

2023

SPECIAL  
RESEARCH  
REPORT



Achieving Shared  
Prosperity through

# FUNCTIONAL SOCIAL PROGRAMMES IN NIGERIA



MAY 2023

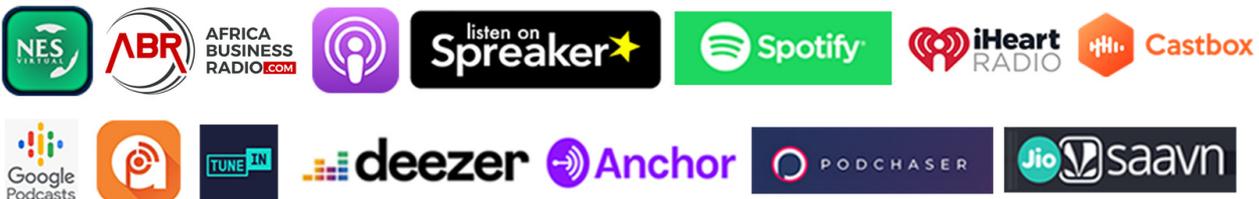


In February 2021, the Group launched the NESG Podcast services. The NESG Radio is a weekly, syndicated podcast that keeps Nigerians informed through curated localised content on economic policies and issues across sectors of the Nigerian economy. The NESG podcast will help effectively communicate the activities of the Group to a younger audience and extend research-based advocacy in a distillable localised format to all Nigerians. The radio has had guests from the private sector, public sector, civil societies and donor communities speak on issues of national interest. Thus far, NESG Radio has recorded **77 episodes** with several episodes translated to local languages for the mass audience.

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## Setting the Context

The **Shared Prosperity Agenda** for Nigeria, according to NESG (2023), entails **"achieving broad-based economic growth, creating jobs, reducing poverty and inequality, and ensuring socio-economic prosperity for all Nigerians"**. Meanwhile, a cursory look at the current state suggests that Nigeria needs to achieve shared prosperity as it has one of the worst socio-economic indicators globally. Thus, achieving shared prosperity will remain a mirage unless social programmes are robust and functional.

The oil-rich Africa's largest economy is now home to many poor people after surpassing India in 2018. Nigeria is also battling the highest prevalence of severe malnutrition in Africa, with about two (2) million children being affected. In 2022, Nigeria ranked 103rd out of 121 countries on the global hunger index. These emanated from acute food insecurity, rising refugee headcount, unhealthy environment, and lack of access to quality healthcare. In addition, the poor and vulnerable groups appear excluded from enjoying the economic pie. As of April 2023, the Federal Ministry of Finance, Budget and National Planning estimated that the national social register has about 50 million beneficiaries, representing 38 percent of the 133 million Nigerians that are multidimensionally poor as of 2022. Leaving many people behind could be one of the reasons for high insecurity in the country.

In 2022, Nigeria ranked 16th out of 179 countries on the Global Fragile Index, similar to its 12th position in 2021. Similarly, Nigeria remained among the bottom 20 percent of countries, ranking 143rd out of 163 countries on the Global Peace Index in 2022. This is not unprecedented

considering that crimes in varying forms, such as armed robbery, terrorism, and kidnapping, among others, have been elevated. To curtail this menace, the Nigerian government has continued to spend massively on Defence & Security. In 2022, Defence and security accounted for 13.4 percent of the approved total budget of N20.5 trillion. By contrast, social services have been relatively less prioritised as Social Development & Poverty Reduction Programmes accounted for 3 percent of the 2022 budget. Hence, the low attention received by social protection programmes in Nigeria.

In technical terms, the International Labour Organisation - ILO (2019) describes social protection or social security - Sustainable Development Goals (SDGs) Target 1.3 - as **"public measures that provide benefits to guarantee income security and access to essential health care, such as unemployment insurance, disability benefits, old-age pensions, cash and in-kind transfers, and other contributory and tax-financed schemes"**.

