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Conference Paper

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Proceedings of the German Development Economics Conference, Kiel 2005 / Verein für Socialpolitik, Research Committee Development Economics, No. 24

Provided in cooperation with:
Verein für Socialpolitik

Suggested citation: Gafaar, Oluwatoyin Alade S; Osinubi, Tokunbo Simbowale (2005) : Macroeconomic Policies and Pro-Poor Growth in Nigeria, Proceedings of the German Development Economics Conference, Kiel 2005 / Verein für Socialpolitik, Research Committee Development Economics, No. 24, http://hdl.handle.net/10419/19817

MACROECONOMIC POLICIES AND PRO-POOR GROWTH IN NIGERIA.

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Being a paper submitted for consideration for presentation at the "Development Economics" Annual Conference of "Verein fur Socialpolitik: Research Committee Development Economics" holding at the Kiel Institute for World Economics, July 8-9, 2005.

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Abstract

Recently the depth and severity of extreme poverty in Nigeria has been alarming. And over the years, the government undertook some macroeconomic policies with the aim of reducing, if not totally eradicating poverty. These policies were expected to at least raise the standard of living of Nigerians. The impact of these policies on alleviating poverty has been contentious. Some studies in the past have argued that the poor has benefited more from these policies while some found that there was positive real growth yet poverty and inequality still worsened. This can be traced to the nature of growth pursued and the macroeconomic policies that underline it.

This study empirically evaluates macroeconomic policies vis-à-vis pro-poor growth in Nigeria using secondary data covering the period 1960-2000. The study found among others that economic growth in Nigeria has been slightly pro-poor. This implied that growth was actually weakly pro-poor. Also, those that are far below the poverty line have not really been enjoying the benefits of growth. Infact, the benefits getting to them has been decreasing at an increasing rate. More so, economic growth in rural areas will be slightly more pro-poor than in urban areas. Overall, growth in Nigeria is not necessarily always pro-poor.

1.1 Introduction

One of the most pathetic features of the Nigerian economy today is that a majority of its populace is living in a state of destitution while the remaining relatively insignificant minority is living in affluence. These skewed economic relations do not reflect the geographical spread of resources endowment; rather it is a product of classical greed, injustice and selfishness, which is beyond any economic principle. Though, it is true that where one comes from can be strong determinant of one's economic status because of different opportunities and constraints but what is presently happening in Nigeria differs too much from this.

Poverty, which has no geographical boundary, is seen in all part of the country, rural and urban areas inclusive. Although the incidence of poverty is much higher in the rural areas than in the urban centers, the urban slum-dwellers form one of the more deprived groups in Nigeria. The poor are those who are unable to obtain an adequate income, find a stable job, own property or maintain healthy living conditions. They also lack an adequate level of education and cannot satisfy their basic health needs. As such the poor are often illiterate, in poor health and have a short life span. They have no (or limited) access to basic necessities of life such as food, clothing, and decent shelter. They are unable to meet social and economic obligations. They lack skills and gainful employment and they have few (if any) economic assets and sometimes lack self-esteem.

Quite often the poor lack the capacity to escape from their situation by themselves. This characteristic is what causes the social conditions of extreme poverty to persist and to be transmitted from one generation to the next.

Poverty in Nigeria is found among four identifiable economic group namely the rural landless, the small farmers, the urban under-employed and the unemployed. Generally, the poor are dis-proportionately located in rural areas and slums in urban areas. These are areas of the city distinguished by their advanced stage of physical degradation and occupied by individuals believed to be experiencing various forms of social deprivation like unemployment and inadequate welfare services. The trend in both rural and urban poverty in Nigeria, though fluctuated over the years has been on a worsening trend. Relatively the depth and severity of extreme poverty increased rapidly in urban than in rural areas. The problem has been traced to the high population growth rates and rural-urban migration that has made the quality of life in urban slums worse while urban services and infrastructures are over stretched. Pathetic enough, the World Bank rated Nigeria as the 137th in the world while the United Nations Development Programme rated Nigeria as the 10th poorest country in the world.

Over the years, some macroeconomic programmes have been undertaken with the aim of reducing, if not totally eradicating, poverty in Nigeria. These programmes were expected to at least raise the standard of living of Nigerians. Some of these programmes include the establishment of the people's bank, community bank and small-scale industries credit scheme, establishment of the National Directorate of Employment, the Family Support Programme and the National Agricultural Development Agency, Directorate of Food, Roads, and Rural Infrastructure (DFRRI), Family Advancement Economic Programme and the Poverty Alleviation Programme.

The impact of these programmes on alleviating poverty has been contentious. Some studies in Nigeria have argued to the contrary, that the poor has benefited more from these macroeconomic policies (Obadan, 1994; Faruquee, 1994; Canagarajah, et al., 1997). But Aigbokhan (2000) found that there was positive real growth throughout the period of his study, 1980 to 1997, yet poverty and inequality still worsened. This negates the principle of the "trickle down" phenomenon underlying the view that growth improves poverty and inequality, and this can be traced to the nature of growth pursued and the macroeconomic policies that underline it.

It is in this respect that this study empirically evaluates these macroeconomic policies vis-à-vis pro-poor growth in Nigeria using secondary data covering the period 1960 to 2000. The remainder of this study is divided into five sections. Section two reviews the literature. Section three contains a review of poverty reduction policies in Nigeria, while section four is the methodology and section five is the empirical analysis. Section six concludes the study.

SECTION TWO

LITERATURE REVIEW

2.1 The Concept of Poverty

Poverty is a form of deprivation. It exists when there is lack of the means to satisfy critical needs. Poverty may be absolute or relative. The definition of absolute poverty focuses on the inability of an individual or household to consume a certain minimum of basic needs, while that of the relative poverty compares the welfare of those with the lowest amount of resources with others in the society (Ogwumike 1996). Basic needs are universal, they cut across cultural, social, racial, and other differences or barriers, basic needs are thus common to humanity (Ogwumike 1987). Ali (1992) believes that a family is poor, if it spends a very high percentage of its income on basic needs such as food, clothing, housing, health care and transport with very little left for a rainy day.

Absolute poverty has also been defined by as characterized by low calorie intake, poor housing conditions, inadequate health facilities, poor quality of educational facilities, low life expectancy, high infant motility, low income, unemployment and underemployment. Absolute poverty refers to people who live below the poverty line; people in this category are unable to meet basic needs (Olowononi 1982). Ogwumike (1991) defined relative poverty in terms of the bottom 10% or 15% of the income distribution. Relative poverty refers to a situation in which some households are not absolutely poor but are less rich than others in term of income, poverty and other resources. The Organization of Economic Co-operation and Development (OECD) defined as poor those households who earn less than two-third of the average disposable income in the country. While the World Bank (1977) defines relative poverty as existing where household have a per capita income of less than one-third of the average per capita income of the country concerned.

Poverty can be made between temporary and chronic poverty. The transient poverty otherwise known as poverty of the hopeful is temporary. It may arise from theft, drought, war, flood and fire. The victims are poor in the short-run. The unemployed as a result of economic recession fall into this group. Chronic poverty on the other hand is long term and persistent. Its causes are largely structural. Chronic poverty may be so as to describe the average life in a society. This kind of poverty may be transmitted from one generation to another and it is very persistent (Ogwumike 1995).

