

Project Briefing

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Key points

- Cash transfers are an emerging policy response in Nigeria but current coverage is too small to impact poverty
- Conditional cash transfers are the most common, but perhaps not the most appropriate transfer, given high poverty, institutional capacity and resource constraints
- Institutional capacity should be supported at the state level to assess the appropriateness of different social protection instruments

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The potential for cash transfers in Nigeria

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The poverty rate in Nigeria has doubled over the past two decades despite strong economic growth: at 54% it is equivalent to 75 million people (MDGs Nigeria, 2010). Inequality, as measured by the Gini coefficient, was 43.8 as of 2005 (Ortiz and Cummins, 2011). The impacts of the recent food, fuel and financial crisis have exacerbated this situation.

Around the world, social protection interventions are increasingly attracting government and donor resources, with an eye to reducing poverty and vulnerability, promoting growth and increasing stability. In Nigeria too, social protection policy and programming have emerged in recent years, with the government and its development partners currently implementing cash transfers to address the country's high rates of poverty and vulnerability.

This Project Briefing examines the role, appropriateness and feasibility of cash transfers in the Nigerian context. It is part of a project funded by UNICEF Nigeria to support the Government of Nigeria in realising its overarching development strategy and development of a national social protection strategy, and is one of five thematic outputs (the others relate to mapping of social protection, HIV/AIDS, child protection and fiscal space).

The briefing draws on a desk-based review of secondary literature on social protection policy and programming in Nigeria, as well as primary research conducted in Abuja and in Adamawa, Benue, Edo and Lagos states.

Background

Nigeria's decentralised political system consists of a three-tiered government structure. There are 36 state and 774 local governments, with the federal government responsible for designing policy but sub-national governments largely autonomous in terms of interpreting economic and social policies and setting up budget regimes and expenditure patterns. States and local government areas (LGAs) vary

considerably in size, population, resources and capacity, resulting in significant differences in terms of poverty and vulnerability between states, with poverty rates in Bayelsa of only 20%, compared to over 90% in Jigawa (UNDP, 2009).

Poverty, inequality and instability are influenced by limited economic opportunities, spatial inequities and ethnicity, age and gender inequalities. The recent food, fuel and financial crisis has exacerbated many of the existing vulnerabilities facing the poor. In particular, households are facing reductions in real household incomes as a result of an exchange rate devaluation and food and fuel price inflation, limited job opportunities, a reduction in remittances, and limits to informal lending channels (ODI, 2011).

Over 60% of the population is below 18, children are represented disproportionately in poor households and Nigeria's under-five mortality rate is among the highest in the world (ranked eighteenth out of 193 countries). High health care costs and low utilisation of medical services have been exacerbated by the crisis, with diminishing purchasing power in some cases leading to an inability to pay for increasing drug and treatment costs. Meanwhile, indirect and direct costs of schooling contribute to low educational attainment, with net attendance at primary school at 62.1% (NPC, 2008). Religious and socio-cultural norms also strongly influence the patterning of poverty and vulnerability. For instance, girls' enrolment rate is consistently below that of boys.

Effectiveness of existing cash transfers

Two main cash transfers are currently being implemented in Nigeria – both conditional. Other small-scale cash transfers include a child savings scheme in Bayelsa state and a disability allowance in Jigawa.

In Care of the People (COPE) is a government-run conditional cash transfer (CCT) which

started as a pilot in 2007 and is now in its third phase. Its objective is to break the intergenerational transfer of poverty and reduce the vulnerability of the extremely poor. It targets children of basic school age living in households that are headed by poor females or include members who are aged, physically challenged, or fistula or HIV and AIDS patients. Beneficiary households first receive a monthly Basic Income Guarantee for one year. This ranges from \$10 to \$33, depending on the number of children in the household (a maximum of five); up to a further \$50 per month is withheld as compulsory savings, to be provided as a lump sum (up to \$560) to the head of the household at the end of the year. Entrepreneurship and life skills training are provided for recipients in order to increase the likelihood of successful investment of the lump sum. Payments are conditional and based on enrolment and retention of children in basic education (primary one to junior secondary), where they must maintain at least 80% attendance, and participation in all free health care programmes.

Three **other CCTs supporting female education** are being implemented in Kano, Bauchi and Katsina states, supported by the UK Department for International Development (DFID), UNICEF and the World Bank. These aim to reduce girls' dropout rates resulting from early marriage, specifically in the transition period from primary to secondary school.