Remarkably, successive administrations in Nigeria have put in place several social protection programmes, including social insurance (dealing with vulnerabilities associated with old age and illnesses such as the Contributory Pension Scheme and the National Health Insurance Scheme), social assistance (non-contributory programmes such as school feeding programme and cash transfers) and labour market policies (such as the continual review of the National Minimum Wage, the last one being in 2019).

Meanwhile, the various forms of social protection programmes in Nigeria have yielded little success due to key challenges including:

- Lack of updated database on beneficiaries - Only 18.1 percent of poor and vulnerable Nigerians have a National Identification Number (World Bank, 2022);
- High financial exclusion – over 50 percent of adult Nigerians do not have access to and use financial services;
- Short-term nature of social protection and discontinuity by successive governments;
- The low receptiveness of social protection initiatives at the sub-national level, and
- Large informal sector and vulnerable employment (which accounts for over 70 percent of total employment).

Moreover, for shared prosperity to be achieved in Nigeria, there is a need for a robust social protection programme that is consistent across successive administrations, accessible to many beneficiaries and adequate in terms of public goods provision. In light of the aforementioned, this Report centrally proposes how functional, robust and resilient social protection could contribute towards achieving shared prosperity in Nigeria.

# Social Protection in Nigeria: How adequate are Government interventions?

Nigeria has one of the least social protection coverage rates in Africa and globally.

Nigeria has not equally fared well regarding the various forms of social protection.

This poor performance could be attributed to the absence of robust social protection programmes that are available on a large scale, accessible to the target beneficiaries (poor and vulnerable) and guarantee adequate protection through the right quantum of public spending. As of 2015, social protection programmes (of all forms) could only cover less than 5 percent of Nigerians (see **Figure 1**). This is a far cry compared to 48 percent, 45.2 percent and 17.8 percent coverage rates in South Africa, the World and Africa, respectively.

The inadequacy of the available social protection programmes in the country is also reflected in the poor coverage of specific segments of the population, including persons living with disabilities (0.1 percent), retirees (7.8 percent), and vulnerable groups (0.2 percent) significantly underperforming South Africa, the global and African averages (see **Figures 2, 3 and 4**).

FIGURE 1: SHARE OF POPULATION WITH SOCIAL PROTECTION COVERAGE AS OF 2015 (PERCENT)

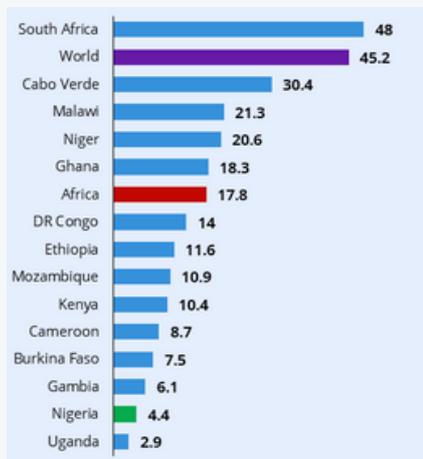


FIGURE 2: SHARE OF PERSONS WITH DISABILITIES HAVING SOCIAL PROTECTION COVER AS OF 2015 (PERCENT)

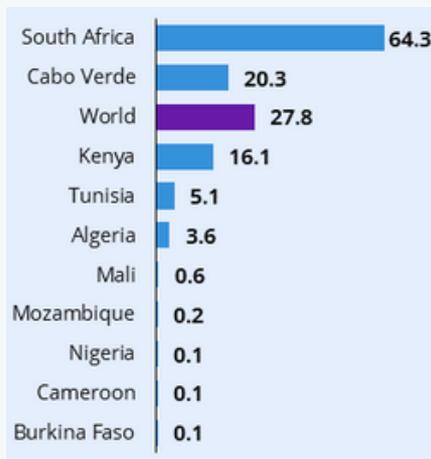


FIGURE 3: SHARE OF RETIREES WITH ACCESS TO PENSION BENEFITS AS OF 2015 (PERCENT)

