The Emergence of Inclusive Growth: Issues, Challenges and Policy Options for Nigeria

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By

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Abstract

This study analysed the issues involved in inclusive growth as well as the challenges faced by Nigeria. Issues like economic growth, green growth, inclusive green growth and inclusive growth were discussed in the study. Key determinants of inclusive growth such as human capital investment, job creation, structural transformation, social protection and quality institutions were identified. With regards to Nigeria, it was observed that the country is still far away from realistically being able to achieve inclusive growth as dependency ratio, poverty and depletion of natural capital is very high. Also, health care delivery is very poor and institutional quality is almost non-existent. We therefore recommended that government should strengthen its institutions by allowing every government agency to function independently and in accordance with constitutional provisions. They should also control those activities that cause depletion of natural capital and bring down the incidence of poverty to the barest minimum to ensure that growth becomes inclusive.

Keywords: Inclusive Growth, Green Growth, Institutions, Social Protection, Human Capital

JEL Classification: ***D31, I32, I38***

1. Introduction

Inclusive growth is a budding concept discussed among socio-economic experts, Institutions and governments. This focus of the discussion with regards to this emerging concept is an attempt to address the deficiencies of prioritizing exclusively economic growth, and an attempt to ensure instead that the benefits of growth are more broadly experienced. According to the Commission for Growth and Development (2008), the inclusive growth debate introduces the initiative that while efforts to tackle inequality and poverty and promote growth can be mutually reinforcing, this link is not automatic and an active government is needed to reinforce and manage this connection given priority to the peculiarity of specific country.

The Organisation for Economic Cooperation and Development (OECD) defines inclusive growth as having happened when other indicators of improved wellbeing, aside from income, have also improved for citizens. It stressed further that growth should be rethink as a means and not as an end and that priority should be given to the quality of growth over and above the quantity of growth. To this end, new models need to be built and tools to measure progress and life quality need to be developed. The idea of Inclusive growth emphasized the participation of everyone in the growth process, both in terms of decision-making for organizing the growth progression as well as in participating in the growth itself. It further stressed the need for everyone to share equitably the benefits of growth. Consequently, Inclusive growth means participation and benefit-sharing. Accordingly, Participation without benefit sharing will make growth unjust and sharing benefits without participation will make it a welfare outcome (Ramos and Ranieri, 2013; Mesagan and Dauda, 2016). However, with regards to outcomes, most of the debates around inclusive growth focus on patterns of income growth and growth is taken to be inclusive, depending on the extent to which the poor have benefited through increased income.

Nigeria's economic growth rate averaged over six percentage points in the last decade but surprisingly this has not translated into reduction in poverty and unemployment. This decade of growth with poverty and jobless growth has led to a further widening of the level of inequality while also reducing the standards of living of the people. The main concern is therefore how to ensure that through inclusive planning and plan-led efficient resource allocation, the economic growth rates easily manifest in low levels of poverty, reduce inequality and higher employment rates with a view to pursuing diversification of the growth base from oil to non-oil that involves everyone in the growth process while ensuring that micro, small and medium enterprises have the necessary skills and facilities to create value and generate income.

It is against this backdrop that this study intends to examine the emergence of inclusive growth with a view to discussing the issues concerned, the challenges for Nigeria and the macroeconomic policy options that can put the country on the pathway of inclusive growth where growth is trickle down to all without exclusion. To this end, the paper undertakes to examine four things: (1) look at why inclusive growth is important within our current global context, (2) describe some important elements of inclusive growth towards a proposed working definition, (3) highlight some key ingredients of inclusive growth (4) provide some stylized facts about Nigeria with regards to these key ingredients and (5) discuss policy options for the way forward for Nigeria.

2. Inclusive Growth: Conceptual Issues

Some of the concepts that will be critically examined in this study include the definition of inclusive growth, growth, green growth and inclusive green growth.

2.1 Conceptualising Inclusive Growth

Despite attempts by scholars, policy makers, institutions and governments calling for urgency in achieving inclusive growth, there is still little clarity as to its meaning. As Klasen (2010) noted that the World Bank, OECD, Asian Development Bank (ADB), International Policy Centre for Inclusive Growth (IPC-IG), the United Nations Development Programme (UNDP) and economic scholars have produced related concepts (like equal opportunity and pro-poor growth) yet no consensus on the inclusivity of growth. In fact, in ADB literature, there is no common definition of inclusive growth (Ali and Son, 2007; Ali and Zhuang, 2007). However, they all agree on some striking features in their definition which include: (i) Inclusive growth should reduce inequality and poverty and benefit the most marginalized as well, (ii) it is about more than income, (iii) it is about participation not just outcomes, (iv) it requires sustainable growth and (v) it is growth coupled with equal opportunities for all, not just the poor because it is concerned with making opportunities available and accessible to all and not the poor (Ali and Son, 2007; Ali and Zhuang, 2007; Tandon and Zhuang, 2007). For growth to be effective and sustainable in shrinking inequality and poverty, it has to be inclusive (Berg and Ostry, 2011; Kraay, 2004; Anand *et al*, 2014). Inclusive growth is defined as both the distribution of economic growth as well as its pace (Anand *et al,* 2014). It can also be defined as the growth that emphasises that the economic opportunities created by economic growth are made available to all, to the maximum extent possible, especially to the poor. Suryanarayana (2013) defined inclusion as an improvement in the fraction of the bottom half of the population in the [1]mainstream band in the mainstream economic activity of a country. Meaning that a measure of inclusion can be defined in terms of the proportion of the bottom half of the population in the mainstream band.

2.2 Economic Growth

Economic growth results when there is increase in economic activities probably due to an increase in the productivity of capital, labour, and other assets. Growth can also result through technological change or by trading with those countries that are endowed with high level factor productivities, which can make the efficiency of resource use in the domestic economy to improve significantly (Bouma and Berkhout, 2015). While growth can be said to be desirable, it is worthy to note that it is just a means, not an end. Growth is just a means for achieving improvement in citizen's welfare and not a goal an economy wants to pursue for its own sake. The welfare effect of economic growth will depend largely on how these benefits are utilised and distributed. It will also depend on whether these benefits are used for investment purpose or for immediate consumption, and on whether investments benefit only a selected few or most people in the society. The welfare effect of growth also depends on whether it contributes to maximising the welfare of future generation or not. It is certain that growth can contribute to the welfare of future generations if today's benefits are reinvested in replacing existing capital but if spent only on current consumption, capital stocks depreciates and future generations lose out (Bouma and Berkhout, 2015).