2.2 Poverty Reductions and Pro-Poor Growth

Poverty reduction is about improving human well being (the life people live, what they can do or cannot do) in particular that of the poor people (Kakwani and Pernia, 2000). Broadly speaking, pro-poor growth can be defined as one that enables the poor to actively participate in and significantly benefit from the economy, economic growth inclusive. It is such that no person in society is deprived of the minimum basic capabilities. For instance, everyone should be adequately nourished, no child should be allowed to die prematurely, and populace should live satisfying lives with long life span.

The poor have much lower well-being than the non-poor because they lack the resources to satisfy the minimum basic necessities of life (Kakwani and Pernia, 2000). The market forces induced growth process generally benefits the non-poor proportionally more than the poor. This is because the non-poor has inherent advantages like human and material capital in a market economy. Moreover, in many countries, government knowingly or unknowingly adopts policies that are biased in favour of the rich. Consequently, the gap in well-being between the poor and non-poor tends to persist, if not widen. Thus to foster the overall well-being of the populace, government needs to pursue policies that will reduce this gap.

Promoting pro-poor growth requires a strategy that is deliberately biased in favour of the poor so that the poor benefit proportionally more than the rich. Such an outcome would rapidly reduce the incidence of poverty so that those at the bottom end of the distribution curve of consumption would have the resources to meet their minimum basic needs. A pro-poor growth strategy entails the removal of institutional and policy-induced biases against the poor as well as the adoption of direct pro-poor policies. For instance, discrimination on grounds of gender, ethnicity, and religion hurts the poor more than the rich; the same can be said of artificial barriers to entry into certain trades and professions, or into the formal labour market in general.

Macro policies that tend to constrain pro-poor growth include policies as overvalued exchange rates, big-city-oriented industrial location policies, and public infrastructure spending biases toward urban areas and against the welfare of the poor such as monopoly powers enjoyed by some firms that result in high prices, subsidized public utilities (for example, low water fees), state universities (low student fees) that benefit primarily the non-poor, and housing policy (rent control) that limits housing supply.

Direct pro-poor policies are also required. These include adequate public spending for basic education, health and family planning services, improved access to credit, and the promotion of small and medium enterprises. A well-administered progressive tax system is also pro-poor. Typically, this means a heavier reliance on personal income taxation, which is progressive rather than on indirect taxation, which is regressive. Unfortunately, in many developing countries revenue generation depends much on indirect than on direct taxes.

2.3 Poverty Alleviation

Attempts to eradicate or mitigate poverty are not new; legislation and community efforts to assist the poor are reported at least as far bask as biblical times. Poverty exists and has existed in every country, and the struggle against poverty has been just as widespread (Lander, 1993). Poverty reduction lies at the heart of development discourse and practice (Jackson 1997). Approaches to poverty alleviation require the implementation, of mutually consistent and reinforcing multifaceted packages of policies plans and programmes.

2.3.1 Micro and Macro Based Policy Intervention

Policy intervention aimed at poverty alleviation could be both micro and macro based. Micro involves using the household as the basic unit of analysis while macro is based on economy wide policies.

Poverty alleviation strategies could involve increasing the quality and productivity of assets by the poor, such policies include, land reform polices that redistribute land to the poor, investment in nutrition and health which improve the productivity of labour, and provision of educational services (including adult literacy) that improve both the quantity and quality of human capital. Others include policies aimed at factor and commodity markets, which aim at enhancing the real earning/income of the poor. Growth strategies that are labour intensive can be used to raise real wages for the poor. This however depends on how the labour market works. If barriers to employment of the poor are high, it is not likely that an increase demand for labour will raise the real income of the poor.

Price increasing strategies which work through commodity market aims to raise the prices of goods produced by the poor. This implies that increase in trade of agricultural products sold by the poor should be of benefit to them. These benefits should be such that leads to marketable surplus. This increase should also increase the demand for landless labour.

Finally, policies can be aimed at increasing the volume of sales of services from assets owned by the poor. As such, the focus is largely on development policies, which do the following, increase the absolute and relative demand for unskilled labourer; institutional changes access by the poor to high productivity jobs. Most importantly, strategies, which focus on agriculture light manufacturing and services, tend to increase the demand for unskilled labour.

2.3.2 Government Action and Poverty Reduction

Such specific government action against poverty is required not only to accelerate poverty, but also because it is possible that the process of development, contrary to expectation, may in fact aggravate rather than the incidence of poverty. Beside, there are even formal reasons for government intervention in the poverty problem. Thus, poverty reduction can be thought of as a social good, which enters the utility functions of members of the society. Being a social good, no member of the society can be excluded from its benefits, costs, and the enjoyment of this good by one person is not reducing the enjoyment of others. With such characteristics, only the government can provide for such a good.

Alternatively, poverty reduction can be thought of as generating externalities. It can be argued that the relatively rich, for example, derived utility not only from their income, but also poverty reduction, since the latter reduces political and social instability, thereby creating an atmosphere from which the relatively man be willing voluntarily to contribute part of his income to poverty reduction. He may, however, be deterred from effect of his contribution. The existence of such spillover requires government involvement in order to expand the poverty reduction programme beyond the level it otherwise would have reached.

These theoretical and practical justifications for government sponsored poverty reduction programme are further strengthened in the case of Nigeria by one crucial fact: oil. The advent of a booming crude oil sector, and the concomitant phenomenal increase in government revenues, impinge on the poverty problem in tow ways. First, and most obvious, the financial ability of the government to mount a sustained poverty reduction programme is not by no means weak.

Secondly, and not so obvious, the existence of a booming crude oil sector can in fact aggravate the poverty problem. The oil activity has so far given a major fillip to the inflationary pressure, and it is well known that the poor suffer most from inflation. Besides, the flood of revenue and incomes generated by oil activity can quite easily channeled into the hands of a small privileged percentage of the population. This, in fact is already happening and with the blessing and connivance of government. A development such as this worsens the relative poverty situation and its consequences on the social and political order may be sufficiently serious to hinder the process of rapid development itself, oil not withstanding.

2.4 Conceptual Framework of Poverty[1]

Poverty is not only a term that is commonly used by the generality of the people but also one that has no specialized content as a concept. Besides, it is multi-dimensional socioeconomic and cultural situation that transcends economic description and analysis. In addition, poverty is both concrete and relative. For any particular society, poverty and the poor are very concrete phenomena and can be easily identified. Yet it is also relative: the population that may be classified as poor in a develop economy would be regarded as materially well off in least developed countries.

Perceptions of and about poverty have not only evolved historical but also vary tremendously from culture to culture. The criteria for distinguishing the poor from the non-poor tend to reflect national normative concepts and priorities. And as countries become wealthier, their perceptions of acceptable deprivations change. For poverty and deprivation go hand in hand, poverty manifest itself in deprivation of the lives of people.

Being multidimensional, poverty takes different forms or typologies of which three broad ones can identified as follows: Physiological deprivation, Social deprivation and Human freedom deprivation (Figure 2.1) the incidence of poverty (head count) is to be distinguished from the depth, the breath and severity of poverty. And all these are not to be confused with inequality.

These three concepts derive from the attempt to determine how much poverty there is. On the basis of some norm (poverty line) the number of the poor (incidence) will be the total population whose per capita household expenditure is below the line: the depth of a person's poverty is the average percentage by which his/her per capita expenditure falls below the poverty line. Because in Nigeria there is no officially proclaimed poverty line, the Federal Office of Statistics (FOS) has selected one base on two-third means per capita expenditure. The extreme poverty line is one-third of mean per capita household expenditure.