Limited information is available on the effectiveness of COPE in reducing poverty, because monitoring and evaluation (M&E) mechanisms are lacking. Furthermore, the recent introduction of the CCTs for girls' education means it is currently difficult to evaluate the programmes' performance. Research carried out with beneficiaries of the COPE programme in four states (see Box 1) indicates that COPE income transfers have been relatively important to poor

households – supporting them to buy goods, meet social service expenses and, to some extent, invest in income-generating activities.

A critical concern is that the value of the transfer is low in relation to the consumption needs of large households, particularly in states where food prices are high. Due to food price variability cash transfers may not be the most appropriate social protection instrument in all states, and other options including a mix of food and cash transfers, and fee waivers, should also be considered. Moreover, programme delivery has not been uniform or consistent and a range of factors have served to undermine programme effectiveness in terms of promoting household investment in income generating activities; including the fact that training on investment has not always been delivered, poor programme implementation, and the nature of households which are labour-constrained and chronically poor (see below), as well as the fact that beneficiaries receive the COPE grant for one year only.

The role of cash transfers in the Nigerian context

Examining the appropriateness of cash transfers – in particular CCTs – in a context of high rates of poverty and vulnerability has highlighted a number of important issues. A main concern is the limited coverage of current programmes; COPE, for example, reaches only 0.001% of the poor.¹ Current targeting policy restricts eligibility to a sub-section of the poor by limiting the number of potential beneficiaries to households with school-age children plus other categorical identification, and, of those eligible, only a small fraction actually receive the grant.

An analysis of the Nigerian Living Standards Survey ((NLSS) indicates that, out of the main

Box 1: Effects of COPE at household level

Findings from data collected in four states suggest that the largest impact of COPE has been to support households in meeting their daily consumption needs. To some extent, the programme has increased accessed to health services and schooling for children.

'I used to buy drugs from patent medicine stores. But now I go to hospital whenever the kids are sick and there is improvement in the food intake of children' (widow, Edo).

However, the transfer is insufficient to make a sustainable difference to household poverty.

'I have a large family and the money was not enough to cater for our needs. It has helped us to feed while the money lasted but it was not enough' (adult male, Adamawa).

Some households have invested in small-scale productive activities, which have enabled income generation. However, many households have not received training or guidance for their lump sum payment, meaning 'sustainable graduation' from the programme within one year is unrealistic.

As to the indirect benefits, while there seems to be a general assumption that COPE will lead to women's empowerment, there is no evidence to support the notion that COPE transfers have led to a change in unequal relationships or power at the household level.

'It has not changed the behavioural pattern in my home. Our relationships remain the same' (adult male, Adamawa).

Source: Holmes and Akinrimisi (2011).

demographic proxies, targeting households with children under the age of five years is the most efficient in terms of reducing poverty (the poverty gap) and minimising inclusion error. If perfectly implemented, this approach would reach up to 60% of the poor, although 40% of poor households do not have children under five and would be excluded – a significant number of people.

Scaling up cash transfers is both a political and a fiscal issue. Simulations suggest that reaching 57% of the poor in two states (Jigawa and Kogi) by targeting households with children under five with a transfer equivalent to the current COPE benefit would cost N17 billion per year (based on the NLSS 2003 demographic profile). The cost to cover these two states represents approximately 0.05% of Nigeria's gross domestic product, or 30% of the total allocation to social protection per year as proposed in the Vision 20: 2020 (which budgets N186 billion over a three-year period).

There is a need to think about design options if the programmes are to reach larger sections of the poor over time, which may entail attaching different conditions than COPE or none at all. While categorically targeting households with children may be most efficient in terms of reaching poor households, options for different types of social protection – and cash transfer – instruments should be considered, in line with the types of poverty and vulnerability that need to be addressed (see below), as well as household capacity.

A key challenge with the cash transfers programmes currently implemented is that their value is low compared with household needs, especially in the context of increasing prices, a problem exacerbated by variations in state-level provision and cost of services. Therefore, consideration of different design features (e.g. price index-linking) is necessary, as well as of the type of instrument best suited to achieving the main objectives of the programme at state level, which may vary given the different patterns and drivers of poverty and vulnerability – including socio-cultural norms as well as income poverty. As such, while the conditions attached to the current CCTs may make sense in some states, other states have shown interest in expanding health or nutrition conditionalities. Food transfers may be more appropriate to support food security, or targeted fee waivers to support access to services. In other cases, cash for work or pensions may be more suitable.

Overall, international evidence suggests cash transfers, and CCTs in particular, improve access to services but this evidence is limited with regard to whether they improve health and education outcomes. Service quality is therefore a key concern, especially in the Nigerian context, where service provision is poor. International evidence has shown that non-conditional cash transfers also result in improved services usage, so conditionality itself may not be a priority.