How growth occurs, when it occurs and how policymakers can influence it remains complicated. The fact that a lot of empirical studies in the field of economics focus on growth and

[1] Anyone whose income is less than the threshold, that is, 60 per of the median is considered deprived (see Suryanarayana, 2013) for details.

development clearly show that they are very complex issues to address. After reviewing growth and development policies covering several decades, Rodrik (2006) concluded that scholars have not been able to design appropriate blueprints for stimulating economic growth. Also, considering the role of government policy, it is a continuous debate whether governments across the globe should participate actively by investing in growth directly, and then expect the benefits from economic growth to trickle down and spread widely or that government should focus on economic development, and allow the private sector to take the lead in driving the growth process (Bouma and Berkhout, 2015).

2.3 Green Growth

Green growth differs from economic growth because it acknowledges the role of natural capital in economic growth as well as the important role natural capital plays in the welfare of future generations. It is a key fact that capital stocks play a crucial role for growth and development of any economy and for development to be sustainable, as earlier discussed, generations of the present period must ensure that stocks of capital are not depleted but at least are maintained to guarantee that future generations are not worse-off in terms of having access to natural capital. Natural capital is a major component of a country's capital stock, so once there is degradation of a country's ecosystems, such degradation or resource depletion tend to reduce the welfare of future generations if resource rents are not properly reinvested in alternative stocks of capital (Harding, 1968; Bouma and Berkhout, 2015). When a country makes frantic efforts at reinvesting resource rents in alternative stocks of capital, both human capital and other assets, it will enable future generation to inherit a similar amount of capital, and sustainable development can still be guaranteed. This is what Bouma and Berkhout (2015) termed *weak sustainability*.

However, *strong sustainability* would require that future generations would not only inherit a similar amount of capital, but also that this capital has similar composition (Neumayer, 2003). Green growth strategies involve investments in resource use efficiency and innovative activities geared towards the reduction in natural capital degradation rate. It also increases the probability of being able to find substitutes. Since the value of environmental resources is not fully available at a given market price, it becomes difficult to generate incentives to invest in economy-friendly or environmentally friendly technology that will promote green growth and make natural capital available to the next generation. This implies that a win-win strategy may not surface owing to the fact that trade-offs arise between economic interests in the short-term and environmental benefits of the long-term, as for instance, the gains realised in the short-term from employing cheap fossil fuel (which emits more carbon) will definitely override the environmental benefits of utilizing low carbon energy in the long-term. According to suggestions from economic literature, these trade-offs can be overcome by employing green growth strategies, that is, by creating incentives and reducing institutional barriers to sustainable use (Bouma and Berkhout, 2015).

The other critical challenge facing green growth is that the services provided by natural capital cannot be easily delineated into those products with clear property rights thereby making it difficult for others to be excluded (e.g. public good). This makes efficient utilization of natural resources complicated and so creating an incentive to free ride. The inability or difficulty to control free-rider incentives is termed 'The tragedy of the Commons' by Hardin (1968). This is because individual agents only consider the private benefits and costs of their actions such that those common good resources are often easily over-exploited with reckless abandon as every individual extract more natural resource than the socially desirable amount. Therefore, for green growth strategies to be effective, free rider incentives need to be explicitly and speedily addressed not by merely creating incentives for sustainable use. Resource utilization restrictions must be well enforced and monitored to ensure resource use sustainability and prevent free riding. This can be done through top-down regulation and public ownership as against private ownership. Also, green growth strategies require institutional change to be effective owing to the fact that vested interests and behavioural factors that underlie current growth paths are often embedded in institutions because if this is not done, even when incentives are re-adjusted to reflect scarcity values better, individuals that currently enjoy resource rents from over-exploitation of natural capital will not be ready to give up their interests and agree to a redistribution of user and ownership rights (Bouma and Berkhout, 2015).

2.4 Inclusive Green Growth

The case for the guarantee of the welfare of future generations is of paramount concern to green growth strategy; however inclusive growth on the other hand, is primarily concerned with the welfare of current generations and an equitable distribution of welfare gains as well. In the present mainstream of the neoliberal market, the main focus is on equity (i.e. equality under the law), whereas equality (i.e. everyone earning the same) has long been seen as a political aim. It is the recent studies of Piketty and Saez (2014) and Charles *et al.* (2018) that has helped in bringing inequality back to the forefront of public and political discussion. The empirical study indicates that wealth and income inequality reinforce each other resulting in a concentration of capital ownership in the hands of a few. The resultant effect of this on the economy is so severe in terms of social stability as well as market power. Concentrating resources in the hands of the few also has negative impact on the people's welfare as a high-income inequality is perceived to be an unfair scenario. High income inequality also negatively affects economic growth as it creates unequal access to health, education and engenders low income earning potential resulting in lop-sided labour productivity. This was corroborated in a study conducted by Ostry et al., (2014) that growth rate was found to be higher in more equal countries, probably due to its impacts on education and health care delivery.

In taking a look at inclusive growth, welfare gains are usually linked to assets ownership, i.e. labour and capital. Those below poverty line generally tend to have fewer assets and therefore, are subject to more economic limitations. Their inability to have access to major assets forces them to embark on ventures that are less challenging and consequently, less profitable. The effect of their lack of assets makes the poor to benefit less from economic progress or growth. This probably explains the reason why growth stimulating interventions are different from poverty alleviation intervention because growth stimulating intervention focuses on resource use efficiency while poverty alleviating intervention focuses efficient allocation and distribution of assets, rights and privileges. Also, the poor will be able to benefit from growth through employment (EC, 2010; 2011), but for the poorest segment of the populace, benefitting from growth via employment channel is not an option because lack of access to quality education has negatively affected their human capital. Thus, inclusiveness will require that there is equality of opportunities and the interests of the marginalised and the poor should be factored into the economic decision-making process.

Since green growth is not inclusive automatically and inclusive growth is not always green, implying that tensions exist between green growth and inclusiveness. Green growth focuses on the welfare of future generations which may pose serious limits to growth for the current generation. If additional measures are not embarked upon, this could negatively impact the poor. In the same vein, growth and inclusiveness do not always go together, because distributional fairness most often conflicts with efficient use of resources (Bouma and Berkhout, 2015). Therefore, synergies between green growth and inclusiveness may not be possible and additional efforts are needed to balance the trade-offs (Dercon, 2012).

2.5 Inclusive Growth

Since Green Growth is concerned with the welfare of future generations, Inclusive Growth did not only focus on maximising the welfare of current generations both also on equitable distribution of welfare gains. This implies that inclusive growth aspires to maximise current welfare and distribute this welfare gains fairly and equitably. This is very important because high income inequality or inequitable distribution of welfare gains may severely affect economic growth by reducing the rate and pace of economic growth in the long run owing to the fact that high inequality or 2lack of equity has implications in terms of reducing market power, causing social instability and negatively affecting human welfare. It can also adversely affect economic growth because of unequal access to health care and schooling resulting in skewed labour productivity. Piketty and Saez (2014) recently highlight this by bringing inequality back at the forefront of public and political debate. The study opined that wealth and income inequality reinforce each other consequently leading to concentration of capital ownership in the hands of a minority few. Inequality can also seriously impinge economic growth as was observed in Ostry *et al* (2014) that economic growth rates was found to be higher in countries with more equitable income, partly due to its direct positive impacts on health and education.

