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Testing Public Expenditure and Poverty Reduction Nexus in Nigeria

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Abstract
This study examines the relationship between government expenditure and poverty level in Nigeria so as to be able to find out how expansionary public expenditure has helped in alleviating poverty. The theoretical framework and methodology of this study is based on the Keynesian macro economic framework which assumes that any increase in government expenditure has positive and significant impact on economic growth and by implication on the level of poverty. Therefore, the level of government expenditure on education (especially rural); targeted poverty alleviation; power generation and rural roads are significant in stimulating growth and reducing the poverty level. The study found out that foreign aid has no impact on poverty alleviation, the more the foreign Aid the more the level of poverty. Besides, power generation and total savings are not also significant in reducing or alleviating poverty in Nigeria. The more the expenditure on power, the more the level of poverty. Following the findings, the study therefore recommends the need for establishment of more poverty alleviation programmes and strengthening the existing ones. Further, that the rural areas should be opened up so that the rural dwellers can have access to basic needs of life.

1. Introduction and Background

Nigeria is a country endowed with an enterprising population and a wealth of natural resources; this offers tremendous potential for economic growth. However, despite her richness in both human and material resources, Nigeria is still categorised as one of the poorest twenty (20) countries in the world in terms of her per capita income levels. A critical examination of the economy shows that it accounts for about 55 percent of the West Africa GDP. This means that if the resources are well managed, the economy will be strong and positively influence other economics in West Africa. In the last six years, Nigeria economy has been growing at around 6 percent, while the country's poverty rate has increased from 52 percent in 2004 to 63 percent in 2011. The National Bureau of statistics (2012) reports that income in-equality has widened in every region in the country. As the Bureau succitly put it "the top 10 percent income earners were responsible for about 43 percent of total consumption expenditure". Since independence, various regimes have been performing the annual ritual of allocating public expenditure into various sectors of the economy. The total budgetary allocation has equally been on the increase yearly. However, these yearly rituals have not impacted positively on Nigerians' income level and poverty alleviation. Thus, the gap between the rich and the poor has continued to widen, this income inequality has not helped in increasing the assets of the poor. It is therefore imperative to question the impact and effectiveness of public expenditure, especially those allocations made to target redistribution of income and poverty alleviation. It is on record that Nigerian government has spent hundreds of millions of dollars in funding National Programme for the Eradication of Poverty (NAPEP), yet poverty remains unabated inspite of huge amount of public expenditure. Although Nigeria is an underdeveloped country, poverty in the 1960s and 1970s was mainly a rural phenomenon and not as pronounced in the cities as it is today (Banwo, 2008). Statistics show that only 17% of the urban populace were poor in 1980, while rural poverty was 28% and the poverty incidence in 1975 was 27% and projected to reach 30 percent in twenty five years (Ahluwaha et al, 1979). Austerity measures was introduced in the 1980s to reduce; high unemployment, lack of basic social amenities and other socio-economic vices that has led to high poverty level, despite this, World Bank (1999) posits that poverty has been on the increase in Nigeria. Akinbobola and Saibu (2004) however, point out that there has been intermittent minimal and ephemeral decline of poverty in Nigeria over the decades. According to them, poverty declined from 46.3% in 1985 to 42.7% in 1992, and rose to 65.6% of the population in 1996 before declining to 54.4% in 2004. Studies have also shown that despite huge yearly budgetary allocation by Nigerian government both at local, states and federal levels, many households found it difficult to afford the basic necessities of life for their members and this has strained their ability to cope with adverse economic conditions. Basic socio-economic indicators are nothing to write home about. For instance, life expectancy at birth was 43.3 years in 2008, only about 10% of Nigerian had access to essential drugs in 2010, this further deteriorated to about 8.9% in 2011, physician per 100,000 people were fewer than 30, access to safe water in 2003 and 2010 were limited to about 45% and 50.3% of the population respectively, and less than 40% of the rural population had again 80% in urban areas among other set of indicators. (HNLSS, 2011). According to the World Bank (2000), employment situation in any country is one of the major yardsticks of measuring the level and how severe the poverty level of a country is. The World Bank statistics on Nigeria in terms of unemployment situation shows that as at 1990, less

than 30% of Nigerians are employed, while the statistics deteriorated further to 23.3%, 21.8% and 20.7% as at 2000, 2005 and 2010 respectively. From the foregoing it is apparent that as public expenditure is on the increase yearly; both social and economic indicators have continued deteriorating. Therefore, the objective of this study is to examine the relationship between expansionary government expenditure over the years and poverty level in Nigeria. The study therefore tends to provide solutions to the following questions:

i. What is the relationship between government expenditure and poverty level in Nigeria?
ii. To what extent has expansionary public expenditure alleviated poverty in Nigeria?
iii. What policies can be put in place toward poverty alleviation in Nigeria?