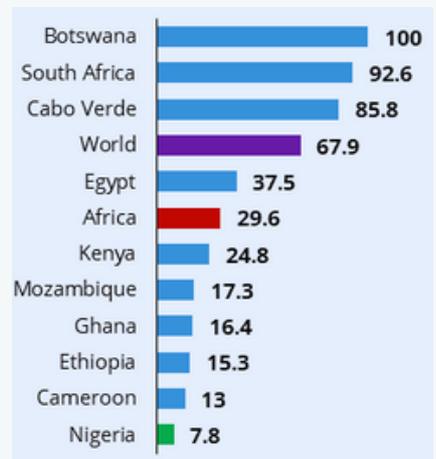
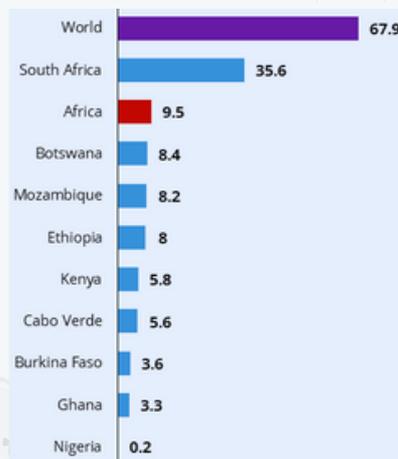


FIGURE 4: SHARE OF VULNERABLE GROUPS WITH SOCIAL PROTECTION COVERAGE AS OF 2015 (PERCENT)



DATA: INTERNATIONAL LABOUR ORGANISATION (ILO, 2017); CHART: NESG RESEARCH

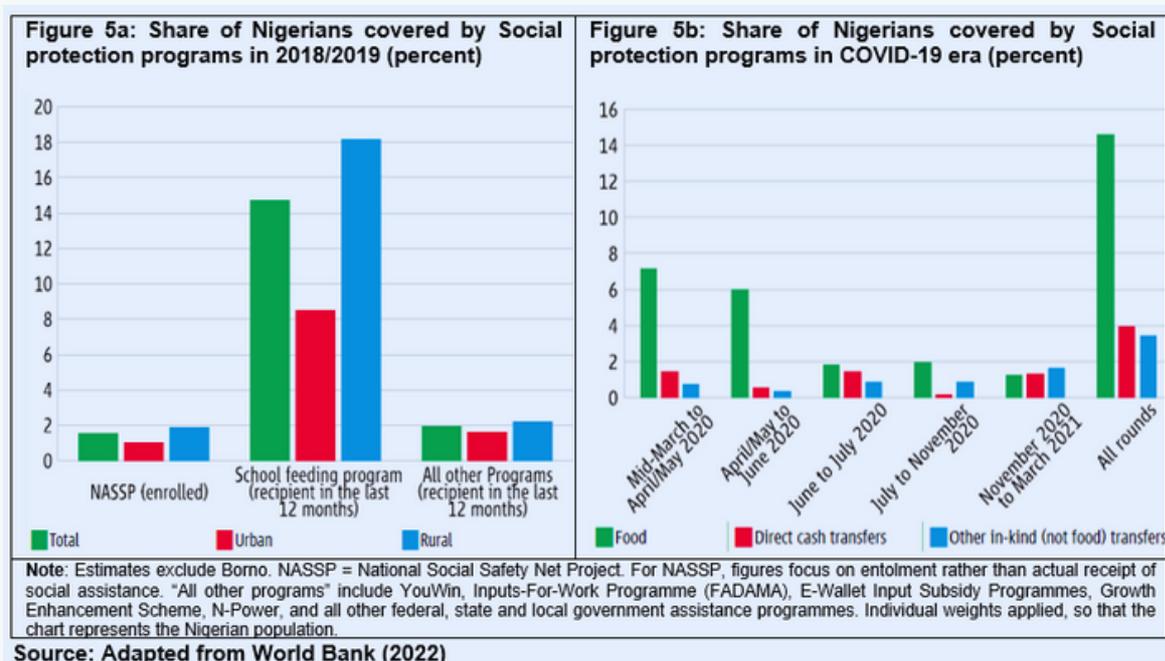
**Social protection coverage was limited in Nigeria before COVID-19 struck in 2020**