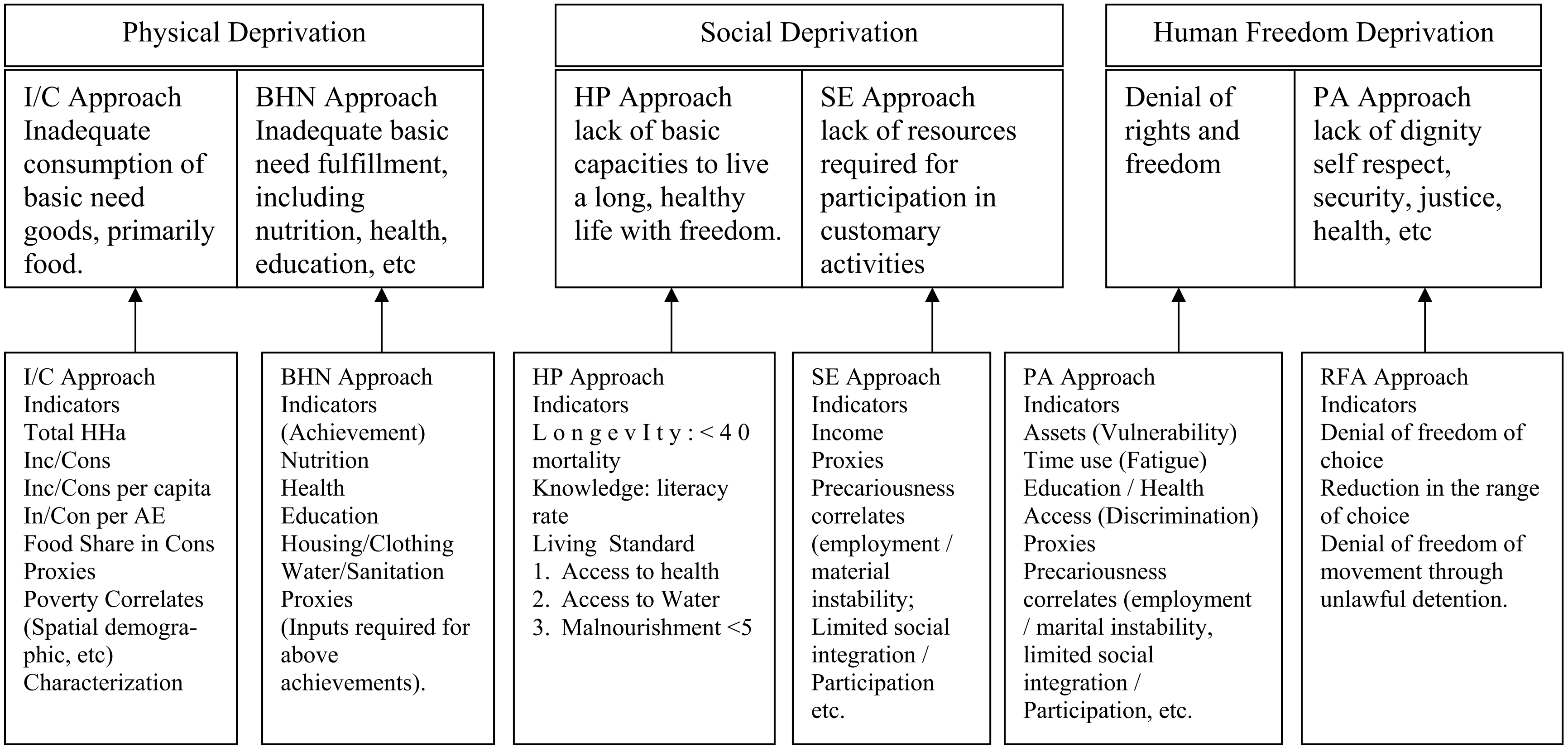
It is important to emphasize that poverty is not the same as inequality. As the World Bank correctly put in its World Development Report (1990) whose theme was Poverty, whereas poverty is concerned with absolute standard of living of a part of society-the poor-inequality refers to relative living standards across the whole society. At maximum inequality

[1] This section benefits from the Human Development Report, Nigeria 1998.

one person has everything and clearly poverty is high. But minimum inequality (where all are equal) is possible with zero poverty (where no one is poor) as well as with maximum poverty (where all are poor).

FIGURE 2.1

WHO ARE POOR? CONCEPTIONS OF POVERTY/DERIVATION



INDICATORS AND PROXIES OF POVERTY / DERIVATION

KEY TO ABBREVIATIONS

I/C	-	Income / Consumption	PA	-	Participatory Approach
BHN	-	Basic Human Needs	SE	-	Social Exclusion
HP	-	Human Poverty	RFA	-	Rights and Freedom Approach

Source: Paul Schaffer, Poverty Strategies (Institute of Development Studies, University of Sussex, January 1998 (mimeo) Fig.

Figure 2.1 presents a schematic overview of the three broad typologies. Each of these is disaggregated into its various approaches, which clearly show the multi-dimensional nature of poverty. The chart also provided the corresponding indicators and proxies of the different approaches. A full comprehensive of the nature of poverty should of necessity recognize its multi-dimensionality. By doing so, the degree of poverty can be differentiated on the basis of the core needs that are yet to be fully satisfied. Indeed some experts have advanced the idea of hierarchy of needs. There is implied in this needs classification the assumption of prepotency until respective lower needs are satisfied. However, it is never contended that one need must be fully satisfied before the next need becomes operative. It is also necessary to place this concept of need classification within the context of a nation's political and socio economic development.

Within the same cluster, there is scope for a hierarchical structure of needs. Figure 2.2 is illustrative in this regard. Within the basic human needs approach of the physiological deprivation model at least five hierarchical orders are easily discernible - starting with the most basic physiological input – food – then shelter, housing and potable water, moving on to basic health care and sanitary facility. Although this cluster constitutes the bare physical survival kit, it will be unrealistic to take them for granted even today in many a Sub-Saharan African country, including Nigeria. Beyond mere survival and as the individual strives for more economic power demands for basic education, basic skills and access to means of production increase (category 4 of Figure 2.2). Besides, there are non- economic basic needs such as socio-cultural needs, freedom of movement and civil and political liberties (category 5 of Figure 2.2. it is clear that as we move up the hierarchical ladder more and more are ensnared in the degrading vicious habitat poverty.

In addition to the basic human needs approaches (BNH) is the income/consumption (I/C) approach. These two approaches constitute the physiological deprivation. The income/consumption poverty line derives from this approach. Two techniques are widely used in deriving the poverty line – the food energy method that estimates the food energy minimum required to satisfy dietary energy (calorie) requirements and the food-share method, which focuses on minimum food energy.

The social deprivation model also has two basic approaches – human poverty and social exclusion. The human poverty approach emphasises the lack of basic capability to live a long and healthy life with freedom and dignity. In other words, poverty or deprivation is conceptualized as the absence of certain capabilities and the failure to do what we can (functioning). Social exclusion approach links poverty with issues of citizenship and social integration and their associated resources requirements.

The participatory approach and the freedom approach constitute the human freedom model. One is concerned with lack of popular participation, lack of the democratization of the development of the development process and lack of empowerment. The other focuses on denial of political, social, economic and cultural freedom.

These different conceptions, indicators and proxies, of poverty deprivation shown in Figure 2.1 are essential both for poverty identification and poverty alleviation strategies. They are also important for the determination of the target groups, as well as assessment of poverty programmes.

