THE STRUCTURE OF GENERATIONAL PUBLIC TRANSFER FLOWS IN NIGERIA, 2004[1]

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Revised: March 2010

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[1] We gratefully acknowledge the financial support of the John D. and Catherine T. MacArthur Foundation and IDRC, Canada for the estimation and extensions of the National Transfer Accounts of Nigeria on which the analysis in this paper is based

INTRODUCTION

Nigeria is a low income country although it is blessed with enormous quantity of natural resources. It produces two million barrels of oil per day, and is the sixth largest producer among the Organization of the Petroleum Exporting Countries (OPEC). According to the United States Energy Information Administration, Nigeria had an estimated 36.2 billion barrels of proven oil reserves as of January 2009 (IA, 2009). The country is dependent on the performance of oil in the international oil market and this has led to series of booms and busts over the years. The oil shocks of the 1980s had significant negative consequences on the economy to the extent that the nation which hitherto had been a middle income country was re-classified to a low-income country. The situation has not changed since.

However, after experiencing negative growth for a substantial part of the eighties, the introduction of structural adjustment reforms in the late eighties led to some positive growth in GDP. During this period, the country was ruled by the military and with the return of civilian rule in 1999, the economy of the country has shown some improvement. By 2002, the country experienced a 3.3 % growth rate in real GDP, a weaker performance when compared with the growth rate of 4.2 % in 2001. Macroeconomic developments since 1999 had been dominated by strong economic growth. Real GDP growth increased from 1.19% in 1999 to 9.57% in 2003. The growth rate since 2004 has also surpassed the projections of National Economic Empowerment and Development Strategy (NEEDS) document. Although the growth rate declined to 5.63 in 2006, the rates for the two previous years were above 6 % (World Bank, 2006).

However, despite positive economic growth in the last ten years, poverty incidence in the country is still very high. According to the National Bureau of Statistics, (2004) 54.6 % of Nigerians live below the poverty line. However, many economic policies and programmes have been put in place to ensure continued economic growth and stability in the country. But they have not been significant in addressing poverty. Economists and demographers have argued that the continued social problems in the country cannot be separated from the country's population and its structure. Despite this insight there has been little research investigating this relationship.

Nigeria operates a federal system of government with three tiers of government: federal, state and local. There are specific fiscal responsibilities for the different tiers as dictated by the country's 1999 constitution. This is important for social protection in the country as government fiscal operations through public spending are recognised as a major tool for economic management, poverty alleviation and social protection.

The population of any country comprises persons of different ages and in different stages of the economic lifecycle. People go through dependency and productive stages in the economic lifecycle. The main dependency age groups are the children aged 0-14 years and adults aged 60 years and above. During the productive stage a person's income exceeds expenditure leading to some lifecycle surpluses. However during the stages of dependency, the reverse occurs leading to lifecycle deficit. When surpluses are generated, it is possible for the person to fully pay for his or her consumption, however, at the dependency stages, when individuals are faced with lifecycle deficits, some other persons or institutions must transfer resources or rely on accumulated assets to finance the consumption of the dependent person. There are many institutions involved in and the two most important ones are the government and the private sector. While the households can take some of these responsibilities, governments play a very important mediating role by entering into funding arrangements that ensure that resources are transferred to the deficit groups.

The 2006 national census puts the population of Nigeria at 140 million making it Africa's most populous country (UNDP, 2008). Nigeria is in the early stages of demographic transition and the population is expected to reach 175.7 million by year 2015. Total fertility rate which was 6.8 between 1970 and 1975 reduced to 5.9 for 2000-05. The structure of the population indicates that Nigeria is a young population with the proportion of population under 15 years old being 44.3 % in 2005, but is expected to reduce marginally to 41.3 % in 2015. The proportion of population aged 65 years and older is still small at 2.9 % in 2005 and is expected to increase marginally to 3.0 in 2015

The economic case for public investments for the dependent age groups has been made strongly in many studies. For example in the case of children, studies including Mason et al (2005) have argued that investments at early ages can have important multiplier effects. This implies that government and parents should invest in the education of their children to develop critical skills and in their health to

provide opportunity for developing these skills. However, there are challenges in many developing countries as the parents are resource-constrained or are not fully aware of the real benefits of formal education and improved health. Accordingly, they may not transfer resources optimally for the benefit of the children. This is where government has a duty to finance both the education and health of children. In the case of old age dependency, government has a responsibility for taking care of those who have used their productive life for the benefit of the society especially when they can no longer work and be productive. Most countries have therefore designed social security programmes for these set of citizens.