2. Facts about Public Expenditure and Poverty in Nigeria

Poverty in Nigeria remains significant in spite of the high economic growth. During the British Empire, Nigeria had one of the World's highest economic growth rates averaging 7.4%, a well developed economy and plenty of natural resources. However, it retains a high level of poverty, with 63% living on below $1 daily; this implies a decline in equity. A huge amount of public expenditure have been allocated at various times to address the issue of poverty through establishment of various programme aimed at poverty alleviation. Most notable among the programmes are:

- National Accelerated Food Production Programme and the Nigerian Agricultural and Co-operative Bank, established in 1972.
- Operation Feed the Nation, which was established in 1976 to teach rural farmer how to use modern farming tools.
- Green Revolution Programme, established in 1979 to reduce food importation and increase local food production.
- Directorate of Food, Roads and Rural Infrastructural (DFRRT) that was established in 1986 to address the issue of food security, rural roads and making sure that basic infrastructures were put in place for the rural people.
- The 1993 Family Support Programme and the Family Economic Advancement Programme.
- National Poverty Eradication Programme (NAPEP), which was established in 2001 to replace the previously failed Poverty Alleviation Programme.
- The National Directorate of Employment, that was established to address the issue of unemployment facing our youths.
- The 2012 Sure-P programme established to alleviate the impact of increase in pump price on average Nigerians.

However, we argue here that these programmes have largely failed to overcome the three reasons for this persistent poverty; income inequality, ethnics conflict and political instability. Statistics show that income inequality worsened from 0.43 to 0.49 between 2004 and 2009, further deteriorated from 0.49 in 2009 to 0.56 and 0.61 in 2010 and 2012 respectively. The income inequality is further correlated with differential access to infrastructure and amenities. There are more rural poor than the urban poor. The structure of Nigeria economy further shows that energy (oil) which is the mainstay of the economy contributes significantly to government revenues to the tune of over 80% employing only a fraction of the population. Agriculture, however, contributes less than 20% to government revenues but employs close to 90% of the rural population (NBS, 2000). The problem of persistent poverty in Nigeria, despite huge public expenditure allocation to address the problem is further compounded by the fact that oil revenue is poorly distributed among the population with higher government spending in urban areas than rural areas. High unemployment rates render personal income even more divergent. Moreover the process of oil extraction has resulted in significant pollution, which further harms the agricultural sector and hampers the activities of the rural people in the oil producing areas who are predominantly farmers. These constraints further compound the level of poverty in Nigeria, especially among the rural dwellers. Examining government expenditure in Nigeria, one finds out that it has been on the increase because of the large receipts from production and revenues from oil, this is coupled with increased demand for public goods (utilities) such as roads, communications power, education and health. Beyond this, the need to provide both internal and external security for Nigerians has also been on the increase. It is disheartening however, that increase in government expenditure over the years has not translated into meaningful growth and development, because. Nigeria still ranks among the poorest countries in the world (Louis, 2012). Many Nigerians are wallowing in abject poverty, while less than 50% live on less than US$2 per day. (CBN, 2010). Infrastructures in Nigeria are dilapidated (such as roads, hospital, power supply, access to safe water etc.), the epileptic power supply has led to the collapse of many industries which has further transformed to high level of unemployment and projects abandonment.

Table 1: Some Poverty Indicators

Year	Poverty (% Pop) Level	Estimated Total Pop (Millions)	Population in poverty
1980	28.1	65	17.7
1985	46.3	75	34.7
1992	42.7	91.5	39.2
1996	65.6	102.3	67.1
2000	67.4	120.3	55.9
2010	82.3	130.5	63.06

Source: NBS (1999)

Table 2: Nigeria's HDI

Year	HDI Value
1975	0.321
1980	0.378
1985	0.391
1990	0.411
1995	0.432
2000	0.445
2005	0.470
2010	0.561

