMPLEMENT PRO-POOR POLICIES IN NIGERIA – TRUST MATTERS

• Many pro-poor policies hinge on unlocking fiscal space in order to fund them: this requires increased emphasis on revenue collection but also potentially redirecting spending from expensive subsidies, such as those on fuel.

• Yet difficult reforms can only succeed by developing the foundations of trust in the government – sequencing policies to support the poor first, alongside clear communication strategies, could help.

• Trust is crucial for the example of fuel subsidy reform: in 2018, more than half of Nigerians were “not at all satisfied” or “not very satisfied” with how the state administration spent tax revenues.

• Given the proliferation of conflict, policies need to be adapted and implemented in simple and flexible ways so as to mitigate any risks of further violence.

Note: Nigeria results are weighted using within-country weights (‘withinwt’ variable). All other country results are weighted using cross-country weights, which give equal weight to each country (‘Combinwt’ variable). “All other countries” covers the remaining 33 countries besides Nigeria captured in the Afrobarometer survey. Source: Afrobarometer 2019 and World Bank estimates.
BY INVESTING IN DATA, NIGERIA CAN BUILD TRUST, ACCOUNTABILITY, AND TRANSPARENCY, MAKING THE VOICES OF NIGERIANS HEARD AND TAKING BIG STRIDES FORWARD ON ITS PATHWAY TO POVERTY REDUCTION
THANK YOU