This paper seeks to investigate how government has played this role in Nigeria examining the structure of intergenerational public transfer inflows in the country. This is done by analyzing the mechanism government uses to satisfy the consumption needs of the different groups over the lifecycle especially through reallocating and transferring resources from the productive groups of the population to dependent groups. The paper utilizes the methodology of National Transfers Accounts (NTA) and analyzes the public transfer flows of the 2004 National Transfer Flows Accounts of |Nigeria

Within this framework, a transfer is a transaction that transfers a good, service or cash from an individual belonging to one age group to an individual belonging to another age group with no expectation of compensation or an explicit quid pro quo in any form (Mason et al 2006). While these transfers can be mediated by both the private and public sector, this paper focuses only on transfers that are mediated by the public sector.

The remaining part of the paper is organized as follows. The next section presents a brief profile of the revenue and expenditure system of Nigeria. The methodology and data used are discussed in Section. 3. Section 4 analyzes and discusses Nigeria's 2004 lifecycle deficit and how public transfer flows in Nigeria are used by government to meet the needs of the dependent population. The paper concludes in Section 5

2. PUBLIC REVENUE AND EXPENDITURE SYSTEM IN NIGERIA

Nigeria is a mineral dependent country which is why most of the income to the various tiers of government comes from this natural asset. In the past five years, tax revenue has accounted for less than half of government revenue (Table 1). The

structure of revenue collection is such that most of the revenue in the country are federally collected before it is shared among the different tiers of government. In addition to the federally collected taxes and other revenues, each tier of government also has its own internally generated revenue that is kept exclusively by that tier of government. However, internally generated revenue is very minimal and less than 10% of all revenues in the country.

The expenditure of each tier of government is determined by the relevant legislature. For the Federal Government, it is the National Assembly comprising the Senate and House of Representatives while in the states it is the respective state Houses of Assembly. And in the Local Government Areas (LGAs), the local government Legislative Council determines the budget. All the tiers of governments in Nigeria are seen to have allocated large sums of money for spending on economic and social development; yet the results on ground have tended to be extremely disappointing.

Table 1: proportion of Tax and Non-Tax items in Nigeria's Government Revenue

	2003	2004	2005	2006
Taxes on income and profits	31	33.5	37.3	38.3
Import duties	7.6	7.5	4.2	3.1
Other duties	6.3	7.1	3.2	3.7
Non tax revenues	55.1	51.9	55.3	54.9
TOTAL	100	100	100	100

Source: NBS (2008) ***The Nigerian Statistical Fact sheets on Economic and Social Development Abuja:*** National Bureau of Statistics (NBS)

Education and Health Systems

Formal education and modern health provision were pioneered by the Christian missionaries. However, since the 1970s, government has taken over most of the responsibilities. The social indicators in the country are however still below average. Adult literacy rate in any language is 42 % of the population. NPC (2006)

indicates that access to formal primary schools stood at 75.9 % while access to medical services was 55.1 % in 2006.

Education

Nigeria operates a 6-3-3-4 system of education. This means that students spend six years in primary schools, three years in junior secondary schools, three years in senior secondary schools and four years in tertiary institutions. The country developed a National Policy on Education in 1981 and since revised and updated it with the most recent being the 2007 edition. The policy stresses the importance of achieving universal access to basic education, the provision of publicly financed secondary and tertiary education, national language policy, and building national capacity in science and technology.

Education falls under the concurrent list in Nigeria hence all levels of government are responsible for the different levels of education. In addition to this, the private sector is also involved in the provision of education at all levels in the country subject to registration and recognition by the government.

In order to increase access of Nigerians to basic education, the Universal Basic Education (UBE) programme was established in 1999. The program seeks to provide free compulsory basic education to all citizens. The main goal of the program was "to eradicate illiteracy, ignorance, and poverty as well as stimulate and accelerate national development, political consciousness, and national integration." UBE seeks to make the formal levels of primary and junior secondary education universal, free, and compulsory. In May 2004, the UBE law was passed by the National Assembly and various state Houses of Assembly. As a result of this action, the gross enrolment rates in the primary and secondary schools in Nigeria increased to 60.1% and 30.1% respectively in 2005 (FME, 2008).