Thus, at the risk of repetition, poverty must be addressed in all its dimensions. This, however, is not to deny the fact that economic growth can be a powerful means of reducing poverty. But unless the policies for growth are pro-poor, there is no guarantee that their benefits in reducing poverty would be automatic. The failure to pursue a holistic approach to poverty alleviation and eradication has inevitable led to the aggravation of poverty. The neglect of social exclusion, lack of participatory poverty alleviation and denial of personal and community freedom is not likely to lead to a major breakthrough in the overarching objective of exiting from poverty.

Therefore, Nigeria must endeavour to pursue an all-inclusive people-centred strategy of poverty alleviation and eradication, which will lead to a steady and persistent reduction in its human poverty index.

Figure 2.2: The Hierarchical Structure of Basic Needs Approach

Hierarchical		Component of Basic Needs goods
Survival participation in socio-cultural life	^ ^ ^	5. ❑ Goods/services enabling participant in decisions concerning living and working conditions – e.g. civil and political liberties, freedom of movement.
❑ Economic survival	^ ^ ^	4. ❑ Basic education to acquire relevant skills, including reading ability, numeracy, etc. Access to means of production, e.g. land, working tools.
Bare physical survival	^ ^ ^	3. ❑ Basic healthcare and sanitary facilities, liberates, freedom of movement. 2. ❑ Shelter, housing including potable water 1. ❑ Food (minimum physiological input

Source: Nigerian Economic Society, Poverty alleviation in Nigeria 1997 Annual Conference, Nwere Dike, "Understanding the Multidimensional Nature of Poverty" Fig 1 pp. 159

SECTION THREE
REVIEW OF POVERTY–REDUCING MACROECONOMIC POLICIES IN NIGERIA 1960 – 2000

3.1 Poverty in Nigeria

In Nigeria, as in most less developed countries, the position is not one of low-end poverty but of mass poverty. About 80 percent of the population has annual incomes of less than ₦200.00 (UNDP- Lagos, 1998). This implies that poverty in Nigeria is synonymous with gross underdevelopment. It can therefore be reduced only through the process of rapid and judicious socio-economic development. Measures to stimulate development can thus be relied upon to simultaneously reduce the incidence of poverty both relatively and absolutely. But this does not prelude additional government actions through her policies specifically directed against poverty.

The World Bank (1995), states that 43% of the population were living below the poverty line. This means that 36 million people had no more to spend than ₦395 a year in 1985 prices and could not consume more than 2,100 kilo calories. Of the extremely poor, 85% lived in rural areas and more than two-thirds lived on farms. This is not to say that poverty is not prevalent in urban areas. For instance the number of those in extreme poverty in Nigeria increased from 10.1 million to 13.9 million with near three-fold increase in the urban extreme poor-from 1.5 million to 4.3 million people.

A notable aspect of poverty in Nigeria is that the poor are often concentrated in communities without basic services. These basic services include roads, potable water supply and safe sanitation. They also generally lack access to health and education services. Poor households in Nigeria are characterized by the following: lack of basic education, resides in rural areas and engage in farming, large household size with most adult member, including the household head unemployed (World Bank 1996).

3.2 Poverty–Reducing Macroeconomic Policies in Nigeria

The government has over the years introduced some macroeconomic policies to reduce poverty. The focus was more on Agriculture policies and rural development policies. Although other policies like Trade, Fiscal and Monetary, were also implemented but they were centred mostly toward the development of the Agriculture-sector which the government at each regime believe was the basis to fight against poverty in the country.

In 1956, the colonial government inaugurated a ten-year development and welfare plan for the country. This welfare package was to take care of needs of the masses. From 1962 to 1985, the various development plans of the Nigerian government contained welfare programmes aimed at enhancing the living standard of the populace. Besides these development plans various policies and programmes were designed to bring about economic growth that could trickle down poverty thereby leading to higher standards of living for the populace, the poor inclusive.

Some of these programme include; Directorate of Food, Roads and Rural Infrastructure (DFRRI), Better Life / Family Support Programme (BLPFSP), the Family Economic Advancement Programme (FEAP), National Directorate of Employment (NDE), Rural Financing Institution (i.e. The People's Bank of Nigeria (PBN), The Community Banks), Petroleum (Special) Trust Fund (PTF), Mass Eradication Programme / Global 2000, the Poverty Alleviation Programme (PAP).

Poverty is mostly in rural areas as such most of the programme are aimed at helping the rural population. Particular attention is paid to the roles of the National Directorate of Employment (NDE) and the Directorate of Food, Roads and Rural Infrastructure (DFRRI). Also since independence, the government has been stressing the provision of social overhead capital and allowing private entrepreneurs provide directly productive activities as a way of developing the rural sector as well as reducing poverty.

3.2.1 Macroeconomic Policies and Poverty Alleviation in Nigeria

Since attaining political independence in 1960, Nigeria has prepared and executed five national development plans as follows; First National Development Plan 1962 – 68, Second National Development Plan 1970 – 74, Third National development Plan 1975 – 80, Fourth National Development Plan 1981 – 85, and the First National Rolling Plan 1970 – 1992

One of the objectives of **the First National Development Plan** was to develop opportunities in health, education, and employment and improve access to these opportunities. The plan also emphasized the need for balanced development and equity in income distribution, both among persons and among regions. The realization of these objectives depended on economic and political policies for the implementation of the plan. The third policy aimed at rural development during the plan period was on agricultural development.

The second plan period (1970 – 74) witnessed some changes in the rural area. Although emphasis was placed on the transformation of the agricultural sector, government effort was directed at the provision of social amenities to the rural areas. Although the second plan recognized that "most vital segment of incomes policy is rural incomes and particularly the earnings of peasant farmers", (second plan 1970), the plan was silent on the adverse pricing policy that the marketing boards had adopted for the impoverishment of these peasant producers.

Nevertheless, during **the Third Plan and Fourth Plan periods**, agriculture witnessed a spate of subsidies in the pricing of such agricultural inputs as fertilizers, chemicals, seed and seedlings. The Agricultural Credit Guarantee Scheme (ACGS) was subsequently established in 1977 with the objectives of facilitating farmer access to bank credit and thus help to stimulate production.

However, there were other complementary policies aimed at helping to ensure that the observed positive impact of the Credit Guarantee Scheme on agriculture was achieved. Among such policies was the Rural Banking Scheme also started in 1977. Through this scheme the Central Bank mandated all commercial banks in the country to open rural branches. The commercial banks were given targets of rural branches to establish during a specified period. In addition, this scheme required that commercial banks give at least 30% of their credit facilities to those resident in rural areas. This was expected to enhance rural development.

Although, both the Third and Fourth Plans recognized the role of social services in bridging the gap between the urban and rural sector, the social services continued to received a disproportionately small share of aggregate government expenditure. Given the poor bargaining power of rural dwellers, this inadequate resource allocation to the social services sector has largely ground its way to the urban rather than rural areas. In health care, for instance, preventive medicine persistently received a disproportionately small share of total health expenditure, especially at the federal level. From a share of 17% of total health expenditure in 1962 – 68 it declined to 8% in 1970 – 74, subsequently maintained an average of 14.5% for the rest of the plan period during 1975 – 1985.

According to the **Fourth National Development Plan**, the overriding aim of development effort in Nigeria was to bring about an improvement in the living conditions of the people. In addition to the three policy objectives inherited from the Third National Development Plan namely; economic growth and development and development, price stability and social equity, the fiscal policy in the Fourth National Development Plan was specifically directed at raising additional revenue (Mbanefoh 1988).