At the National level, irrespective of settlement types, only about 1.6 percent of Nigerian households were enrolled under NAPSS (see Figure 5a). Similarly, households receiving social protection in cash or in kind from other programme is not significantly different from NASSP enrollee (See **Figure 5a**)

The only exception has been the national school feeding programme, which covered 14.7 percent of households and 20.1 percent of children aged 5 to 13 years (about 11 million beneficiaries) before the 2018/19 household survey (see **Figure 5a**)

**Moreover, the weak pre-existing social protection system hampered the scale-up in coverage of the poor and vulnerable households supported during the global health crisis.**

For instance, between March 2020 and March 2021, out of 43 million households [1], only 1.7 million households (representing 3.9 percent coverage rate) received social safety net support through cash transfers from either federal, state, or local government (see **Figure 5b**). This suggests inadequate protection for the poor and vulnerable in Nigeria even during the outplay of shocks such as the COVID-19 crisis.



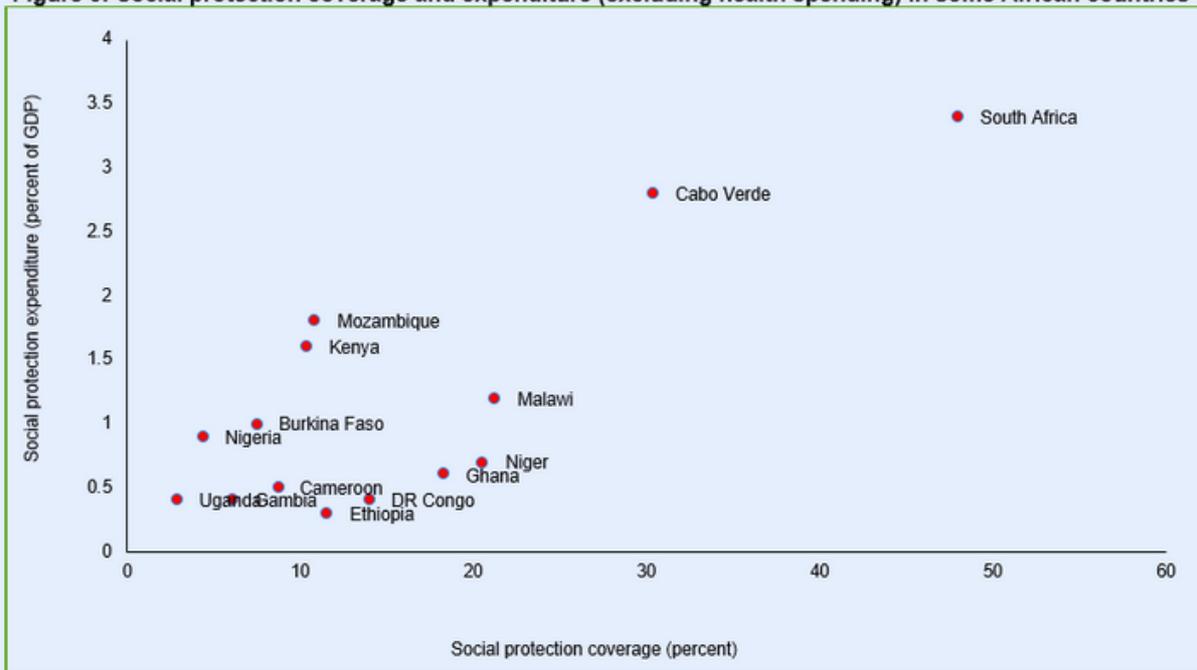
[1] National Bureau of Statistics (2020)

Meanwhile, Nigeria's low social protection coverage rate before the COVID-19 outbreak is not unprecedented, as the country has one of the lowest social protection expenditures (excluding public health spending) in Africa.