In terms of government spending on education, federal government allocation to the sector declined by 28 % from 2001 to 2004, but began to rise after 2004 (CBN, 2007). Between 2004 and 2007, federal education allocations increased sharply in nominal values, from N 126.4 billion to N 230.6 billion, or more than 80 % (FME, 2008). The introduction of the UBE Intervention Fund in 2005 and the Virtual Poverty Fund in 2006 contributed to this sharp rise. Nevertheless, federal education allocations have not kept pace with GDP growth, declining from 1.8 % of GDP in 2001 to 1.4 % in 2007, after reaching a low of 1.0 % in 2004. As a share of the total

federal budget, the federal education budget declined slightly, from 10.7 % in 2001 to 8.6 % in 2002, but later increased from 11.8 % in 2005 to 13.2 % in 2006.

Health

The health system in Nigeria comprises primary care, secondary care and tertiary care. Although not yet formalised by any law, local governments have major responsibility for primary health care while state governments provide secondary care in hospitals which also serve as referrals for primary health centres. Tertiary care is mostly provided by the federal government in teaching and specialist hospitals and federal medical centres.

Apart from the government, many health institutions are owned by the private organisations, including both for-profit and not-for-profit organizations. Although, under the present health care delivery arrangements, the mandates of the FMOH and other tiers of government are not captured in either the constitution or in any law, the National Council on Health (NCH) is considered the highest policy advisory body. It consists of all Commissioners for Health in the states; chaired by the Federal Minister of Health and has overall responsibility for health policy.

The burden of health expenditure rests mostly on the households as private expenditure on health is more than 64 % Total Health Expenditure (THE) (Soyibo et al, 2009) which is about the proportion in some other African countries including Malawi, Ghana and Egypt. This is in contrast to the World average which puts the proportion of private health expenditure at 22 percent of total health expenditure (WHO 2006). Households expended a total of ₦489.79 billion in 2003. This grew nominally by 6% to ₦518.41 billion in 2004 and by 27% to ₦656.55billion in 2005. The estimated health expenditure of firms was ₦20.32 billion in 2003. This grew by 28% to ₦26.07billion in 2004 and by 14% to ₦29.67billion in 2005. The contribution of Development Partners to health care financing in Nigeria was estimated as ₦27.87billion in 2003. This increased by 29% to ₦36.04billion in 2004 and by just 1% to ₦36.30 billion in 2005.

Soyibo et al (2009) also reveal that total Government Health expenditure (GTHE) as a proportion of Nigeria's Total health expenditure (THE) was 18.69 % in 2003, 26.40% in 2004 and 26.02% in 2005. On the other hand, household health expenditure as proportion of THE was 74.02% in 2003, falling 65.73% in 2004 and rising to 67.22% in 2006. Per capita health expenditure was estimated as about

₦5,146 in 2003, rising to ₦5,963 in 2004 and ₦7,177 in 2005. It is thus argued that while government funding of health care is improving it has not improved fast enough. Average GTHE over the period 2003-2005 was 24.10% of THE, slightly below a quarter of THE. This is up from an average of 20.65% of THE over the period 1998-2002. This is an increase of less than 1% per year.

The Federal Government established the National Health Insurance Scheme (NHIS) to improve access to health care by all Nigerians at an affordable cost. The scheme was officially launched by the President on 6th June 2005. The number of participants has grown over the years especially with the registration of all workers in the federal public service. As at December 2006, registration of public servants and their dependents numbered 1.5 million. The programme is currently limited to workers in the formal sector although there are current efforts at including the informal sector through a community based social health insurance programme (CBSHIP).

METHODOLOGY AND DATA

The methodology utilised in this paper derives from the NTA framework (Mason et al 2005). The NTA is a comprehensive system for measuring economic resource flows across ages at the aggregate level and for a prescribed period of time. The details of the methodology have been covered extensively elsewhere in this volume. However, this paper has utilised the standard methods described in Chapter three and on the NTA website. This paper focuses on the government aspect of transfers as a way of financing the lifecycle deficit. The details of the estimation procedure for NTA are provided in NTA website.

Data

The macro data for the estimation of the NTA comes from the National Income and Product Accounts (NIPA) of Nigeria (NBS, 2007). NIPA however does not provide the information by age groups and we have utilised survey data to estimate the age profiles of the relevant variables. In order to derive the age profile, we utilise data from the 2004 National Living Standard Survey (NLSS) conducted by the National Bureau of Statistics (NBS) Nigeria. The survey is the most comprehensive household survey in Nigeria. It contains information on the consumption and expenditure of individuals and households in the survey.