3. LITERATURE REVIEW

Studies have shown that the contribution of public investment (expenditures) to growth and poverty has not always been as positive or as significant as one might expect. (Aaron and McGuire 1970, Adam and Bevan 2004, Aschaver, 2000, Bano 1990 and Booth 2003), Easterly (2001) observes that despite the development of increasingly sophisticated methods for assessing the desirability of public expenditure during the 1960s and 1970s, large increase in public investment in many developing countries often yields few returns. According to Mirrless (1990) declining terms of trade for developing countries exports, coupled with flawed method available to assess the alternatives and implementation procedure are responsible for negative impact of huge public expenditure on growth and poverty reduction in developing countries. Thus, Edward, et al (2006) opines that there is need to look for appropriate methodologies that will assist policy-makers in deciding an optional investment portfolio, this will aid our understanding of the linkages between public investment, growth and poverty reduction, and of the ways in which economic policy-making can become a better tool for promoting positive development outcomes and reaching the MDGs. The main focus of the government objectives in the 1980s and 1990s in reducing poverty was largely on macro economic stability and aggregate fiscal discipline. However, in recent years, there has been an increasing interest in Public Expenditure Management (PEM) systems and the ways these can deliver on a government poverty reduction objective. The PEM lays emphasis on criteria for resources of public spending especially the "pro-poorness" of growth paths and public investment policies. (Wilhelm and Fiestas, 2005). Paternostro et al, (2005) are of the opinion that figuring out the likely aggregate effects of alternative policies and their impact on the well-being of various social groups remains a difficult task. Fozzard (2001) identifies basic budgeting problem and inability to define a comprehensive utility function or decision-making mechanism that can satisfactory reconcile the competing claims of different interests for resources across the whole public sector as factors militating against positive effect of public expenditure on growth and poverty reduction in developing countries. Determining the composition of government spending is highly complicated. There are a lot of factors involved in this process, such as, rent seeking behaviour, economic and political structures, economic development level among others. (Lindaiver and Velenchik, 1992). Governments are generally expected to act as a social planner when allocating public spending. They have to determine the optimal allocation by maximising a weighted social welfare function. In this framework, the government has to maximise a utility function defined over a set of public services consumed by individuals or electorate, this is however, subject to a budget constraint which must be equal to the aggregate of public service expenditures (Deacon, 1978). Another important determinant of public spending allocation is the rent seeking behaviour. According to Nitzan (1994), the distribution of potential individual beneficiaries of rents, the number of groups competing, the rule used to distribute private good transfers within groups and the individual valuation of the local public good shape public spending patterns. Studies have provided theoretical basis for determinants and composition of public expenditure (Sass 1991, Tullock 1962, Cusak 1997 and Marlow and Shier 1999). For example, Sass (1991) modelled municipal government choice based on the constitutional choice model of Buchanam and Tullock (1962) to investigate the effect of differing government structures on educational and non-educational expenditures. He found out that not only voter preferences determine public