This could be explained by the prioritisation of spending on the security architecture in annual budgetary allocations in Nigeria, which has robbed the government of the fiscal space to execute robust and functional social protection programmes. Remarkably, there is a positive relationship between social protection expenditure (excluding public health spending) and social protection coverage in some selected African countries (see Figure 6).

Notably, South Africa and Cabo Verde, which had the highest spending on social protection in Africa, also recorded significant progress in social protection coverage (see Figure 6), mainly outperforming countries with low social protection spending, such as Uganda and Nigeria. This suggests the potency of higher spending on social protection in ensuring adequate protection.

Figure 6: Social protection coverage and expenditure (excluding health spending) in some African countries



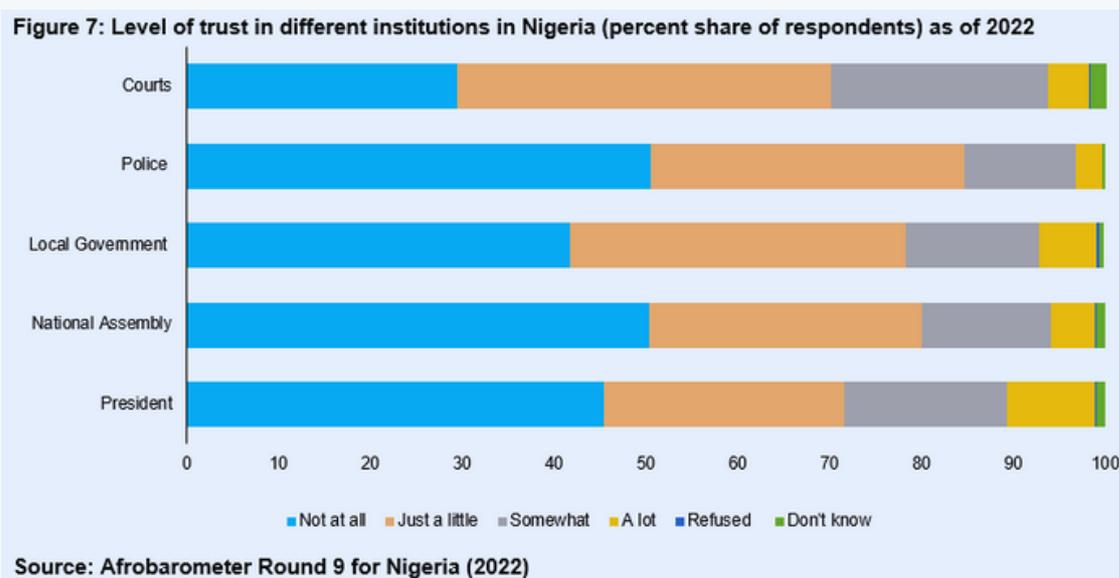
Data: International Labour Organisation (ILO, 2017); Chart: NESG Research

In addition, the lack of adequate protection for the poor and vulnerable groups has made many Nigerians lose trust in the government and public institutions.

The limited scope of social protection coverage could have weakened the social contract between Nigerians and the government. This stems from the fact that the social needs of the people were less prioritised, and social security spending is less transparent, as disbursements to beneficiaries are not traceable. In 2015, when Nigerians were asked to list the "most important priority" for the country, 31 percent and 23 percent of the respondents voted in favour of healthcare and education, respectively. Meanwhile, only 15 percent of respondents favoured energy – electricity or petrol as the top priority for Nigeria and Nigerians (see Pew Research Centre, 2015).

Despite this, the Nigerian government spends hugely on fuel subsidies annually. Moreso that the rich and high-income class benefit more from fuel subsidies in the country (see World Bank, 2022).

Consequently, many Nigerians and civil society organisations had nurtured distrust in the government and its institutions (see **Figure 7**). The trust deficit is exacerbated by inadequate protection for the poor and vulnerable groups, resulting in multiple challenges confronting the implementation of tough reforms such as fuel subsidy removal. According to NOI-Polls (2015), about 52 percent of survey respondents stated that they were excluded from the benefits of past subsidy reforms, attributed mainly to pervasive corruption (66 percent of the respondents) and poor management of the fuel subsidy reforms (39 percent).