In the case of public expenditure and transfers we use information on the tax structure in the country. Since the government revenue profile contains all sources of revenue we have reclassified these sources into three via. direct tax income, indirect tax income and asset income. Nigeria is a federal country so taxes collected by the different tiers are added together to derive total government revenue. We have thus included all the sources of revenue for all the three tiers of government. In order to avoid double counting we first deducted the federally collected revenue component from the incomes of the different tiers of government and added the internally generated revenue of the different tiers of government based on the classification. The calculated public sector income for all tiers of government is presented in Table 2:

Table 2: Government Revenue by Source in Nigeria (All tiers of government), 2004

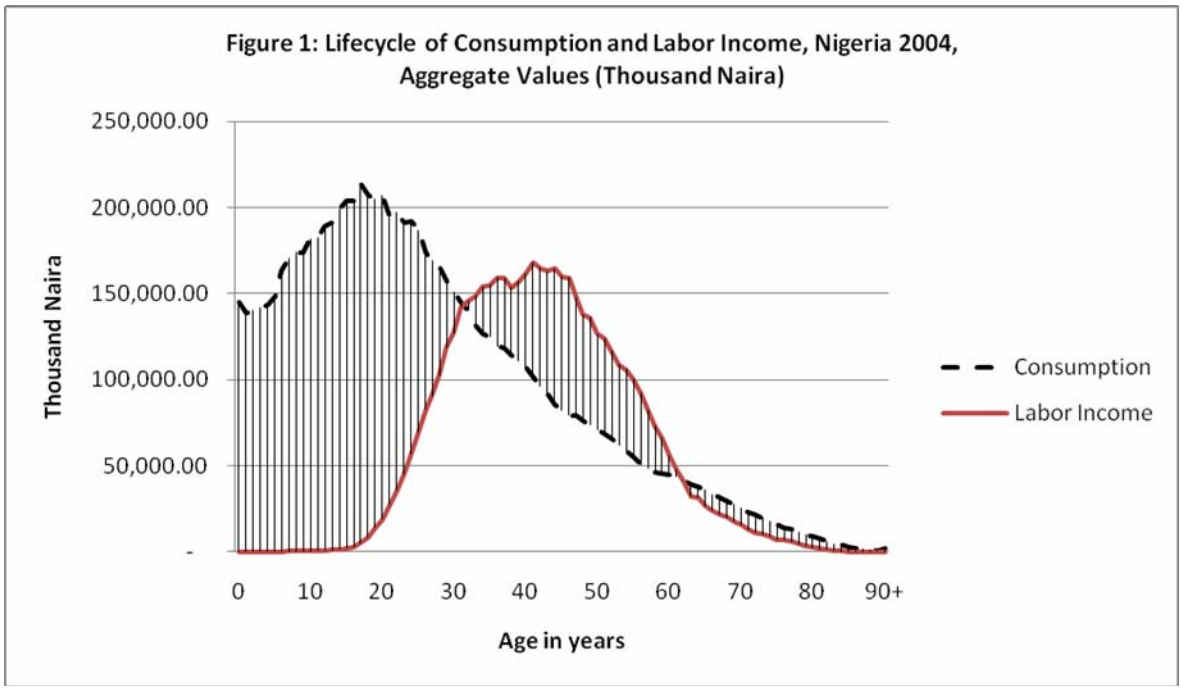
Detail	Amount (N million)
DIRECT TAX	
Companies income tax	113.00
Individual Income Tax	134.20
Education tax	17.10
Property Tax (Tenement rates)	4.85
Petroleum profit tax (PPT)	686.90
TOTAL DIRECT TAXES	**956.05**
INDIRECT TAX	
Custom and excise	217.20
VAT	159.50
Custom levies	40.40
TOTAL INDIRECT TAX	**417.10**
ASSET INCOME	
Crude Oil/gas export	1,043.50
Domestic crude sales	358.20
Other oil revenue	3.00
Independent non tax revenue of federal government	58.90
State govt non-tax	17.55

TOTAL ASSET INCOME	**1,481.15**

Source: Computed from the CBN Statistical Bulletin, 2008

Lifecycle Deficit and Public Transfer Flows in Nigeria

The lifecycle deficit for Nigeria in 2004 is presented in Figure 1. The figure reveals the profile of aggregate consumption and labour income and shows that given the individual lifecycles in Nigeria, the young and the elderly consume more than they produce. There are lifecycle deficits for the children and old people while lifecycle surplus in the country starts at age ages 33 and ends at age 63 years when it turns deficit for older people. This means that some of the surpluses have to be reallocated and transferred to child dependent ages of below 33 years as well as old age dependents of above 63 years old. Within the surplus age group, the surplus is the highest at age 46 years old.