Inclusive growth requires equity and equality in terms of resource usage and benefit sharing. It should be borne in mind that economic assets and opportunities need to be properly harnessed to ensure that these assets are not concentrated in a few hands in order to guarantee that no one is marginalised as it pertains to job creation and employment opportunities (EC, 2010). Thus, for growth to be inclusive, efforts must be geared towards carrying everybody along in economic decision-making process so that growth will not only trickle down to the down trodden but also spread across every segment of the economy.

3. Achieving Inclusive Growth: The Main Determinants

In discussing issues of inclusive growth, the key determinants, as cited in [2]CAFOD (2014) includes human capital investment, job creation, structural transformation and broad-based growth, social protection, progressive tax policies, non-discrimination, social inclusion and participation, as well as strong institutions. This means that for Nigeria to promote inclusive growth, it needs to first design a road map and explicit strategies on how to achieve each of these determinants, setting appropriate targets.

3.1 Investment in human capital

Investing in human capital is very important in achieving inclusive growth in Nigeria. Ravallion (2004) statistically linked investments in health and education to better economic development outcomes. Once human capital is well developed in terms of having access to quality education and basic health care services, the inequality gap becomes narrowed down, because education is the opium of the common man, and this will facilitate participation in the growth process and

[2] CAFOD is the official Catholic aid agency for England and Wales.

make benefit sharing possible as well. This implies that human capital development should include investments in those activities that enhance vocational skills of the citizens so that their income earning potentials can be developed. It should also involve investment in quality health facilities to reduce maternal mortality which currently stood at 560 per hundred thousand live births as well as improve the life expectancy at birth which stood at 52 years in 2012, while other African countries like Libya and Egypt have 75 and 70 years respectively (World Development Indicators, 2014). Narayan *et al* (2013) opined that inequality in health has an important impact on economic growth through its effects on labour productivity. Thus, investing in health care facilities and making health services available to the nooks and crannies of the country will in no doubt strengthen the active work force especially and enable them to be able to participate actively in contributing to the growth process as well as share in the benefits of economic growth as the popular saying goes that "Health is Wealth". Investment in human capital can also implies building an appropriate balance and critical mass of human resource base and also creating an enabling environment in the process for all those who are to be fully engaged in the growth process (Enyekit *et al,* 2011; Isola and Mesagan, 2014).

3.2 Job creation

Another important factor determining whether growth will be inclusive in Nigeria is the number of available jobs. For growth to be inclusive, it doesn't matter the type of jobs created, but paying jobs must be available for the people. For instance, salaried workers, self-employed and subsistence farmers must all be gainfully engaged to drive the growth process and must also be allowed to earn reward that is commensurate with their contributions for growth to be inclusive. This will definitely enhance their income earning capacities and reduce the country's level of poverty. Hull (2009) and World Bank Development report of 2013 agree that jobs are transformational in providing incomes to household, in generating resources to be invested in children's education and health, in raising economic productivity, in providing a sense of well-being and in changing the social and power relationships. As affirmed by CAFOD (2014), it is not surprising that better opportunities for wage and self-employment have a significant impact on how inclusive growth is. Empirical studies (Ravallion 2004; Narayan *et al,* 2013; Anand *et al,* 2014) show that labour-related issues such as a new job or wage increase, has enabled several countries to exit from poverty. Also, a lack of job opportunities hampered the potentials of people to improve their living standards and economic well-being. World Bank (2013a) reported that in the first decade of the new millennium, improved labour market engagement was associated with poverty reduction achievements in several countries. Thus, Nigeria needs to take a cue from this to create job opportunities for its teeming populace in a quest to ensure growth becomes inclusive in the country. To generate more jobs for development, the country should foster entrepreneurship spirit, develop basic skills, target support for job creating sectors like agriculture and strengthen labour institutions to ensure that gains are realised.

3.3 Structural transformation and broad-based growth

For growth to be inclusive in less developed countries there should be a shift from crude and subsistence means of production to a more sophisticated, advanced and more productive economic activities. This will help to reduce over-dependence on a few sectors to drive the growth process. It will also help to increase economic stability and can boost the country’s potentials to generate more and better jobs (CAFOD, 2014). This can be said to be very important in an economy like Nigeria because if economic transformation is lacking as it is currently, attention of the poor will remain fixed on low-return earning economic activities, thereby making any inclusion progress to be a mirage. The debate on the best way to achieve structural transformation and to guarantee that it actually benefits the poor is still long-standing in literature and has not been resolved. For instance, there is mixed evidence that the conventional prescriptions of investment liberalisation and trade openness achieve transformation or even raise incomes of the poor (Saad-filho, 2010). Alternatively, there are a number of cases where such prescriptions have failed to advance the course of poorer countries (Chang and Grabel, 2004). However, resolving this debate is beyond the scope of this paper.

3.4 Progressive tax policies

Taxation can be a veritable tool in the hand of any government in ensuring that growth is inclusive owing to the fact that it can be very essential in not only redistributing incomes from the rich to the poor but also in generating revenue for investments in social transfers, human capital, as well as in the provision of necessary infrastructure that will promote pro-poor growth. Taxation can be utilized to provide incentives for particular sectors that government believes will create substantial jobs for the teeming populace or to stimulate other types of businesses and erect barriers as well in order to protect certain industries. Therefore, how the tax system of a country is structured will determine if such economy is more or less pro-poor (CAFOD, 2014). For instance, tax incentives and capital flight will in no doubt undermine the contribution of foreign direct investment to pro-poor growth (Valpy, 2001) thereby making small scale businesses to end up paying relatively higher taxes than multinationals firms (CAFOD, 2014). Giving this background, inclusive growth strategists in Nigeria need to evaluate the ways through which tax policy instruments can place limitations on pro-poor growth to make growth more inclusive.

3.5 Social protection

In ensuring that growth is inclusive, social protection should not be toiled with. Social protection is a veritable tool for promoting equality, equity and justice. It is also an important tool that government can use to reduce poverty through income redistribution and direct transfers. Social protection also has a more dynamic role to play in achieving inclusive growth. As observed by the international community, regional bodies (e.g. African Union) and national governments, social protection is viewed as a policy tool to address development challenges. Recent regional and global calls for governments all over the world to invest in social protection argue that social protection policy and programming will be able to give support to a more equitable pro-poor growth model by supporting both economic and social development most especially in Nigeria where growth has not benefited the poor (Holmes *et al,* 2012; Mesagan and Adeniji-Ilori, 2018).

