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KEY POINTS

- Variations in the way poverty is measured comes at a huge cost to policymakers and researchers.

- The major cost is the inability to compare figures over time, making it difficult to objectively gauge if an administration has actually made progress in its poverty alleviation efforts.

- Policymakers should encourage and fund the production of poverty figures that are based on consistent and comparable methodology.

Comparing the Apples and Oranges in Nigeria's Poverty Measurements

Elections will soon be over and the winner will sit to consider the important tasks ahead; no doubt, that of poverty alleviation will be a top priority. The reality is that many Nigerians are poor and the winner has to do something about it, quickly.

According to the multidimensional poverty statistics released in 2022, 63% of Nigerians are poor, comprising 72% and 42% of rural and urban dwellers respectively. This rate of poverty also varies markedly among states ranging from 27% in Ondo state to 91% in Sokoto state. In total, about 133 million Nigerians are poor. This figure is very large and cannot be overlooked by any good leader.

Prior to the release of the multidimensional poverty in 2022, a monetary approach was used to measure Nigeria's poverty rate in 2019; and it was recorded that 40.1% of Nigerians, about 83 million, were poor. The figures stood at 52.1% for rural and 18% for urban areas; ranging between 4.5% in Lagos state and 87.73% in Sokoto state.[1]

As argued by the country's statistical authority, the two approach-es were not measuring the same thing, but could be seen to complement each other in providing different and robust perspectives to understanding Nigerian poverty dynamics.[2] This argument definitely has its merits, as different measures of poverty can deepen our understanding and hence how best to address poverty.

What is worrisome however is that variations in the way poverty is measured comes at a huge cost to policymakers and researchers. The major cost is the inability to compare figures over time, making it difficult to objectively gauge if an administration has actually made progress in its poverty alleviation efforts. This is further complicated as official poverty numbers are neither released frequently, say, annual, nor published at regular intervals. Often, they are complemented by estimates from international institutions such as the World Bank defining as poor those living on less than $2.15 a day, for instance.

This problem is not just between the 2019 monetary and 2022 multidimensional approaches; it has always been there. For in-stance, in 2009/2010, the NBS revised its methodology for measuring poverty to an absolute approach to allow for easy comparability with other countries. Prior to this period, the agency was using a relative approach which defined the poor as those with per capita expenditure less than two-thirds of the poverty line. Applying the absolute approach at a poverty line of N55,235.20 per person per year in 2009/2010, Nigerian poverty stood at 62.6%.

Conversely, when the absolute poverty method was applied to 2003/2004, which earlier had a relative poverty rate of 57.8%, Nigeria's poverty rate showed a higher value of 64.2% at a poverty line of N28,836.70.[iii] The foregoing shows that Nigerian poverty numbers can be highly dependent on the chosen methodology; underscoring the need to exercise caution in their interpretation and usage. In fact, the NBS once warned:

> *"Given that NLSS 2018-19 is not technically comparable to either the NLSS 2003-04 and to HNLSS 2009-10, it is not possible to compare poverty levels between 2003-04, 2009-10 and 2018-19. In order to compare poverty rates across time, the underlying data should be collected in a similar method … 2019 study is accordingly treated as a base study and any comparisons with previous poverty studies should be treated with caution"*[iv]
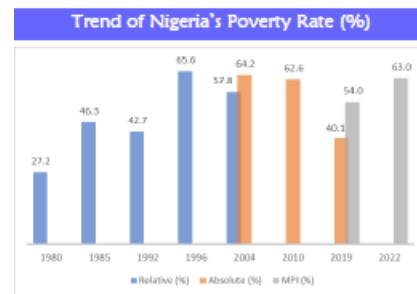
Source: NBS, ADSR Research

Therefore, based on available official statistics, it will be difficult to evaluate the extent to which the current and outgoing administration has been able to reduce poverty in Nigeria. The last official poverty number before this administration was 62.6% in 2010. Although poverty fell to 40.1% in 2019, two factors make it difficult to know what actually happened. First, between 2010 and 2015, it was unclear how much poverty was reduced before the current administration came to power. Second, the NBS already stated that poverty numbers before 2019 were not quite comparable to that of 2019.