Public Transfers

Governments have an obligation to ensure that all vulnerable groups have access to opportunities and that these opportunities help them to develop to their full potential, and prepare them to contribute to their families, to their communities, and to

society as a whole In our analysis we assume that government performs these functions by mediating transfers to programme beneficiaries from taxpayers and through the ways by which government manage public assets. As a result, government serves as a key agent in the reallocation of resources from the surplus age groups to the deficit age groups. Given the NTA methodology, individuals give public transfers outflows to the government in form of tax payments and receive inflows in the form of in-kind transfers and other general-purpose transfers to individuals. Public transfer inflows are the activities and associated spending of the public sector to produce goods and services that are of direct and indirect benefits to the population. While some of the benefits such as education and pension accrue to certain ages, mainly others such as security and public infrastructure accrue to all population. In this paper, we have identified two in-kind public transfer inflows to the individuals as well as other general purpose transfers**.** This is because of the importance of investments in human capital mostly education and health especially to the children. In the case of older people, pension transfers would be very important but such transfers were not in existence as at the time of the analysis for 2004.

Public Transfer Inflows

Figure 2 presents the age profile of public transfer inflows and reveals that for education in-kind transfers dominates for younger age groups 8 to 28 years and for the other age groups, health in-kind transfer inflows dominates. It is interesting to note that in-kind public transfer inflows in Nigeria are tilted towards ages 20 to 24. As shown by Soyibo et al. 2008, when compared to the mean values of labour income for age group 30 to 49 years. the proportion of in-kind public transfer inflows is less than 5 % of the income of this age group. The importance of public transfer inflows that are beneficial to investment in capital of the younger generations seems to be very low in Nigeria.

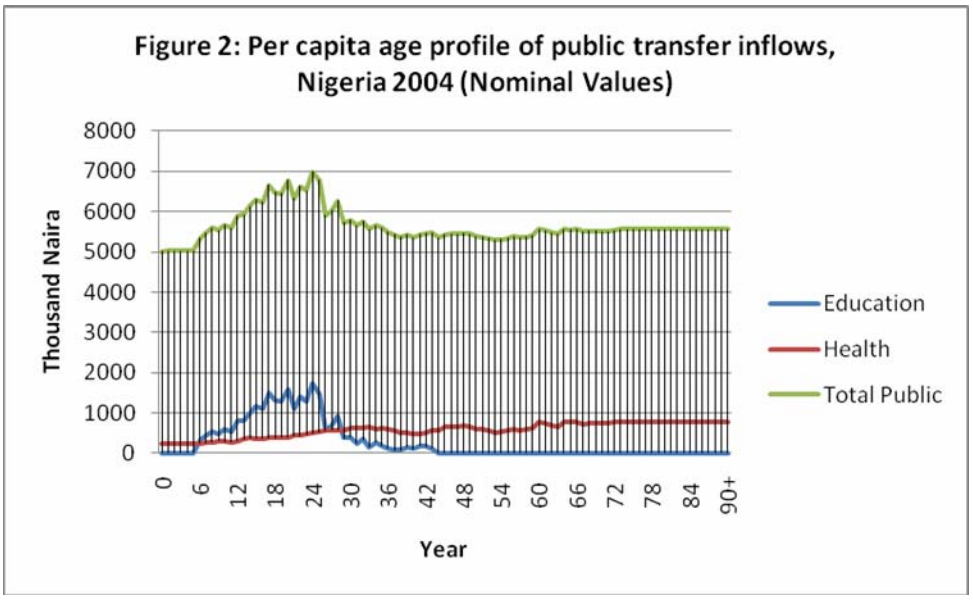


Table 3 presents the Share of Different Public Transfer inflows in NTA aggregate totals by Age groups in *percentages*. The table reveals that the inflow to education is 8.8 % of total inflows while the age group 18-25 years have the highest proportion of inflows at 21 % of public inflows for the age group. Children in primary and secondary schools only receive less than 87.2 % of public in-kind education inflows[2]. This is in line with many other developing countries where public education transfers are in the intermediate range and benefits mostly children and teenagers.