expenditures, but the structures of local government equally determine it. According to Shenggen and Anuja (2010), ideological difference between groups and the parties that represent these groups matter. This suggests that, lower income groups favour a large and active state while upper income groups aim at minimising the role of the state. Cusack (1997) constructed a regression model using data from 15 OECD countries between 1950-1989 to investigate the role of ideological based partisan preferences in influencing public spending levels. He found out that partisan politics increase the size of the public expenditure. A growing literature has shown that not only political factors influence the level and structure of public expenditures, that economic and demographic factors are as well important. For example Rodrick (1998) found the degree of openness as an important determinant of public spending, while Feldstein (1996) found demographic variables to influence the level and composition of public spending. An aging population demand greater spending on health, housing and social security. In the same vein, an increase in the proportion of young people affects the demand for education spending. According to Dao (1995) structural differences like the degree of urbanisation or population density has a positive impact on per capital expenditures on housing, social security and welfare and education in developed economies, while urbanisation explains the variations in per capita expenditures on social security and welfare among developing countries. Shenggen and Anuja (2010) empirically found out that government expenditure is largely determined by revenue and structural adjustment. Structural adjustment was found to reduce government expenditures. Studies have investigated the impact of government expenditures on economic growth (Barro 1990, Kelly 1997), no significant relationship was found to exist between economic growth and public expenditures. The Solow growth model (1956) only relates public expenditures to the equilibrium factor ratios, under the assumption that public investment has no relationship with long run economic growth. In the new growth model, fiscal policies were included in the endogenous growth model and significant relationship was found to exist between long run economic growth and public expenditure, thus, Barro and Sala-i-martin (1992) conclude that public spending can affect the long run economic growth. Government consumption expenditure is assumed to have a negative relationship with long run growth, while public investment expenditure is predicted to be positively related to long run growth (Barro, 1990). Some recent studies however, have investigated the impact of public expenditure on poverty and inequality. For example, Gomance et al. (2003) and Mosley etal. (2004), using cross-country data have estimated the effects of government expenditure in different sectors on the US$1- a day poverty headcount, holding the level of GDP per capita constant. It was found that higher government expenditure on education, agriculture, and housing and amenities (water, sanitation and social security) all have a negative and statistically significant impact on poverty. The mechanism is that the distribution of income will be shifted in a pro-poor direction. The effect of public expenditure on levels of rural poverty across Indian states was estimated by Fan et al. (1999) where a clear distinction was made between expenditure on rural education, targeted rural development, public health, irrigation, power generation, agricultural R&D and rural roads. The result shows that agricultural R&D, rural roads, rural education and targeted rural development expenditure all have negative and statistically significant effects on rural poverty. The striking result is that spending on agricultural R&D and rural roads has the greatest impact on both economic growth and poverty reduction. In the same vein, a similar study was conducted by Fan et al (2002), to investigates the effects of public expenditures on rural poverty across Chinese provinces. He distinguished between expenditure on rural education, targeted poverty alleviation telecommunications, irrigation, power generation, agricultural R&D and rural roads. The result shows that spending on rural education has the largest impact on poverty; followed by spending on agricultural R&D and then by spending on rural roads. Datt and Ravellion (2002) estimate the determinants of differences in the rate of reduction of the poverty headcount across Indian states between 1960-1994. Result shows that state government developing spending has a larger and statistically significant effect on poverty reduction. Calderon and Serven (2004)'s study examine the effect of different types of public capital on poverty or inequality. The effect of indices of infrastructure quantity and quality on inequality as meanused by the Gini coefficient was estimated. They found that both indices have a negative and statistically significant effect on the level of inequality. Studieds have also used micro – data to estimate the impact of infrastructure on poverty. For example, Deininger and Okidi (2003), show that households in Uganda that were connected to an electricity network in 1992 experienced much higher rates on income growth over the period 1992-99 than households that were not. This review shows that there is a large body of evidence on the effect of public expenditure on inequality, poverty and economic growth. This evidence has shown that public expenditure is associated with greater poverty reduction, especially in those countries with adequate and reliable data on government expenditure and poverty.

4. Theoretical Framework and Methodology

The theoretical framework and methodology of this study is based on the Keynesian macro economic framework which assumes that any increase in government expenditure has positive and significant impact on economic growth and by implication on the level of poverty. Therefore, the level of government expenditure on education (especially rural); targeted poverty alleviation; power generation and rural roads are significant in stimulating

growth and reducing the poverty level. Based on this we adapt Barro (1990), Sikira (2006) and Banwo (2010) FDP- Poverty Conceptual Framework which is remodelled as public expenditure- poverty conceptual framework that assumes that public expenditure impacts on poverty. The model is therefore specified as:

$POV_{ty} = F(K_t, A_t, L_t, Ex_t) = K^{\alpha}_t (A_t, L_t, Ex_t)^{1-\alpha}$ ---------- (1)

Where POV_{ty} = Poverty incidence, K_t = Capital stock, A_t = Efficiency factor, Ex_t = Disaggregated public expenditure:

$\beta = 1 - \alpha$.

According to Fan et al. (2002), public expenditure on: rural education, targeted poverty alleviation programmes, power generation and rural roads have significant impact on poverty reduction. Therefore, it is imperative and also logical to disaggregate the public expenditure into expenditure on rural education, poverty alleviation programmes, power generation and rural roads.

A re-specification of the model is:

$POV_{ty} = K_t^{\alpha} Ex_t^{\beta} (A_t, L_t)^{\Psi}$ ---------- (2)

Where EX_t^{β} = Dis-aggregated Public expenditure. The natural log-linear transformation of equation (2) is:

$In\ POV_{ty} = \alpha\ In\ K_t + \beta\ In\ Ex_t + \Psi\ In\ (A_t, L_t)$ ---------- (3)

In equation (3) above α, β and Ψ are constants and interpreted as elasticities that shows the degree of responsiveness.