3.6 Non-discrimination, social inclusion and participation

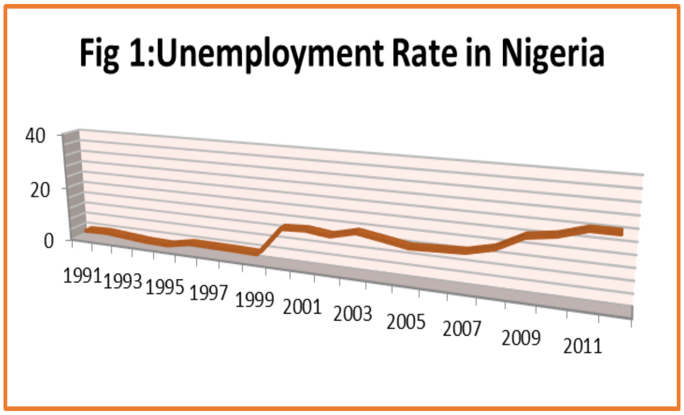
To achieve inclusive growth, the Nigerian government should consider policies that are non-discriminatory in approach. This is because systematic discrimination against marginalised groups within the society has significant impact on economic opportunities and outcomes, as well as prospects for poverty eradication and welfare improvement of such a society (CAFOD, 2014). Thus, if inclusive growth ambitions that will benefit all groups in a country are to be achieved, policies need to be tailored towards addressing discrimination and marginalisation of a particular segment of the populace so that they are not persistently left behind but carried along in growth and in poverty eradication efforts of the government. In terms of social exclusion, though not synonymous with inequality but can help to intensify inequality. This is because it determines the level of opportunities available to an individual. For instance, during economic crises in the United States, African Americans were twice likely to be unemployed compared to their white counterparts. According to World Bank (2013b), marginalised groups have been observed to comparatively have worse access to essential education and health services wherever such marginalisation exists. Participation can be adversely affected by discrimination in assets ownership and employment opportunities. Women are the worst affected in this sense as historically in Africa, they lack the legal rights to land which has in most cases affected their assets owing potentials. For instance, it is an abnormality in Nigeria for a woman to own her own house without having to include her husband name on the land documents. This has discouraged many of them from aspiring to dabble into land and house acquisition. Women participation in politics is also a problem in Nigeria as politics is seen as men's game with women relegated to a few opportunities granted by the men. According to the United Nations in 2012, women participation in labour force in Nigeria is just about 48% while men is about 64% compared to countries like Rwanda and Cameroun which have 87% and 64% women participation respectively. It thus becomes important for Nigeria to take a critical look minority groups as well as take the issue of gender equality and empowerment more serious if growth is to be inclusive in the country because women empowerment is not only desirable but can also help to break the intergenerational cycles of poverty (Commission on Growth and Development, 2008).

3.7 Institutions

The type of institution a country possesses will determine whether growth will be inclusive or not. Evidence has shown all over the world that quality institutions tend to be associated with lower inequality and poverty incidences. Indicators of quality institutions include high government effectiveness, control of corruption, political stability and absence of violence or terrorism, regulatory quality, rule of law, and voice and accountability. Countries with high level of these indicators should demonstrate inclusiveness in their growth. Quality institution requires the participation of all groups in society in decision-making processes (World Bank, 2013c; Acemoglu and Robinson, 2012; Mesagan, 2015). Therefore, for growth to benefit all, governments need to be committed to uphold the rights and privileges of all their citizens and also counter vested interests that may pose obstacles to the process in order to make their economies fairer and more inclusive (CAFOD, 2014; Eregha and Mesagan, 2017). This implies that governments should become more accountable, less corrupt, and uphold the voices of all, including the minorities and the marginalised. An increasingly credible, capable and committed government will fight corruption which is a barrier to firm productivity and job creation and will also be responsible and responsive in making growth inclusive (Commission on Growth and Development, 2008; Hull, 2009).

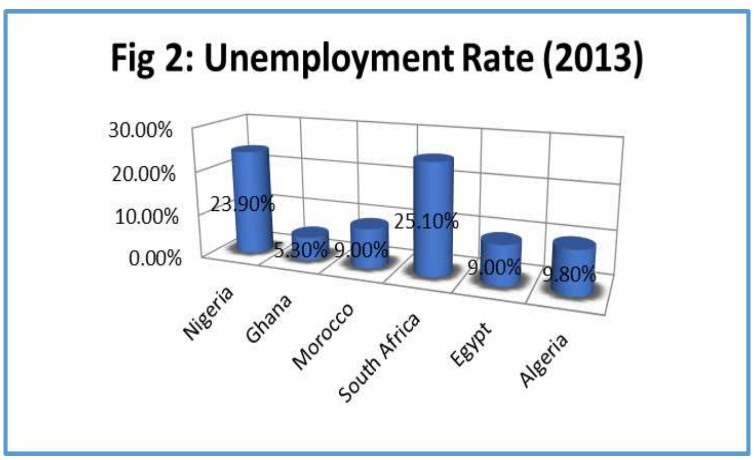
4. Inclusive Growth in Nigeria: Stylized Facts

Nigeria is currently regarded as the largest economy in Africa and one of the fastest growing economies in the world, but this growth of the economy has not been inclusive yet. In this section, we provide some facts about why inclusive growth has been elusive in Nigeria, how the country has felt with regards to the key determinants of inclusive growth and how far it still has to go in order to ensure that inclusive growth becomes a reality and not remain just a dream.



Source: Nigeria Bureau of Statistics (2014)

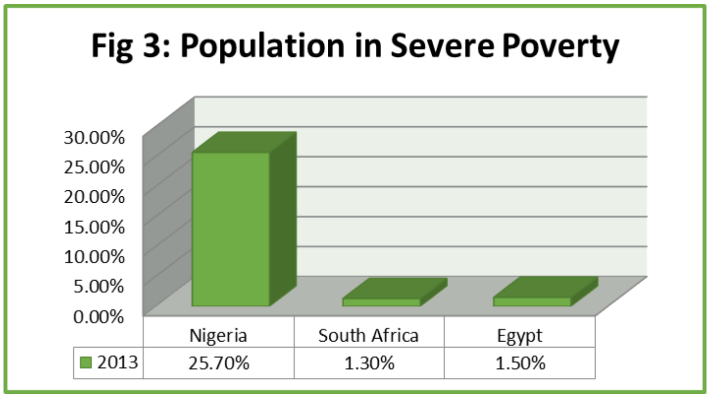
In terms of job creation, figure 1 shows the trend of unemployment rate in Nigeria between 1991 and 2013. It is evident that the country which felt better between 1991 and 1999 by maintaining and unemployment rate of less than 5% has continued to default in job creation for its teaming populace. This has seen unemployment rate rises consistently between 1999 and 2013 to about 23.9%. Evidence from the United Nations statistical database (2014) which provides facts about unemployment rates in some African countries is provided in figure 2.