## Connecting Social Protection to Shared Prosperity

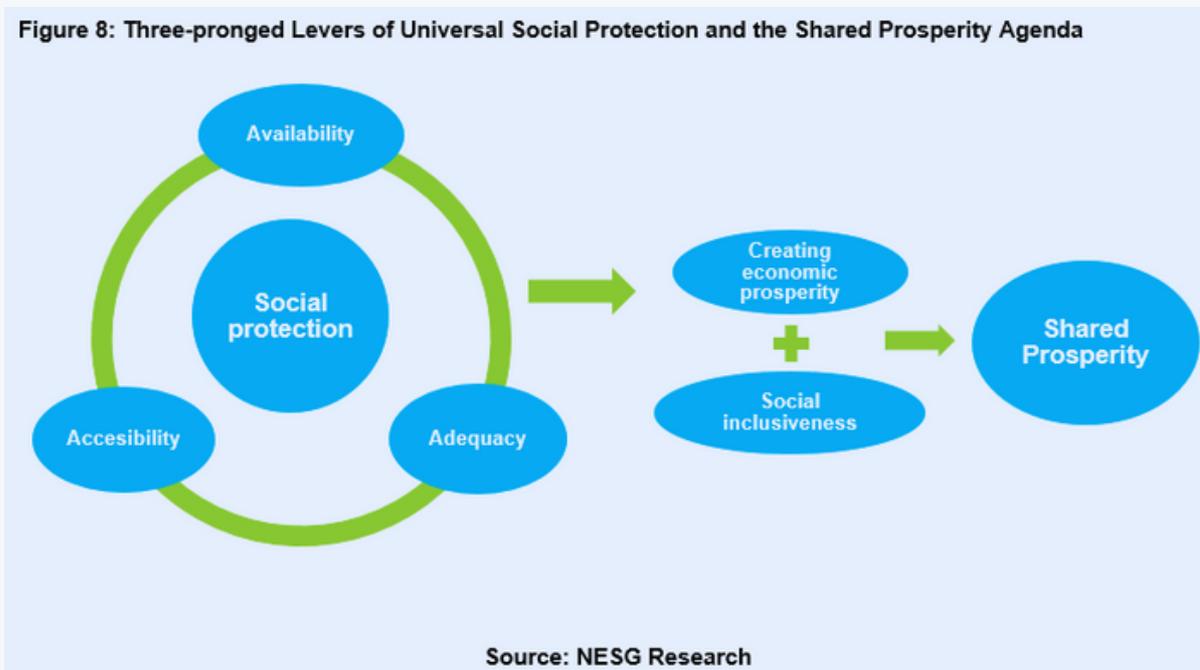
Adequate social protection confers a complete sense of belonging to the system on the poor and vulnerable groups, including children, persons with disabilities and the aged.

Achieving shared prosperity hinges on recording substantial progress on the critical levers of universal social protection – coined as **“Triple A: Availability, Accessibility and Adequacy”** (see **Figure 8**). A robust and functional social protection should be made available through higher social investments, accessible through public orientation and awareness and proximity to the needed group,

as well as adequate in covering all the basic needs (housing, clothing, feeding, health and education).

Access to the basic necessities of life endows citizens with the ability to achieve individual prosperity and economic prosperity for the country as a whole - this is the first aspect of the Shared Prosperity Agenda (SPA) proposed by NESG (2023). Equally important is the need for social protection to be deployed in alleviating sources of economic vulnerabilities such as child labour, disabilities and old-age ailments – this entails social inclusiveness, which is the second aspect of the SPA proposed by NESG (2023).