However, a disaggregated public expenditure into various sectors as mentioned above can be written as:

$EXPi = \beta_1\ EXP_2 + \beta 2\ EXP_{pv} + \beta_3\ EXP_{PG} + \beta 4\ EXP_{RD}$ ---------- (4)

$\beta_1\ EXP_{re}$ = expenditure an rural education

$\beta_2\ EXP_{PR}$ = Expenditure on poverty alleviation

$\beta_3\ EXP_{PG}$ = expenditure on power generation

$\beta_4\ EXP_{RD}$ = expenditure on rural roads

Thus, the model for this study is:

$In\ POV_{ty} = \alpha\ InK_t + \beta_1\ InEXP_{re} + \beta_2\ InEXP_{pr} + \beta_3\ InEXP_{PG} + \beta 4\ InEXPRD + \Psi\ In\ (A_t, L_t)$ ---------- (5)

In this study, we employed the co-integration in analysing the relationship between public expenditure and the level of poverty. Based on Engle and granger principle, there is an underlying long run relationship between two co-integrated variables. If the two variables X_t and Y_t are non-stationary in their first difference, then they are I(1) variables so that their linear combination would be:

$Z_t = X_t - \lambda Y_t$ ----------(6)

If λ exists such that Z_t is I (o), then their linear combinations is stationary and are therefore co-integrated, even though they may drift apart in the short-run.

Therefore on the basis of equation (5), we derive our estimable equation as $In\ Pty = a + \alpha\ InK_t + \beta_1 InEXP_{re} + \beta_2\ InEXP_{pv} + \beta_3\ InEXP_{RG} + \beta_4\ InEXP_{RD} + \Psi_1\ InA_t + \Psi_2\ L_t + E_t$ ---------- (7)

From equation (7) above variable K_t is proxied using total saving on the assumption that saving equals investment, L_t is also proxied using the population variable serving as the labour force and A_t proxied, as foreign aid (AD) (Odubunmi et al, 2012).

5. Empirical Result, Discussion and Policy Implications

In **table 3** all the variables are stationary at various levels of integration variables Pty, Ts, AD, Pop, Exp_{re} are stationary in their first Differences as the critical values test statistics (CV) are less than the ADF test statistics in absolute terms. However, the result of other key variables (EXP_{re}, EXP_{pv}, EXP_{PG}) are stationary at their level form. This result is in line with economics postulation, that most economic variables are often stationary at their first difference (Odubunmi et al., 2012). The follow-up result (cointegration test) in table 2 supports the claim that linear combination of the variable may be stationary at 5% critical value. **Table 3** result further shows that there is a long run relationship among the variables with the dependent variable (Pov_{ty}). This is further corroborated by the parameter instability approach in **table 4**, where the probability value is greater than 0.2, thereby indicating the acceptance of null hypothesis that the variables are co-integrated. Theoretically, foreign Aid is expected to reduce the level of poverty and reduce the gap between the rich and the poor. However, from our result in **table 5**, the coefficient of AD is positive, indicating that foreign Aid has a positive relationship with the level of poverty. A one percent increase in foreign Aid to Nigeria increases the level of poverty (Pov_{ty}) by 42%. This shows that most of the foreign aid being sent to Nigeria for poverty reduction tends to increase the level of poverty, which means that these Aids are either being diverted by rent-seeking rich and influential individuals and government officials. The result of coefficient of population also shows that a one percent increase in population increases the level of poverty by 32%. Although population structure is expected to have a significant and positive impact on the economy, but the reverse is the case at lease from our result. All disaggregated public expenditure coefficients are negative except public expenditure on power generation. These results indicate that public expenditure on: rural education, poverty programmes and rural roads tend to reduce the poverty level. A one percent increase in these expenditures from our result will reduce the poverty level by

72%, 52% and 41% respectively. Difficult to explain however is the causal relationship between poverty level and expenditure on power generation. Our result shows that the more public expenditure is being expended on power generation, the more the level of poverty in Nigeria. A one percent increase in public expenditures on power generation will increase the poverty level by 62%. What a paradox? A simple explanation one can offer for this scenario is that most of the public expenditure on power generation are being diverted to individual pockets, if they were actually spent on the sector, this will reduce the poverty level as most of the rural dwellers and unemployed youths will be adequately engaged and have source(s) of income that will in the long run alleviate their level of poverty. This result is at variance with the study of Deininger and Okidi (2003) where they found out that households in Uganda that were connected to an electricity networks in 1992 experienced much higher rates of income growth over the period 1992-99 than households that were not. TS variable also has positive impact on the POVty. This shows that as Nigeria government accumulates more savings poverty level tends to increase. One should not be surprised at this result because savings accumulation that does not translate into pro-poor investments that can add value to the life of ordinary citizen tends to increase the level of poverty, which is the case of Nigeria.