Delivering cash transfers in Nigeria

Ability to implement cash transfers is a key determinant as to whether they represent a feasible social protection instrument. Nigeria, like many other countries, faces a number of challenges in this regard. Limited institutional capacity at the federal level to develop policy, provide guidance and implement effective M&E systems to support state-specific CCTs is a key issue and undermines the capacity of the federal government to provide policy guidance to states. Given the devolved institutional system in Nigeria, a national overarching vision and plan for social protection is required that provides states with the tools to establish context-specific and appropriate social protection programmes at state level. Institutional capacity constraints are also felt acutely at the state level and can undermine the ability of policy-makers to choose appropriate cash transfer programmes and also to implement and monitor existing programmes. Given these problems, consideration of cash transfers with a simple design and minimal administrative capacity and resource requirements may be more appropriate.

Inter-sectoral coordination is critical if cash transfer programmes are to be successful, but this is not easy for any country to achieve – and this is no less the case in Nigeria. Concerted efforts and institutional incentives are often needed to improve coordination – both horizontally (across sectors) and vertically (between the state and the federal level). Some good practice is emerging at the state level (e.g. in disability benefits in Jigawa). In addition, cash transfers (indeed any social protection programme) require good coordination among programmes to ensure their effectiveness. Development partners can play a key role here, ensuring that they promote such linkages and do not create parallel systems or ad hoc projectised approaches. Other initiatives also show some positive steps towards improved coordination, for instance the types of programmes being funded from the national Millennium Debt Relief Gain Fund, which include free health services. There is a need to ensure coordination is in place for other types of services too, including social welfare services, HIV services, banking and support for economically productive activities.

Challenges with service delivery and infrastructure also make the case for CCTs more problematic in Nigeria. Despite improvements in services over recent years, low health, education and child deprivation outcomes for the poor in particular, and the low spending on the sectors, demonstrate that significant simultaneous investment is needed to maximise the potential for cash transfers in terms of human capital outcomes. Government expenditure in the social sectors is relatively low: social protection expenditure is currently estimated at 1.4% of consolidated government expenditure in 2009,² education 12%, and health 7% (Hagen-Zanker and Tavakoli, 2011). Compared with other African countries, social protection expenditure is also low



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(ibid.). In this scenario, it might be more efficient to prioritise improving service quality, rather than designing a complex CCT which requires additional resources to monitor conditions. Soft, conditions, based on awareness-raising, may be more cost-effective and appropriate.

Finally, mechanisms for accountability and transparency are needed within the social protection programme. The federal government and states need to build on existing initiatives which institutionalise such mechanisms, with more attention to bottom-up accountability, in order to increase beneficiary awareness of programme entitlements and ensure there are mechanisms for participants to claim these rights and hold programme implementers accountable for programme delivery.

Conclusions

Many factors affect the appropriateness and feasibility of cash transfers in Nigeria's context of high levels of poverty, institutional capacity and resource constraints. In order to maximise the effectiveness of cash transfers, Nigerian policy-makers and development partners should re-assess programme design components, particularly the relative impor-

tance given to conditional features of cash transfers, and consider focusing instead on scaling up the programme to cover a larger proportion of the poor; increasing the value of the transfer and the duration of programme participation; improving the delivery of transfers so they are regular and predictable; creating awareness of beneficiaries to utilise services through soft conditions; and improving access to complementary programmes and basic services. Development partners can support the government at the federal level to develop an overarching social protection policy framework, which will also promote knowledge and awareness of the different types of social protection instruments that may be suitable for addressing poverty and vulnerability at the state level – cash transfers may be one such instrument, seen as part of a broader social protection package.

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Endnotes, references and project information

Endnotes:

- 1 Calculation based on assumption of 54% poverty rate, population 140 million and mean household size of 4.4 (NPC, 2008).
- 2 For methodology see Hagen-Zanker and Tavakoli (2011).

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Project Information:

This Project Briefing is part of a UNICEF Nigeria funded project on child-sensitive social protection entitled 'Social Protection Diagnostic and Forward Agenda for UNICEF'. The project aims to support the Government of Nigeria in realising its overarching development strategy (*The Vision 20:2020*) and the development of a national social protection strategy. The project has five thematic sub-components: social protection mapping and effectiveness; cash transfers; HIV/AIDS; child protection; and fiscal space. The study has been commissioned by UNICEF Nigeria and the National Planning Commission and funded by UNICEF Nigeria and UNFPA. It was carried out by ODI in partnership with Gender and Development Action (GADA) and the Centre for Women's Health & Information (CEWHIN).

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