Rural development effort during this period emphasized an integrated approach. The Agricultural Development Programme (ADP) and the Accelerated Development Area (ADA) were the two agricultural based strategies adopted during this period to facilitate rural development. River Basin Development Authorities were also established to facilitates the development of the rural areas. The aspirations of the self-employed rural dwellers were placed on the interspatial distribution of social amenities and agricultural development. Yet, as important as physical access to these facilities nay be, it does not ensure the actual capacity to utilize these facilities.

Also during the Third and Forth Plans period the Green Revolution Programme was introduced but was later replaced with Operation Feed the Nation. The free Universal Primary Education Programme (UPE) was also embarked upon.

By 1986, the Structural Adjustment Programme (SAP) was initiated. It was a package aimed at reviving the economy and putting it on the path of sustainable growth and development. Although a SAP was initially designed to last for two years from July, 1986 to June, 1988. It could, in the absence of a development plan, be viewed as a short-term plan whose major objectives could be checked with the macro policies and programmes as it relates to rural development and poverty alleviation.

Government effort during the SAP period were towards rural development and this poverty alleviation centres on accelerated agricultural development and government took a bold step in the direction of integrated rural development by creating the **Directorate of Food, Roads and Rural Infrastructure (DFRRI).**

The establishment of the directorate was not only radical departure from the approach of previous regimes, but also recognized the complementarities associated with basic needs such as Food, Shelter, Potable Water etc. the Directorate had the responsibility of providing basic infrastructure facilities for increase agricultural output and mobilizing the rural producers themselves by organizing them into co-operatives and making tem literate and more productive.

From inception in 1986 to 1993, when it was scrapped as autonomous unit, the agency achieved considerable success. For instance between the time of inception in 1986 and 1993, DFFRI has completed over 278,526 KM of roads; over 50,000 rural communities benefited from its rural electrification programme. This integrated approach to rural development, no doubt, provided for necessary basic infrastructures that can stimulate the growth of agroallied small-scale enterprises in rural areas. It also influenced the growth of agricultural production.

The Better Life Programme (BLP), aimed at poverty alleviation, was introduced in 1987 and was transformed into the Family Support Programme (FSP) in 1994 under the same broad objectives. These were, among others, to encourage rural dweller, particularly women to improve their standard of living via the promotion and formation of self-help rural development in rural women via promotion of education, business management and recreation and the creation of greater awareness among the populace about the plight of women in particular and rural dwellers in general. In addition, the programme were put in place to bring women together to highlight their developmental problems and offer solutions through collective actions, educate them in simple hygiene, family planning and importance of child care, and above all, enlighten them on the opportunities and facilities available to them at the local level for improving and enriching their lives.

The programmes in general impacted positively on the living condition of rural dwellers and the rural economy of Nigeria in all its areas of focus such as growth in income per capita and agriculture and moderation of rural price inflation especially trough improved supply of products to the rural markets. The BLP/FSP employed the massive use of gender ratio and disparities to press for support for poverty alleviation programmes and for statutory representation of women at policy-making levels of governance.

The Family Economic Advancement Programme (FEAP) was introduced in 1997 as an economic project, particularly for the poor and needy. As offshoot of the Family Support Programme (FSP), FEAP is an empowerment programme designed specially for locally based producers of goods and services and potential entrepreneurs in the cottage industries. The programme is aimed at improving the standard of living of the low-income groups by stimulating appropriate economic activities in the various wards of each local government area in the country.

Another major macro level policy especially for generating more employment was the establishment of the National Directorate of Employment. The **National Directorate of Employment (NDE)** was established in 1987 to tackle the problem of mass unemployment involving all categories of labour (skilled and unskilled including graduates of tertiary institutions). In its first year of operation (1987) it created up to 148,000 job opportunities. The number of job created increased to 242,160 in 1989 as against 49,365 in 1988. Recently. Its contribution in the area of employment creation has been insignificant. Four core areas of the directorate's activities include agriculture, small-scale enterprises, special public works and vocational skills development.

In recognition of the fact that many Nigerian poor do not have access to credit, the Federal Government in 1989 introduced a policy to liberalise access to credit by the poor. The policy measures include the establishment of **the Peoples Bank** by the Federal Government and **Community Banks** by the private sectors. The banks were established to fill gaps created by the collateral based conventional banks that are reluctant or ill equipped to meet the special credit needs of the poverty-stricken segment of the society. Access to credit by the poor was lacking not only because of the physical distance from the bank premises but because of the collateral based lending modality of the conventional commercial and merchant banks effectively lock out poor who lack acceptable collaterals. In essence, the establishment of the People's bank and the Community banks was intended to eliminate these constraints.

The **Petroleum (Special) Trust Fund (PTF)**, which was established by Decree 25 of 1994 (and amended by Decree 1 of 1995), was empowered to utilize the gains from increase in the prices of petroleum products to complete all government-abandoned projects and rehabilitate decaying social infrastructure nation-wide.

Since inception, the fund has executed projects in seven sectors of the economy, which include roads transportation, health, education, water supply, food supply, security, and the agricultural sector, which witnessed a modest intervention from the P.T.F. Though it had a considerable impact on several sectors of the economy, it impact has been felt more in the urban centres than in the rural areas.

The Urban Mass Transit Programme was formally established by the federal government in 1998 while the implementation of the programme commenced with the inauguration of the Mass Transit Implementation Committee (MTIC) later re-named Federal Urban Mass Transits Agency by Decree 67 of 1993. The programme was created purposely to facilitate the development of effective and efficient urban mass transits services in the country. Among the objectives of the programme are: to plan and advise the federal government on policy issues affecting urban mass transits planning, operation and management formulae the overall national policy on urban mass transits, and implement federal government directives on mass transit.

Since its inception, the programme has been able to acquire buses, spare-parts, workshop tools and equipment and build bus terminals, repair refurbish ferries and jetties, build new ferries and jetties, and dredge new water routes. Other activities include the refurbishment of rail locomotives, coaches and stations and track doubling. The programme expanded urban transport services at both the inter-city and interstate level throughout the federation. In addition, most state governments have improved their services while unhealthy competition between the state, private operators had trade unions been reduced.

The mass transit programme though remains city-oriented, has had positive impact on the life of poor.

The **Nigerian Guinea Worm Eradication Programme (NIGEP)** was established in 1988 with the objectives of eradicating guinea worm infection, thereby improves the quality of life of the rural people. NIGEP was operated within the health zones established by the primary health care department of the Federal ministry of Health and had four zonal offices, which are supervised by NIGEP zonal facilitators. The operational structure of NIGEP is such that village task force units were form as a specific arm of the village health committees. It is through this structure that annual case searches and monthly surveillance cases were organized and conducted.

The activities of NIGEP have substantially reduced the incidence of guinea worm infection in Nigeria. For instance, in the first case search (1987-88) 653,620 cases were reported in Nigeria. In the fourth search (1990-91), the further reduction of 31.5 percent was recorded with a total of 270,404 reported cases and by 1995 only 16,375 cases were reported. In the second case search (1988 – 89), the number of cases decreased slightly by 1.5 percent to 643,470. In third search (1989 - 90), a dramatic reduction of 38.6 percent was recorded with a total of 394,782 reported cases. Thus, from the first search in 1987/88 to 1995 there has been an overall case reduction of 97.5 percent in the incidence of guinea worm infestation. Similarly, the number of infested villages in Nigeria decline by 69.0 percent between the first case search in 1987/88 and December 1995 (Federal Ministry of Health and Social services).