Source: United Nations Statistical Database (2014).

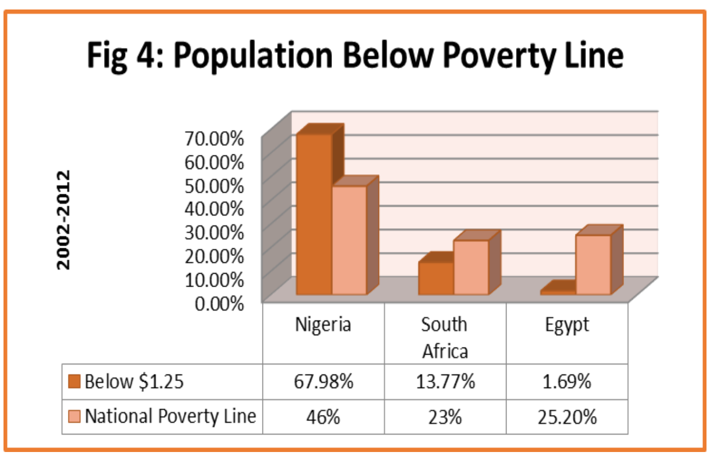
In figure 2, we compare unemployment rates among five Africa's largest economies which include Nigeria, South Africa, Egypt, Algeria and Angola including Ghana, a neighbouring West African country. Figure 2 shows that in 2013, unemployment rates in Ghana is about 5.3%, 9% in Morocco and Egypt respectively, 9.8% in Algeria, 23.9% in Nigeria and 25.1% in South

Africa. This means that the two largest African economies are lagging behind in job creation. Therefore, more still needs to be done in Nigeria most especially in an attempt to increase participation in economic growth process.



Source: United Nations Statistical Database (2014).

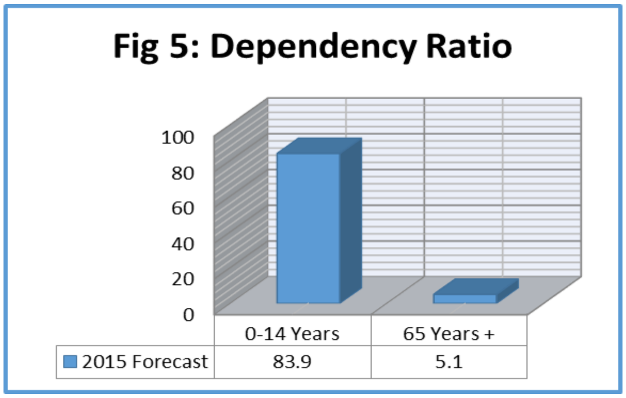
In figure 3 above, the three largest economies in Africa were compared in terms of the proportion of their population in severe poverty. Africa's largest economy, Nigeria, has about 25.7% of its population living in severe poverty, compared to South Africa which has 1.3% and Egypt which has 1.5% respectively living in severe poverty.

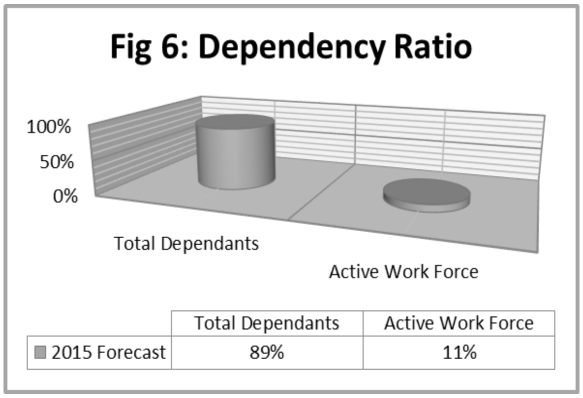


Source: United Nations Statistical Database (2014).

In figure 4, it is clear that between 2002 and 2012, Nigeria recorded the highest population of people living below poverty line. In terms of national poverty line, according to the UN statistics, 46% of Nigerians are living below poverty line compared to South Africa' 23% and Egypt's

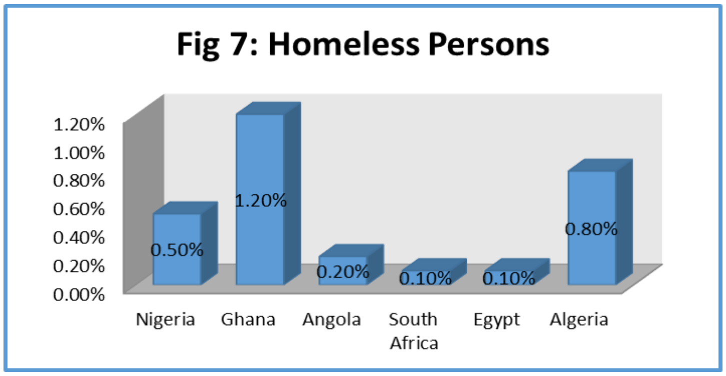
25.2%. Moreover, when poverty is measured in terms of people living below $1.25 per day, about 67.98% of Nigerians are living below the poverty line when we have just 13.77% of South Africans and 1.69% Egyptians living below poverty line.





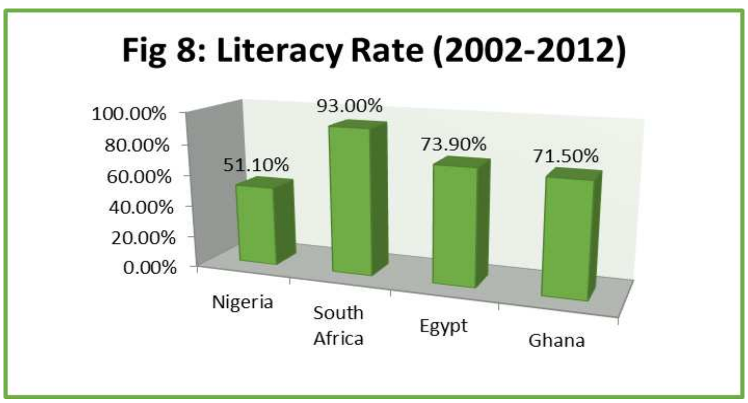
Source: United Nations Statistical Database (2014).