Figure 8: Three-pronged Levers of Universal Social Protection and the Shared Prosperity Agenda



Source: NESG Research

**BOX 1: LESSONS FROM ETHIOPIA'S SOCIAL PROTECTION EXPERIENCE**

The Government of Ethiopia introduced Sub-Saharan Africa's most prominent social protection programme, "**The Productive Safety Net Program (PSNP)**", in 2005. The programme aims to restore and maintain the livelihood of the poor by providing food and cash support to people with predictable food needs. Since its inception, PSNP has supported about 8 million chronically food-insecure Ethiopians. About 85 percent of the programme's beneficiaries participate in community development projects, such as the rehabilitation of roads, in return for cash or food rewards. Until 2016, there was no social protection coverage for the urban poor. As Ethiopia's first urban safety net, the programme cost was US\$450 million, with the International Development Association (IDA) contributing two-thirds of the cost (US\$300 million), while the Ethiopian government invested US\$150 million. Consequently, rural poverty fell drastically from 42.2 percent in 2014 to 25.5 percent in 2016. Similarly, urban poverty plunged from 30.7 percent in 2014 to 3.9 percent in 2016 (World Bank, 2020). The country has also made landmark achievements in terms of double-digit social protection coverage (see **Figure 1**)

Specifically, as of September 2020, the Urban PSNP has made progress in the following areas:

- Supported over 600,000 beneficiaries, of whom 60 percent are women;
- Facilitated bank account opening for all beneficiaries through a state-owned bank (Commercial Bank of Ethiopia). And more than US\$11.3 million has been saved in beneficiary bank accounts;
- Paid livelihood grants to about 51,000 beneficiaries to support small business owners after completing skills and financial literacy training;
- Linked over 60,000 people to social services such as health insurance, education- and housing support.
- Developed the first-ever information management system that captures the information of the urban and rural poor, which will serve as the overall monitoring system for safety nets in the country (World Bank, 2021).

Moreover, the achievements mentioned above are not unprecedented, as reflected in higher budgetary allocation to various SDG projects, which stood at 1.6 percent of total expenditure estimates (or US\$210.6 million) in the 2019/2020 fiscal year. Similarly, the authorities prioritise infrastructure spending as education and road projects, respectively, accounted for 21 percent and 19 percent of public spending estimates in the same financial year.

## Conclusion

Nigeria is one of the Comity of Nations expected to realise almost all the Sustainable Development Goals (SDGs) and targets by 2030. The country cannot afford to be left behind in achieving the shared prosperity priorities within the SDG Agenda. This will require continuous integration of the poor and vulnerable groups into the system through functional and resilient social protection initiatives. Nigeria needs a social protection system that can adapt to current and future challenges. Building resilient social protection schemes would require critical measures that would boost the availability, accessibility and adequacy of social protection, and they include:

Scale up funding for social protection programmes through higher public spending and external donor assistance. In this regard, more efforts should be devoted to incentivising the participation of non-state actors, including the private sector & international development partners.

Social protection schemes should cover various vulnerabilities experienced throughout the lifetime, including child labour, disabilities and ailments in old age. Protecting vulnerable groups should therefore be enhanced.

Entrenching transparency and accountability in managing social protection programmes (particularly in selecting beneficiaries) and regular monitoring and evaluation are crucial. This is expected to reduce the existing trust deficit in the government.

Social investments need to be strengthened at the sub-national level. The available social protection schemes are primarily the initiatives of the Federal Government of Nigeria. Adequately enforcing this would require constitutional amendments to recognise social protection as part of the constitutional duties of the government at all levels.

Ensuring that social protection in the form of cash and in-kind transfers should be delivered mainly to the target beneficiaries at little or no cost incurred by the beneficiaries.

Need for strong political will to sustain pre-existing social protection programmes by successive administrations at all levels of government.

Upscaling the social protection coverage by regularly updating the national social register. A combination of platforms, including the national identification number, bank verification number, and population census, should be explored to enhance appropriate targeting.

Widespread public sensitisation to enhance enrollment into social protection schemes in the country. As is the case with Ethiopia, it is important to figure out what the actual needs of the poor and vulnerable groups and where they reside. This will inform the nature and reach of the public orientation strategy.