In the alternative, one may consider the multidimensional poverty conducted using 2018 data which showed a 54% poverty rate. With this, it can be concluded that poverty has increased given that 63% were poor in 2022. But there is another challenge; while the 2018 Nigeria's MPI was based on 11 indicators, that of 2022 was based on 15 indicators. Hence, the need to isolate these differences in methods and their impacts on the results.

This point is very relevant for the incoming administration. What poverty rate will it inherit and what rate will it leave behind? It should not be possible to claim leaving behind a lower poverty rate when such reduction may arise from a mere methodological change. While Nigeria needs to design and implement appropriate policies to address its high poverty rate, it should also be possible to measure poverty in a comparable manner to identify if any appreciable progress has been made by a particular administration.

With the evidence of structural breaks in the data and such warnings, Nigeria needs to look for a consistent way to measure its poverty. This is critical so that policymakers can be held accountable on their promises and be discouraged from manipulating poverty statistics just by effecting a methodology change in poverty computation.

Why is this very important?

Many of the country's plan and policies are directed at solving its poverty problem. Since the return to democracy, Nigeria has implemented a number of programmes, starting from the Poverty Alleviation Programme (PAP) introduced in 2000 to address the problems of rising unemployment and crime wave, particularly among youths. In 2001, the National Poverty Eradication Programme (NAPEP) was introduced for the eradication of ab-solute poverty in Nigeria. Other recent poverty-related programmes include job creation and youth employment (N-Power), Home Grown School Feeding (HGSF), Conditional Cash Transfers (CCT), and Government Enterprise and Empowerment programmes (GEEP).

The NDP's (2021-2025) objective of lifting 35 million citizens out of poverty by 2025 speaks to the President's promise in June, 2019 of lifting 100 million Nigerian out of poverty in 10 years. The Presidential Economic Advisory Council (PEAC) in 2021 also developed the National Poverty Reduction with Growth Strategy (NPRGS) as a document to help in achieving the President's aspiration of drastic poverty reduction. Appendix A also high-lights the poverty reduction and welfare focus of some of Nigeria's development plans, policies and strategies.

If 100 million citizens will be lifted out of poverty in 10 years and poverty rate is expected to decline to 34% by 2025 and further to less than 3% by 2030, poverty rate needs to be tightly defined and consistently measured. Otherwise, an

administration may be over- or under-rated based on mere statistical change that do not reflect in the lives of the citizens.

Therefore, the objective of alleviating poverty is critical to Nigeria. It can also be argued that the objective of using relevant methodology in line with current realities and global best practices is critical to the country's statistical authority. However, the country needs to strike a balance between these two objectives to make poverty numbers useful to policymakers in a sustainable manner. If the poverty status of the country is evaluated only at a single point in time, methodological changes may not be much of an issue, but if the numbers are expected to be compared over time to monitor progress, such changes will amount to comparing apples and oranges.

In sum, adequate poverty estimates are important as they provide a clear understanding of the extent and distribution of poverty within the country. This information is necessary for the design and implementation of effective poverty reduction policies and programmes. Furthermore, having accurate poverty estimates is important for monitoring progress over time and evaluating the effectiveness of poverty reduction efforts. This allows policymakers to make data-driven decisions and adjust policies as necessary to achieve better outcomes.

The following are some recommendations that may help address the current challenge:

• **The policymaker should encourage and fund the production of poverty figures that are based on consistent and comparable methodology.** Citizens should also be engaged to track the progress made by government using these numbers in a transparent and consistent manner. The policymaker also needs to task the statistical authority to produce more relevant statistics to aid planning. This definitely implies

that the National Bureau of Statistics and other data collection departments and units within government are to be adequately funded.