One of the major reasons why growth in a country may not become inclusive is in terms of dependency ratio. In figure 5, according to the UN 2015 forecast, Nigeria's dependency ratio of ages 0-14 will be around 83.9% while the dependency ration of 65 years old and above is expected to be about 5.1%. The effect of this on the active work force is shown in figure 6 where the percentage of total dependants in Nigeria is expected to hit 89% in 2015 according to the United Nations Statistical Database (UNSD) of 2014, meaning that the active work force will be just 11% by 2015. The implication of this is that incidences of poverty already discussed in figure 3 and 4 will become more intensified regardless of any governmental efforts to curb the situation owing to the fact that the real income of an active worker will fall drastically in Nigeria by 2015, because there are more mouths to be fed. This may negatively affect efforts to achieve inclusive growth in Nigeria.



Source: United Nations Statistical Database (2014).

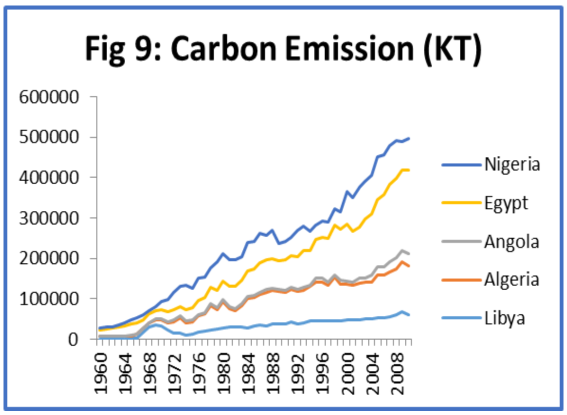
Figure 7 gives the proportion of homeless persons in 2013 in each country as a percentage of entire population. This is also a measure of poverty in these countries. It is observed that Ghana has the highest percentage of 1.2% followed by Algeria with 0.8%. In Nigeria, 0.5% of the entire population is homeless, 0.2% in Angola and 0.1% in South Africa and Egypt respectively. Though Nigeria seems to be relatively low when based it on proportion, however, when converted to the actual number of homeless people, Nigeria has the highest incidence as 0.5% of 170 million is 850,000 people. This would have also worsened due to the present insecurity that has rendered many people in the North East region of the country homeless.

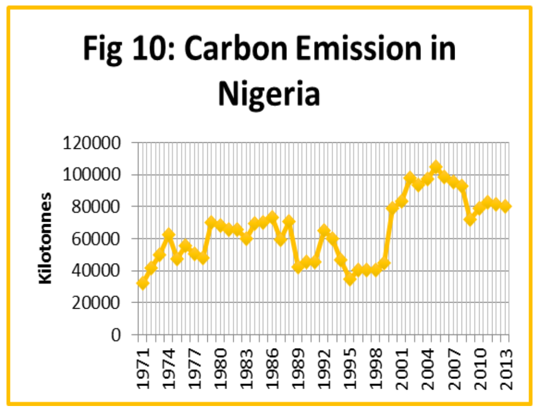


Source: United Nations Statistical Database (2014).

One of the key determinants of inclusive growth is human capital development in especially in health and education. Figure 8 above shows that the literacy rate in Nigeria between 2002 and

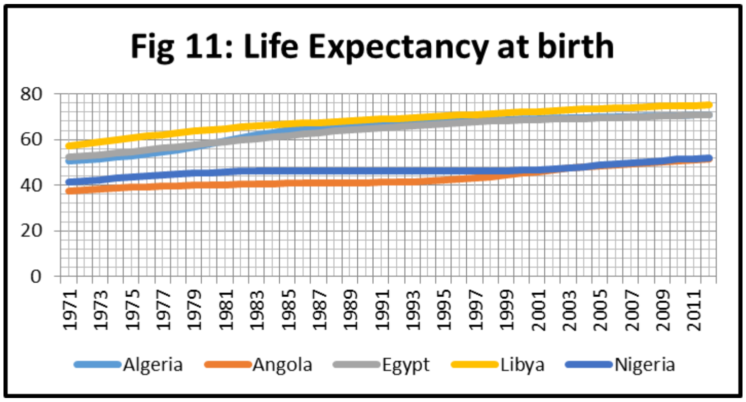
2012 is 51.1%. This is very low for a country that wants its citizens to become self-sufficient, reduce poverty and increase participation in the growth process and in benefit sharing. Also, considering the status of the country as the largest economy on the continent, a 51% literacy rate compared to South Africa's 93% and Egypt's 73.9% is very low. In figure 7, Ghana, a neighbouring country in West Africa has literacy rate of 71.5%.





World Development Indicators (2014)

Figure 9 provides information on the amount of carbon emission in kilotonnes of oil equivalent by the top five oil producing countries in Africa. It is revealed that from 1960 up to date, Nigeria is the highest emitting country among the five countries. This trend appears to continue unabated except in early 1980s, early and late 1990s when emissions dropped a little, but since then the upward surge in carbon emission continues unabated. In figure 10, it clear that some improvements were also recorded prior to 2010 probably due to the implementation of the gas master plan of 2006, but it was not sustained. Following Nigeria in carbon emission is Egypt, Angola and Algeria in that order. Libya has the lowest rate of carbon emission among the five largest oil producing African countries. Nigeria's emission will continue to grow except attention is given to curtailing gas flaring in the Niger Delta region of the country. High rate of emission means that the future generation may be left with lesser natural capital and this is not good for growth to be sustainable and inclusive. Inclusive growth will require that all forms of capital (natural and unnatural) are not depleted but are at least are maintained to guarantee that future generations are not worse-off in having access to them (capital). Increased carbon emission also has implication on the people's health by reducing their life expectancy as shown in figure 11.



World Development Indicators (2014)

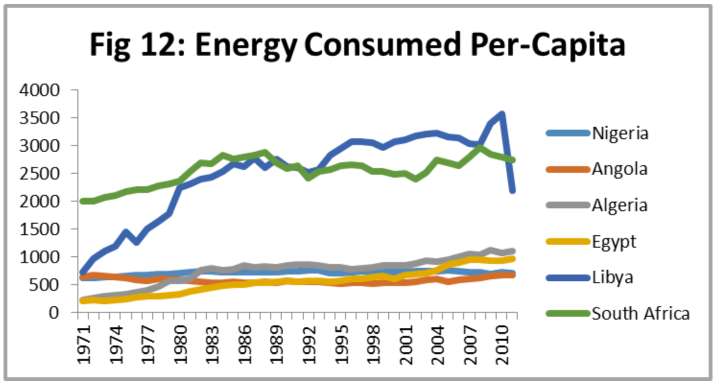
In figure 11, life expectancy in Nigeria compared to the five largest oil producing African countries is among the lowest. It is only marginally better than that of Angola taking a cursory look at the graph from 1971 to 2013. Libya has the highest life expectancy, followed by Egypt and Algeria. This is made clearer in table 1 below.