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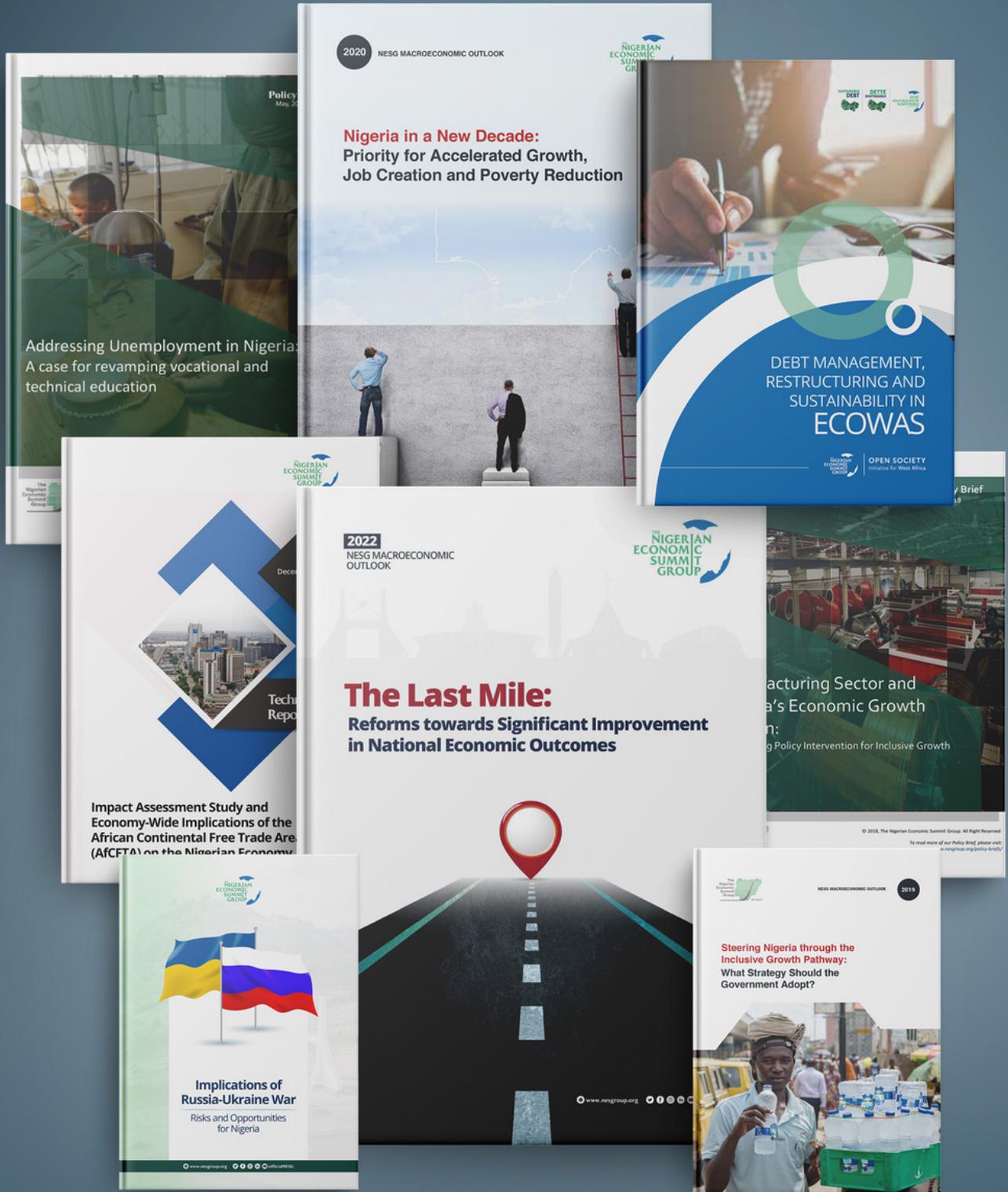
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Our views and positions on issues are disseminated through electronic and print media, seminars, public lectures, policy dialogues, workshops, specific high-level interactive public-private sessions and special presentations to the executive and legislative arms of government.

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