Table 3: Unit root test result

Variables	Cv test Statistics	ADf test Statistics	Level of integration
P_{ty}	-0.432011	-3.72451	I (1)
T_s	-2.62410	-4.7350	I (1)
EXP_{re}	-4.31520	-7.23411	I (o)
EXP_{pv}	-5.11201	-6.101214	I (o)
EXP_{PG}	-2.44210	-5.31210	I (o)
EXP_{RD}	-3.368501	-4.101421	I (1)
Pop	-1.21410	3.04213	I (1)
AD	-4.13211	-6.12114	I (1)

Table 4: Co integration Test

Rank	Eigen Value	Likelihood Ratio	5% critical Value
R = 0	0.623	112.241	79.82
R ≤ 1	0.542	82.124	64.25
R ≤ 2	0.324	46.211	60.21
R ≤ 3	0.212	43.143	58.34
R ≤ 4	0.113	25.2120	43.27
R ≤ 5	0.023	11.1432	18.41
R = 6	0.0124	0.4261	6.22

Table 5: Co- integrating result of Hansen parameter instability approach.

LC Statistic	Stochastic trend (m)	Deterministic trend (k)	Excluded trend	Prob.*
0.5243	6	0	0	> 0.2

Table 6: Co integrating regression and vector Error correction mechanism method: Fully Modified Least Squares (FMOLS) Dep Var ΔPty VECM

Variable	Coefficient	t-statis	Prob	Variable	Co-eff	T-stat.	Pro
Ts	1.449	-3.521	0.023	Δ TS	0.214	0.045	0.624
EXP_{re}	-0.724	-2.124	0.005	Δ EXP_{RE}	-0.140	-0.145	0.312
EXP_{pv}	-0.521	-2.614	0.012	Δ EXP_{PR}	-0.124	-0.123	0.124
EXP_{PG}	+0.621	-3.241	0.015	Δ EXP_{PV}	-0.617	-0.231	0.231
EXP_{RD}	-0.412	-2.214	0.004	Δ EXP_{PG}	-0.213	-0.411	0.854
Pop	0.321	2.411	0.038	ΔPOP	0.216	0354	0.568
AD	+0.421	-3.241	0.002	ΔTS	0.120	0.675	0.521
C	1.324	1.824	0.082	ECM	-0.234	-0.325	0.621
				C	7.824	3.241	0.000

$R^2 = 0.321$, $R^2 = 0.304$, DW = 1.324

Policy Implications and Conclusion

This study has examined the causal relationship between public expenditure and poverty in Nigeria. From our results, it is evident that public expenditure on; rural education, targeted poverty eradication programmes, rural

roads tend to reduce the level of poverty in Nigeria, However, population structure, Total savings and foreign aids tend to aggravate the poverty level in Nigeria. Similar to these is the expenditure on power generation that is equally found to be aggravating the level of poverty in Nigeria. As a result of these findings, the following policy frameworks are imperative for our policy workers.

- The need to further strengthen their commitment to opening the rural areas through construction and maintenance of rural roads. This will help ours farmers in marketing their farm produce through which their income growth can be enhanced and equally help in reducing rural-urban migration.
- The need to establish more poverty alleviation programmes and also strengthened the already established one.
- Studies have shown that poverty is more prevalent in the rural areas. Thus, it is of paramount importance to government to commit more funds to rural and nomadic education. This will go a long way in reducing the level of poverty in the rural areas and also reduce the level of inequality.
- Human capital development strategies need to be vigorously pursued; this will bring about qualitative population that can enhance economic growth and development that will transform into reduction in poverty level.
- The issue of power generation should be a major priority to the government of Nigeria. Although, several billions of US dollar has been spent on power generation, yet its effects remain elusive. Therefore, the activities of rent-seeking powerful individuals and government officials in this sector need to be tackled with all seriousness. This sector requires a complete over hauling through the declaration of state of emergency, all officials found to have fraudulently enriched themselves must be brought to book.
- From the foregoing it is evident that, public expenditure in Nigeria has not brought about significant reduction in the poverty level. As government budget increases yearly, the level of poverty and inequality continue to be on the increase in Nigeria, this trend must be adequately addressed.

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