Table 1: Life Expectancy at birth

Years	Libya	Egypt	Algeria	Nigeria	Angola
2006	73.85841	69.6139	70.00837	49.22863	49.00705
2007	74.12066	69.80856	70.17105	49.79161	49.43573
2008	74.36307	70.01361	70.32707	50.32939	49.84739
2009	74.58568	70.22802	70.47493	50.83049	50.25102
2010	74.79249	70.45083	70.61661	51.28941	50.65417
2011	74.98746	70.67856	70.75168	51.71024	51.05932
2012	75.17605	70.90724	70.88217	52.10902	51.464

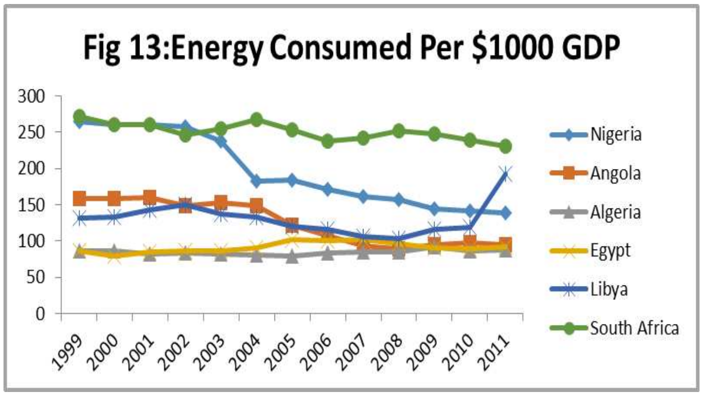
World Development Indicators (2014)

In table 1, Libya's life expectancy at birth is 73 years in 2006 and 75 years in 2012, in Egypt, it was 69 years in 2006 and 70.9 years in 2012, in Algeria, it was 70 years in 2006 and 70.88 years in 2012, in Nigeria it was about 49 years in 2006 and 52 years in 2012, while in Angola, it was also about 49 years in 2006 and 51.5 years in 2012. If the current trend continues, it is expected that Angola will even over take Nigeria in terms of life expectancy at birth few years to come.



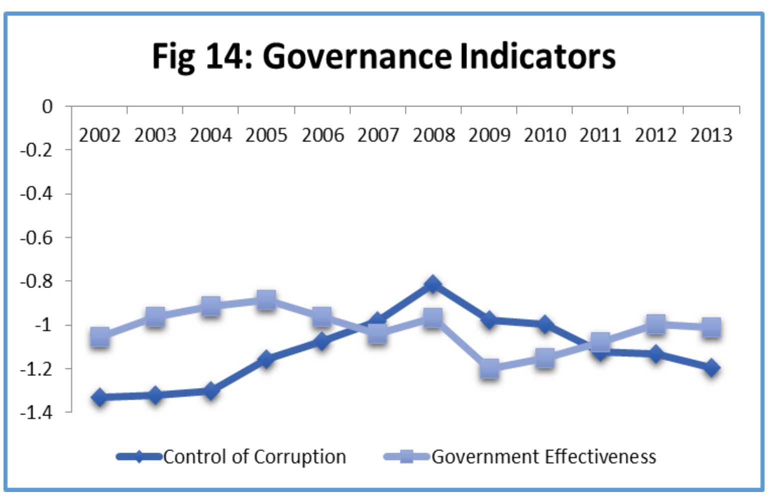
World Development Indicators (2014)

The energy consumption per-capita for some selected African countries in terms of their economic performance is presented in figure 12. From the graph, it is clear that Libya and South took the lead as it pertains to the amount of energy consumed per capita. Algeria overtook Nigeria around the early 1980s and Egypt overtook Nigeria in the late 1990s. While Nigeria's energy consumed per-capita continue to dwindle lately, Angola seems to be surging forward and it is currently almost at per with Nigeria in energy consumed per capita. For growth to become inclusive and for the country to achieve its goal of achieving its vision 2020, access to energy must increase in the country.



World Development Indicators (2014)

The information in figure 12 is re-presented in figure 13 as energy consumed per $1000 GDP to remove the effect of large population associated with Nigeria. It is obvious that between 1999 and early 2000, Nigeria robbed might with South Africa. It even slightly moved above South Africa to become Africa’s most energy consuming nation per $1000 GDP in the early 2000s, but since 2003 up to date, the country’s energy consumed has consistently remained on the downward trend and it was even surpassed by Libya around 2010 thereby moving into third place behind South Africa and Libya currently. Since the country is very weak lately in its energy consumption capacity, it thus implies that it still has a long way to go in ensuring inclusive growth.



World Governance Indicators (2014)

For a country to achieve sustainable development, green growth, inclusive green growth and even inclusive growth, it must have good institutions because as observed by Bouma and Berkhout (2015), quality institutions tend to be associated with lower inequality and lower poverty incidences. Figure 14 presents two of the most important governance indicators in determine the nature of institutions in any country. Its value ranges from -2.5 (low rank) to 2.5 (high rank). A cursory look at the graph shows that the highest Nigeria came was in 2008 when it earned about -0.8 in control of corruption. Apart from this, Nigeria's has always been very high making the country rank very low in corruption control. From 2008 till date, corruption control has deteriorated from -0.8 to about -1.2 in 2013. In the same vein, government effectiveness in Nigeria maintained a slightly upward trend between 2002 and 2006 when it reached its peak of almost -0.9, but it has declined continuously ever since then. It thus shows that institutions to maintain and even sustain inclusive growth in Nigeria is either very weak or non-existent and as such requires reinvigoration if inclusive growth will not remain a mirage.

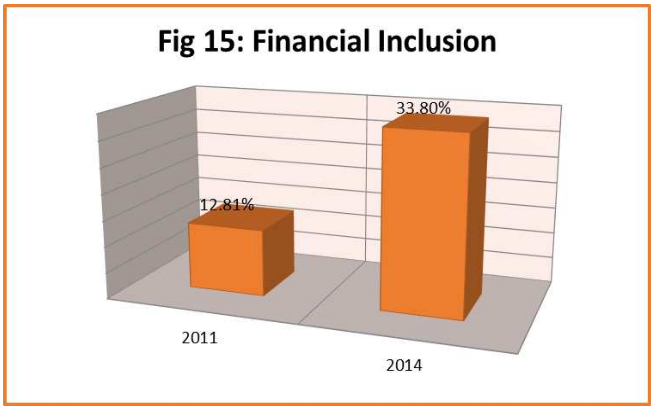
Table 2: Relationship between Real GDP and Income Inequality in Nigeria.