The table 3.1 below summarizes the set of macro policy programmes put in place by the federal government.

Table 3.1 Macro Policy Programmes put in place by the Federal Government in Nigeria.

	Federal Agency / Institution	Responsibility
1.	Directorate of Food, Roads and Rural Infrastructure (DFRRI)	Responsible for financing construction and rehabilitation of rural infrastructure – roads, water supply, earth dams and rural electrification.
2.	National Agricultural Land Development Authority (NALDA)	To encourage smallholder farmers to bring more land under cultivation and thereby improve agricultural output.
3.	River Basin Development Authorities (RBDA)	The principal objectives is to raise agricultural productivity as well as the living standards of the rural
4.	Strategies Grain Reserves Programme (SGRP)	The objectives is to achieve stable prices for grain by buying large quantities at harvest period, storing them and releasing there from during off-seasons period when price are high because of scarcity. SGRP is also used for providing emergency assistance whenever it may be needed in the country.
5.	Agricultural Development Projects (ADP)	The main purpose of the ADP is to stimulate increased food production and enhance the income of the rural population.
6.	National Directorates of Employment (NDE)	Responsible for vocational skills development and small scale enterprises programmes designed to combat unemployment.
7.	Mass Mobilization for Social and Economic Reconstruction (MAMSER)	A macro approach at mass mobilization whose aim was to encourage the participation of rural people in their development.
8.	National Economic Reconstruction Fund (NERFUND)	Provides long-term loans at concessionaire interest rates to promote small and medium scale industrial projects.
9.	Community Action Programme for Poverty Alleviation (CAPPA).	The objectives are (a) improvements of the living conditions of the poor through targeted, cost-effective, demand driven and promptly delivered programme. (b) enhancement of the productivity of the poor through skills improvement. (c) improvement of the nutritional status of the poor through improved household food security and health practices.
10.	Family Economic Advancement Programme (FEAP)	Established to complement CAPPA.

11.	People's Bank and Community Bank Programmes	Designed to make banking services more accessible and extend credit to the poor.
12.	Better Life Programmes / Family Support Programme (BLP/FSP)	Aimed at alleviating rural poverty, particularly among women.
13.	Primary Health Care Scheme	Aimed at providing at least one health centre in every local government.
14.	Expanded Programme of Immunization (EPI)	To types immunization as advocated by WHO and UNICEF- Infants below the age of one year being provided immunization coverage for BCG, diphtheriapertussis-tetanus, third dose (DPT3), oral poliovirus, third dose (OPV3) and measles, and (b) Immunization of pregnant women with two or more doses of tetanus toxoid.
15.	The Nomadic Education Programme	Aims at making primary education available to nomadic children without endangering the sustainability of pastoralism – a very prominent occupation among the Fulani ethnic group.
16.	National Urban Mass Transit Programme.	To ease the problem of transport congestion for workers in the urban centres.
17.	Oil and Mineral Producing Areas development Committee (OMPADEC)	Responsible for providing special aid to the oil producing areas.
18	Programmes under the Social Development Policy Disadvantage Group.	These are rehabilitation programmes for the disabled, beggars, children, the aged and juvenile delinquents.

Sources: Human Development Report, Nigeria, 1998.

Other recent policies introduced by the government include the increasing of the Minimum Wage, the introduction of the Poverty Alleviation Programme (PAP) and National Poverty Eradication Programme (NAPEP), which unfortunately were politicized.

Most, if not, all these intervention programmes and schemes have not really achieved the desired result and many reasons have been adduced for these. These are the conceptualization and packaging of such schemes and programmes; high import content of most of the operations, especially the industrial ones; inappropriate technology; politicization, personalization and non-involvement of the people for whom the programmes are designed; and finally many of these programmes are developed on the rather erroneous assumption that the poor generally constitute a homogenous group, therefore relatively uniform prescription could be applied across board. But really the poor are heterogeneous, thus, policies to alleviate poverty should not be the same.

SECTION FOUR
METHODOLOGY

4.1 The Model

The model for the study will be adapted from Kakwani and Pernia (2000) with some modifications. This model decomposes total change in poverty into the impact of growth when the distribution of income does not change and the effect of income redistribution when total income does not change.

Suppose Φ is the proportional change in poverty when there is positive growth rate of one percent. This can be decomposed into two components, Φ_g and Φ_I such that

$$\Phi = \Phi_g + \Phi_I \qquad (1)$$

Where Φ_g = the pure growth effect, measured as the percentage change in poverty when the distribution of income does not change.

Φ_I = the inequality effect, measured as the change in poverty when inequality changes in the absence of growth.

From equation 1, the degree of pro-poor growth can be measured by the index;

$$\eta = \Phi / \Phi_g \qquad (2)$$

From equation 1, Φ_g will always be negative because positive growth always reduces poverty with distribution remaining constant, while Φ_I can be either negative or positive depending whether growth improves or worsens inequality. If Φ_I is negative, it means that growth is poverty reducing. Though change in income distribution is in favour of the poor. And when Φ_I is positive, then growth is pro-rich. But, when $0< \eta <1$, then growth is not strictly pro-poor (implying that growth led to redistribution against the poor) even though it still reduces poverty incidence. Thus, when $\eta < 0$, economic growth actually leads to an increase in poverty.

During a recession both Φ and Φ_g are positive. If there is no income redistribution due to recession, then the incidence of poverty would increase by Φ_g per cent (due to a one per cent decline in growth rate), where as the actual increase in poverty is Φ per cent. Thus, the recession will be pro-poor if $\Phi < \Phi_g$ and pro-rich if $\Phi > \Phi_g$.

Under this situation, the pro-poor growth index will be defined as

$$\eta = \Phi_g / \Phi \qquad (3)$$

This implies that the recession will be pro-poor if $\eta > 1$ and pro-rich if $\eta < 1$.

4.1.1 Pro-Poor Growth Index

Suppose that there is a positive growth rate of g_{12} percent between periods 1 and 2 then poverty elasticity can be defined as

$$\Phi = P_{12}/g_{12} \qquad (4)$$

which is the proportional change in total poverty when there is a positive growth rate of 1 percent. Likewise, we may define

$$\Phi_g = G_{12}/g_{12} \qquad (5)$$

$$\Phi_1 = I_{12}/g_{12} \qquad (6)$$

where Φ_g is the proportional change in poverty when there is a positive growth rate of one percent provided the relative inequality does not change, and Φ_1 is the proportional change in poverty when inequality changes but the real mean income does not change.

Given this, we can then write that

$$\Phi = \Phi_g + \Phi_1 \qquad (7)$$

this shows that the proportional change in poverty caused by a one percent positive growth rate in the economy is the sum of the two factors: Φ_g is the income effect of growth on poverty and Φ_1 is the inequality effect on poverty, which is caused by the change in inequality.