• **While the statistical authority should continue to use best methods to capture important statistics such as poverty rates, it should ensure that their comparability over time and usefulness in monitoring progress are given adequate attention.** For situations necessitating a change in approach, the new method should also be applied to previous data to facilitate comparisons. Consequent upon that, proper disclosure should be made with clear implications for interpretations. For example, it would be expected that a monetary approach was also applied to the 2022 data to allow for comparability with the 2019 figures.

• **Citizens should avoid getting carried away by mere statistics, but to ask questions on the method used and progress made over the last period,** while probing if there are methodology changes that may not allow for such comparability, along with their implications. The Organised Private Sectors (OPS) and Civil Society Organisations (CSOs) need to further interrogate poverty numbers beyond their face values and cascade them to the public.

• **Researchers need to probe into the existing measures of poverty and test alternatives for the purpose of robustness.** There are many researches in this area which need to be shared with the statistical authority. Researchers should also be conscious of the structural breaks in poverty data while estimating their models and apply analytical methods that can address such breaks, otherwise they will be com-paring apples and oranges.

• **Solving Nigerian poverty problems is far beyond the Federal Government as poverty rates vary widely across the states of the country.** Thus, State governments need to further focus, define, measure and address poverty in their localities.

• **International organisations' support on data collection should equally capture local needs.** When international organisations offer sup-port to Nigerian agencies in data collection for their own needs, say, for SDG, they should ensure that such support also covers the collection of data that meets the need of local policymakers.

Appendix

Highlighted below are the poverty reduction and welfare focus of some of Nigeria's development plans, policies and strategies.

1. **National Development Plan (1962 – 1968):** To increase the level of living condition of the people by not only increasing real income but also providing more employment opportunities and better living conditions.

2. **Second National Development Plan (1970-1974):** To put premium on reducing inequalities in inter-personal incomes and promoting balanced development among the various communities in the different geographical areas in the country.

3. **Third National Development Plan (1975 - 1980):** To spread the benefits of economic development so that the average Nigerian would experience a marked improvement in his standard of living.

4. **Fourth National Development Plan (1981-1985):** To increase the real income of the average citizen; more even distribution of income among individuals and socio-economic groups; reduction in the level of unemployment and under-employment.

5. **Vision 2010:** To make Nigeria attain a controlled and manageable urban growth, and an improved urban economy to support poverty alleviation and create employment.

6. **NEEDS (2004):** To lay a solid foundation for sustainable poverty reduction by reducing the incidence of poverty to 5%.

7. **7 Points Agenda (2007):** To substantially reduce the number of people living below poverty line and income inequality.

8. **Vision 20: 2020:** To achieve a significant reduction in the incidence of poverty so as to achieve the MDG of halving poverty by 2015 and 75% by 2020.

9. **Transformation Agenda (2011):** To reduce the high incidence of poverty, high rate of unemployment and high level of insecurity.

10. **2017 Economic Recovery and Growth Plan (2017):** To reduce poverty rate from 61% to 50-55% by 2020.

11. **National Development Plan (2021-2025):** To lift 35 million people out of poverty and create 21 million full-time jobs thereby reducing poverty rate from 40% to 34% by 2025.

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[i] On the one hand, the 2019 monetary poverty was an absolute poverty approach which established the official poverty line at N137,430 per person per year, being the monetary value of food and non-food expenditures needed for an individual to achieve a basic level of welfare. The poor were therefore defined as those who subsisted below this poverty line. On the other hand, the Nigeria's 2022 multidimensional poverty used a set of 15 indicators organized under four dimensions of education, health, living standards and works and shocks. The poor were defined as those that suffered deprivations in more than one of these dimensions.

[ii] NBS (2022). Nigeria Multidimensional Poverty index. National Bureau of Statistics, Abuja, Nigeria.

[iii] NBS (2010). National Poverty Rates for Nigeria: 2003-04 (Revised) and 2009-10. National Bureau of Statistics, Abuja, Nigeria.

[Iv] NBS (2019). Poverty and Inequality in Nigeria (May 2019) National Bureau of Statistics, Abuja, Nigeria.

CONTACT