Date	Inequality	% Change	Real GDP ($)	% Change
2010	42.95	7.38 %	249670981853.9	47.3%
2004	40.00	-13.98 %	169466478360.7	72.7%
1996	46.50	3.45 %	98112523118	8.87%
1992	44.95	16.21 %	90116037303	33.3%
1985	38.68		67599529918	

Source: UN Statistical Database and World Atlas (2015)

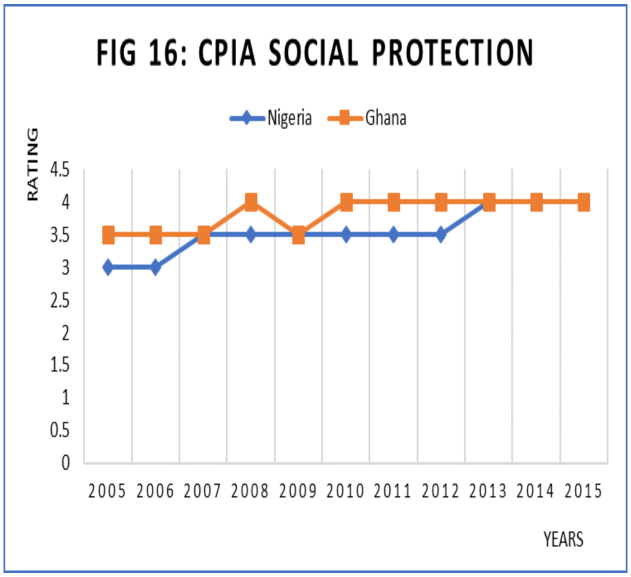
Table 2 shows clearly that Nigeria economy has been growing vis-à-vis increase in income inequality. Between 1985 and 1992, the Nigerian economy grew by 33.3% and income inequality also grew by 16.2%. This trend continues into 1996 where the economy grew by

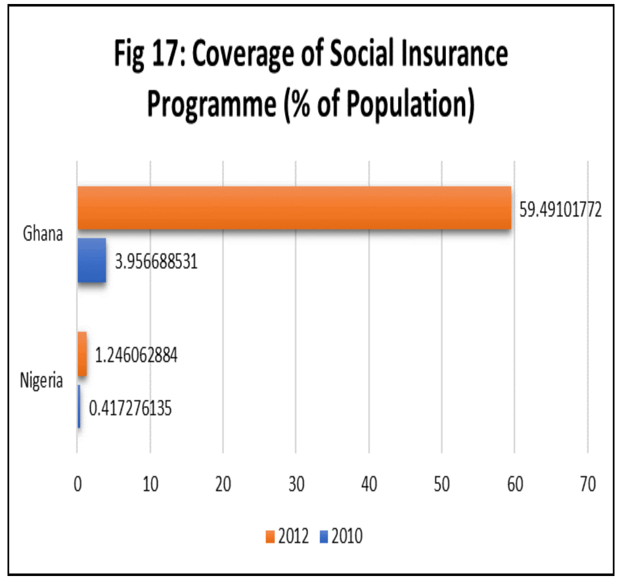
8.87% and inequality grew by 3.45%. Between 1996 and 2004, the country witnessed an improvement as income inequality fell by 13.98% despite the fact that the economy grew by 72.7%. However, the old order was restored between 2004 and 2010 when income inequality grew by 7.38% as the economy grew by 47.3%. Since inequality is a measure of poverty, it thus implies that poverty has continued to rise in Nigeria even as the economy grows. If this trend continues, i.e. as people become poorer, inclusive growth desire will not become achievable.



Source: Global Financial Inclusion Database (2015)

Figure 15 depicts the financial inclusion of the poorest 40% of the population, 15 years old and above. It implies that in 2011, only 12.81% were financially included and this rose significantly to 33.8% in 2014. The implication of this figure is that as at 2014, only about 33.8% of the poorest 40 percent of the population are financially included. This means that Nigeria still has a long way to go in a quest to achieve inclusive growth. That is, efforts should be targeted at increasing financial inclusion in the country to at least a significant level before making growth inclusive.





In figure 16, the Country Policy and Institutional Assessment (CPIA) social protection rating is presented. In the figure, it shows clearly that between 2005 and 2013, social protection in Nigeria is far below that of its nearest neighbour in West Africa, Ghana. It is only between 2014 and 2015 that social protection in Nigeria measures up to that of Ghana. Similarly, in figure 17, in 2010, the coverage of social insurance programme in Nigeria is about 0.4 percent of the population, while that of Ghana is about 1.2 percent of the population. However, the gap became more pronounced in 2012 as the coverage of social insurance programme in Nigeria rose to about 3.96 percent of the population, while that of Ghana astonomically rose to about 59.5 percent of the population. It thus follows that Nigeria still has a long way to go in a quest to enhance the social protection of its citizenry.

5. Conclusion

In this study, we have examined the emergence of inclusive growth in Nigeria considering the issues involved in it, the challenges and policy options for the country. It was observed in terms of the key indicators of inclusive growth presented in this paper that Nigeria is lagging behind seriously. The trend of unemployment shows that Nigeria far from achieving sustained increases in job creation as unemployment as at 2013 has hit 23.9%. Data also showed that about 25.7% of the populace lives in severe poverty and that about 46% and 67.98% lives below poverty line in terms of national poverty line and below $1.25 per day criteria respectively. Moreover, dependency ratio was found to be very high as only about 11% will remain in active work force by 2015 forecast of the United Nations. When compared with some top African countries, the country has the lowest literacy rate at 51%, unemployment of second largest after South Africa, and the highest incidence of homeless persons among top performing African countries where about 850,000 people are found to be homeless even prior to the current in the North-East part of the country. In terms of health quality, Nigeria has one of the highest rates of carbon emission in Africa and the highest among top five oil producing African countries which has seen its life expectancy at birth almost remained stagnant at 52 years compared to Libya that has life expectancy at birth of 75 years. This means that health care delivery in Nigeria is very poor and inclusive growth cannot be achieved without good health care status. It was also observed that Nigeria's energy consumption capacity is very low when compared with some other oil producing African countries, both in terms of energy consumed per-capita and in terms of energy consumed per $1000 at purchasing power parity.

The result also shows that quality institutions are still lacking in Nigeria as government effectiveness was found to be low as well as control of corruption and with a weak institution, it is doubtful if any effort to promote inclusive growth will ever see the light of the day. Finally, the way forward is for Nigeria to first strengthen its institutions, maintain adequate security, put an end to gas flaring and control activities that deplete natural capital generally. The country should also equip the health sector and look for ways to encourage school enrolment with a quest to boost human capital development. This will enhance the job creation potentials of its citizens while also reducing poverty and inequality. As it pertains to high dependency rates, government should initiate social security services through public-private partnership to reduce the burden of the active work force in having so many dependants to take care of, and by so doing, the real average wage of an active worker will increase thereby increasing a sense of nationalism and motivation. If this is done, growth will not only become inclusive but also sustainable.

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