The income effect of growth on poverty, Φ_g, is always negative, which implies that growth will always reduce poverty when the relative inequality does not change. The inequality effect, Φ_1, can be either negative or positive. If Φ_1 is negative, it means that growth has led to a change in the distribution of income in favour of the poor, thereby reducing poverty unequivocally. Such a growth can be characterized as pro-poor. If Φ_1 is positive, the change in income distribution is pro-rich: the rich benefit proportionally more than the poor. This suggests that we can have as an index of pro poor growth

$$\eta = \Phi/\Phi_g \qquad (8)$$

η will be greater than 1 if $\Phi_1 < 0$, which means that growth is strictly pro-poor. If $0 < \eta < 1$, it means that $\Phi_1 > 0$ but poverty still declines due to growth. This situation may be generally characterized as trickle-down. If $\eta < 0$ economic growth in fact badly hurts the poor and leads to an increase in poverty.

4.2 Data Source

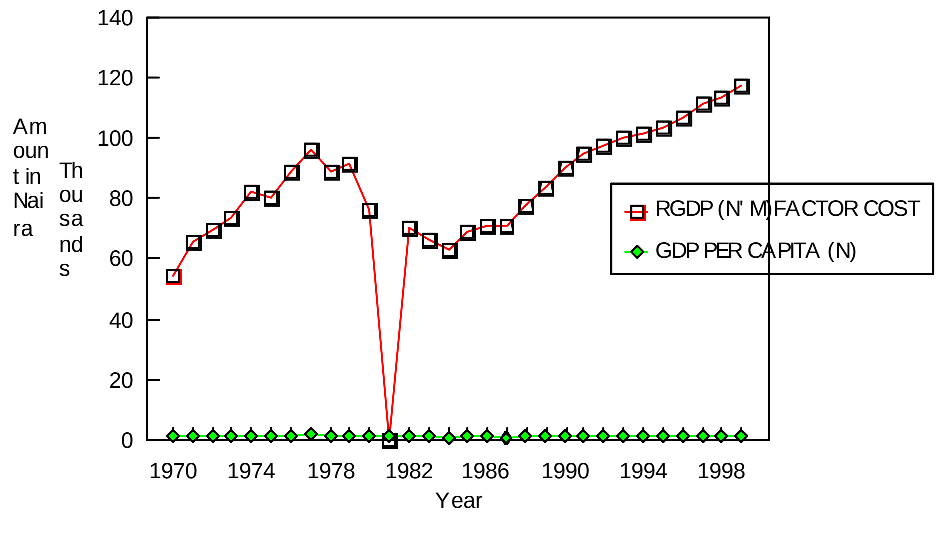
The data for the study was sourced secondarily from the publications of the Central Bank of Nigeria, Federal Office of Statistics in Nigeria, the World bank, the UNDP Reports, the FOS/UNICEF Multiple Indicator Cluster Survey (1995), FOS/World Bank, Poverty and Welfare in Nigeria National Survey, Centre for African Settlement Studies and Development (CASSAD) Field Survey (1997) and other relevant and related studies and publications.

SECTION FIVE
EMPIRICAL ANALYSIS

5.1 Trend in Real GDP Growth

Figures 5.1 shows that real GDP increased between 1970 and 1974 but between 1975 and 1980, it fluctuated. It later fell again in 1981 through 1985. But from 1986, it rose gradually until 1999.

Figure 5.1 Trend in the Real GDP and Per Capita

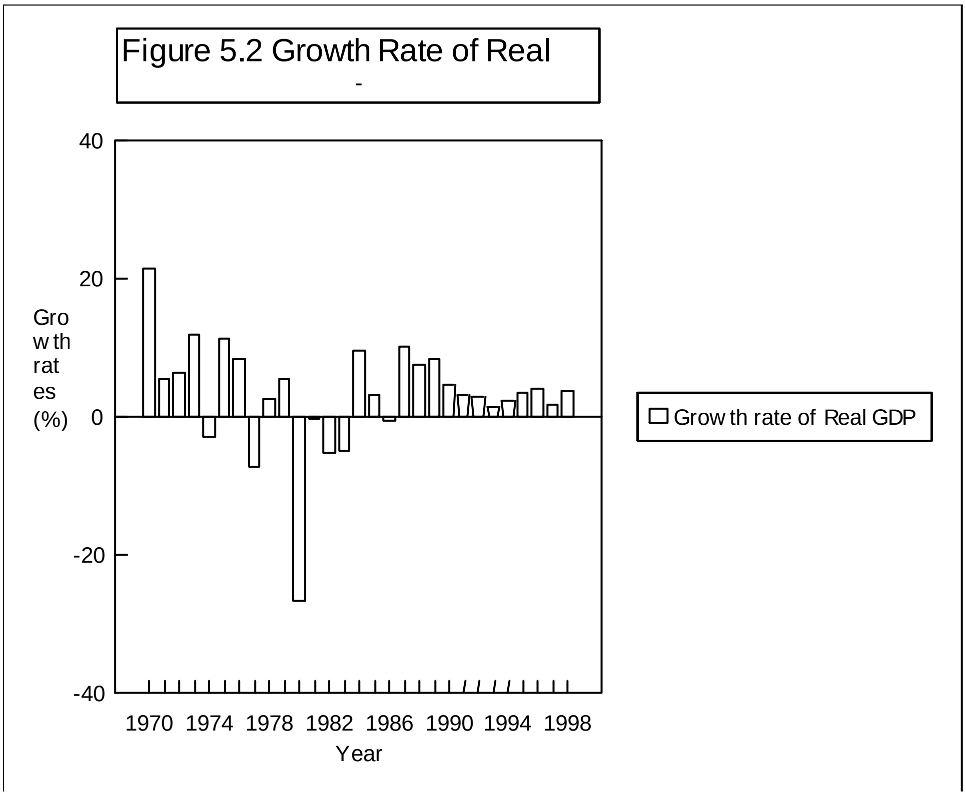


Sources: Central Bank of Nigeria (CBN) Statistical Bulletin, June 1999

Central Bank's of Nigeria (CBN) Annual Report and Statement of Accounts, 2000.

For the general growth rate in real GDP, it was unimpressive especially during the oil boom period of 1970s. For instance it ranged between 2.4 percent and 21.3 percent. It was only in 1975 and 1978 that it was negative and the growth rate then was – 2.9 and – 7.4 percent respectively. By 1981, it declined to – 26.8 percent and this decline persisted till 1984 when the growth rate was – 5.1. In 1985, it rose by 9.4 percent and fell again in 1987 to – 0.6 percent, after which it fluctuated between 1.3 percent in 1994 and 10.0 percent in 1988. infact, the growth rate was 3.9, 1.8 and 3.6 percent in 1997, 1998 and 1999 respectively, (Figure 5.2).

Following the above fluctuating trend per capita real GDP, also fluctuated. It increased between 1970 and 1982 ranging from ₦997.4 to ₦1,025.4. In 1983, it fell to ₦939 but by 1990, it rose again to₦1042 and thereafter it fluctuated reaching ₦1052.5 in 1999.



Sources; Central Bank of Nigeria (CBN) Statistical Bulletin, June 1999

Central Bank's of Nigeria (CBN) Annual Report and Statement of Accounts, 2000.

This somehow impressive growth rate was accompanied by a sharp increase in inequality. The proportion of poor people declined at an annual rate of 2.8 percent (using the head count ratio). The poverty elasticity, which was 0.5, implies that on the average a 1.0 percent growth rate leads to a reduction in poverty incidence of 0.5 percent. This decline in the incidence of poverty was at a decreasing rate and it can be explained using the pure growth effect, which stood at – 2.2 and the pure inequality effect of 3.6 percent. The implication of this trend is that if not for the increase in equality, a 1.0 percent increase in growth was likely to reduce poverty by 2.2 percent (see table 5.1). That is, increasing inequality has reduced the impact of growth on poverty by 2.2 percent.

