

Abstract for “Explaining the Spatial and Sectoral Variations in Growth Pro-poorness in Nigeria”

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Recent studies on pro-poor growth have shown that income inequality within a country is one of the major causes of the differences in the impact of growth on poverty reduction. Another important factor, notably in developing countries, is the geographical and sectoral pattern of growth and poverty. The explanation for both could be the existence of dual economic structures in these countries. In many instances, these structures are along agricultural and industrial sectors, and urban and rural sectors. The degree of linkages between these sectors has implications for pro-poor growth. Thus, understanding the factors that drive pro-poor growth is crucial for poverty reduction.

In Nigeria, the past decade has witnessed accelerated economic growth which has not translated into poverty reduction. For example, real GDP growth over the period 2004-2010 was 6.6%. This is even as the incidence of poverty increased from around 52% to about 61%. There are two implications arising from this. Firstly, it could be that economic growth has not occurred in economic activities and/or geographical locations where the poor could use their productive resources. Secondly, it could mean that the fiscal instruments have not been effective in redistributing gains from economic growth between the poor and non-poor.

Given the above, the study seeks to answer two pertinent questions. First, are there spatial and sectoral variations in the observed anti-poor growth? Second following from the first, what factor explain these variations? In answering the first question the study will examine the nature of pro-poor growth across Nigeria’s six geopolitical zones and major economic sectors, using pro-poor index proposed by Ravallion and Chen (2003) and Kakwani, Khander and Son (2003). This will help shed light on the absolute and relative nature of pro-poor growth in Nigeria. For the second question, the study will employ the Blinder-Oaxaca decomposition analysis. The aim is to separate the observed variations into characteristic (such as endowment effect) and structural (such as geographical disadvantage) components.