From the above, economic growth in Nigeria is slightly pro-poor. The index of pro-poor growth (which can be measured by dividing the overall effect on poverty of – 0.5 percent by the pure growth effect of – 2.2 percent) was 0.23 for the poverty head count ratio.

This shows that growth was actually weakly pro-poor. For the poverty Gap ratio (which is the product of the head count ratio and the average amount by which the per capital income or expenditure of the poor fall short of the poverty line expressed as a proportion of the poverty line), the value is smaller (0.11) than that of the head count ratio. While that of the severity of poverty (which is a measure that gives greater weight to poor individuals, that is, the poorer the person, the greater the weight given to his or her income short fall from the poverty line, thus, it takes into account income distribution among the poor) was 0.08. This smaller values of the poverty gap ratio and severity of poverty suggests that those that are far below the poverty line has not really been enjoying the benefits of growth. Infact, the benefits getting to them has been decreasing at an increasing rate.

Table 5.1 Growth and Inequality effects of Poverty Reduction in Nigeria

Indicator	1960 1978	1979 1993	1997 1998	Annual % change	Poverty Elasticity[a]	Growth	Inequality[b]	Proper Growth Index[c]
Headcount ratio	10.14	48.21	38.21	-2.81	-0.51	-2.18	3.61	0.23
Poverty Gap ratio	7.31	15.14	9.90	-1.73	-0.44	-3.96	5.49	0.11
Severity of poverty	2.11	8.16	5.21	-0.64	-0.24	-3.01	3.75	0.08

a. Percent change in poverty incidence with respect to a percent in real GDP per capita

b. As measured by the Lorenz curve

c. Extent of poverty reduction (Poverty elasticity) explained by pure GDP growth effect.

In Nigeria, the incidence of urban poverty has been on the increase, though majority of the poor are found in the rural areas. This implies that economic growth in rural areas will be slightly more pro-poor than in urban areas. And this was manifest in table 5.2, where the pro-poor growth index for the head count ratio was 0.10 for the urban areas and 0.24 for rural areas. The results for the poverty gap ratio was – 0.03 for urban and 0.18 for rural while that of severity of poverty was – 0.11 for urban and 0.23 for rural. One implication of these results is that growth has contributed to an increase in poverty in urban areas. As such, it can be inferred that overall growth in Nigeria is not necessarily always pro-poor.

Table 5.2: Growth and Inequality Effects on Poverty Reduction in Urban and Rural Areas in Nigeria.

Indicators	Poverty Elasticity[1]	Growth	Inequality	Pro-Poor Growth Index
Headcount ratio				
Urban	-0.5	-5.1	5.2	0.10
Rural	-0.9	-3.8	3.0	0.24
Total	-0.6	-2.9	2.8	0.21
Poverty gap ratio				
Urban	0.2	-5.1	6.3	-0.03
Rural	-0.9	-4.9	4.4	0.18
Total	-0.5	-4.3	4.0	0.11
Severity of poverty				
Urban	0.7	-6.1	7.1	-0.11
Rural	-0.7	-3.0	2.4	0.23
Total	-0.3	-3.1	3.1	0.09

1: Percent change in poverty incidence with respect to percent change in urban and rural incomes per capita.

This result was similar to that of Aigbokhan (2000) who found a positive real growth throughout the period studied, yet poverty and inequality worsened. Thus, he suggested that the so-called “trickle down” phenomenon, underlying the view that growth improves poverty and inequality, is not supported by the data sets used. He opined that this may well be due to the nature of growth pursued and the macroeconomic policy stance, which nonetheless produced growth. If the relatively more impressive growth of the economy in 1986-1992 could not yield an improvement in poverty, it is not surprising that the relatively lower growth in 1993-1996 could not yield a better poverty profile. This may be because much of the growth is driven by the oil and mining sectors.

SECTION SIX
CONCLUSION

The study examined the macroeconomic policies and pro-poor growth in Nigeria. Most of the poverty alleviation policies in Nigeria are directed towards rural areas. Though laudable, many of the programmes have not achieved significant desired result. The main reason for this is that the poverty alleviation programme is not well focused. Their targeting was poor and duplication was excessive. There was also the non-involvement of the people for whom the programmes are designed (the poor). Many of the programmes were politically motivated, designed more to buy legitimacy for the government rather than being primary functional and genuine in their intention to help the poor. No wonder then that those who benefited from these various programmes were the non-poor, they were the rich and the powerful. This not surprisingly, brought frustration, disillusionment and discouragement to the poor and inevitably, discontent and resentment. The implementation of the Structural Adjustment Programme (SAP) did not help matters as it enhanced massive diminution in living standard and the exacerbation of poverty.

In the light of the escalating nature of poverty in the country, there is an urgent need for a poverty alleviation initiative to reduce the miseries of the vast population of the poor. Such an initiative should be well-articulated and short-term targeted.

Thus, it is suggested that the government poverty alleviation programme should be restructured if not re- designed and should be centered on the ‘basic needs’ approach. This approach emphasizes the importance of separating generalized increases in income from the more significant attainment of the requirement for a permanent reduction of poverty through the provision of health services, education, housing, sanitation water supply and adequate nutrition.

The rationale of this approach was that the direct provision of such goods and services is likely to relieve absolute poverty more immediately than alternative strategies, since growth strategies usually fail to benefit the intended target and the productivity and income of the poor depend in the first place on the direct provision of health and education facilities. In the same vein, there is no guarantee that increased income will be spent on essential services, since households vary in their ability to spend wisely and effectively. They may irrationally prefer ‘better’ consumption goods that contribute less to family welfare than other goods that might serve as inputs to higher productivity.

Efforts to reduce poverty may therefore not likely to succeed in the long run unless there is greater investment in the human capital of the poor. Improvement in education, health, and nutrition directly address the worst consequences of being poor. There is ample evidence that investing in human capital, especially in education, shelter, and social services increases the productivity of the poor and also attacks some of the most important causes of poverty.

To actually break the vicious circle in which the poor finds himself, the government (local, state and federal) must make reaching-the-poor a priority. This can be done through the establishment of schools, provision of shelter through housing schemes and/or rent control, provision of scholarship, for the children of the poor and setting up of medical centers in both rural and urban areas. Though, in the past government has embarked in these programmes but this time around they should not be politicized, personalized, and the target population for whom the programmes were designed should be involved. These will help in a long way because the effectiveness of education and health services as a weapon in fighting poverty goes well beyond increasing productivity in the labour market. It helps in reducing the children mortality rate as well as enhancing the literacy level of the children of the poor. It also enhances manpower development among them. Infact, investing in education and health has a life long effect on the populace.

The government should also find a lasting solution to the current unemployment and underemployment problem in the country. And if possible provide subsidies for the unemployed. The recent poverty alleviation programme of the government was a hoax. Apart from it being politicized, it was also personalized. This approach should stop if the government actually wants positive results from such programmes and/or policies. Also, the ever-increasing inflation rate has to be controlled or else it renders the minimum wage policy of the government ineffective. This is because real wage will keep falling while the standard of living keeps rising. More importantly, government polices should aim more on pro poor growth.

Finally, no society can surely be flourishing and happy, of which by far the greater part of her populace are poor and miserable. Thus, poverty alleviation in Nigeria should be the highest priority of the government while her poverty alleviating macroeconomic policies should be based on pro poor growth.

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