Table 3 : Share of Different Public Transfers Inflow in NTA aggregate totals by Age groups in Percentages

	0-17	**18-25**	**26-55**	**56-69**	**70 and above**	**Total**
Education	9.2	21.1	3.1	0.0	0.0	8.8
Health	5.2	6.7	10.5	12.8	14.0	7.3
Others	85.6	72.2	86.4	87.2	86.0	83.9
Total	100.0	100.0	100.0	100.0	100.0	100.0

This is despite the fact that in the country, all tiers of government strive to allocate significant proportion of their social expenditure towards the children in terms of in-kind transfers for health and education, while the proportion of the

[2] Public in-kind education inflows is the total government spending on education by the age group and children aged 5-18 years receive more than 87% of these government spending on education in kind.

government spending on the old age group is very low. The social security system is virtually non-existent. There was no social cash transfer programme in the country until a defined contribution system for the formal sector was established in 2004. Retirees from public sector who constitute than 15 % of the elderly have been incorporated into the new public sector social security system. (Olaniyan, 2007).

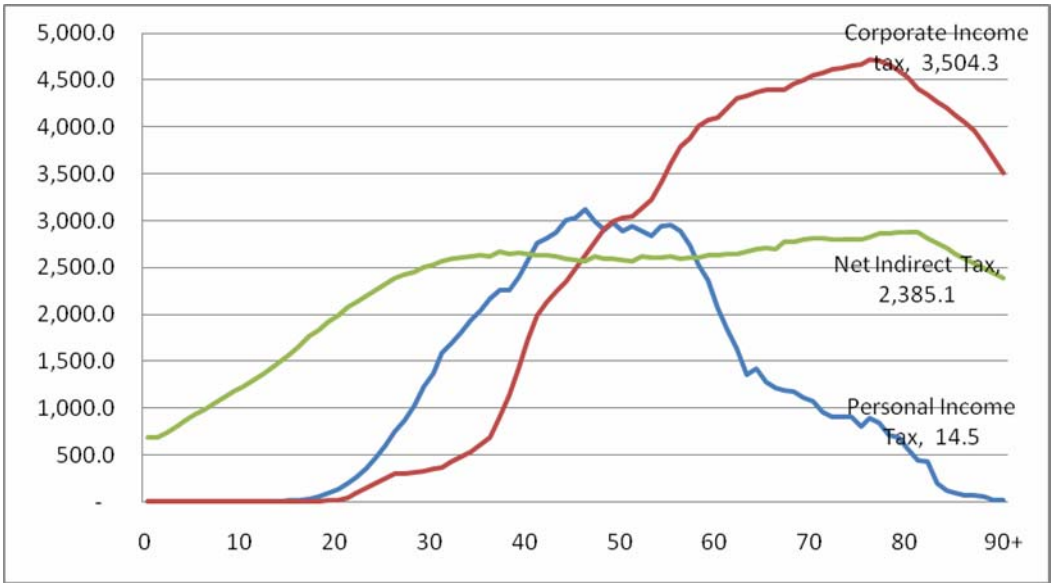
The proportion of Federal Government's total expenditure spent on the social sector has increased steadily in the period 2003 to 2007. The proportion which was 12.92 in 2003 rose over the period to 16.12 % of total expenditure in 2007. The expenditure under the publicly funded pension scheme of government also stood at 4.52 % of the total federal expenditure which is a slight decrease from a5.21 % in 2006. Despite these fluctuations and sometimes decline in proportion, it should be noted that the absolute figure of fiscal spending in the education and health sector witnessed increases over the period 2001 to 2007 (see CBN, 2007).

In the case of health, public health in-kind transfers increased over the age group as individuals grow older from 5.2 % of all public transfer inflows for age group less than 17 years old to 14 % for older individuals of 70 years and older. For all the age groups in-kind transfers in education and health combined is about 16 % of total public transfer inflows. Apart from the in-kind transfers, there was no cash transfer programme by the public sector in Nigeria, either to the young or the elderly.

Public Transfer Outflows

Public transfer outflows are the transfers from individuals of all age groups to the government. These are the taxes that are paid to government by individuals. Figure 3 depicts the public outflows. Public transfer outflows are categorised into three which are the taxes on income, on capital and indirect taxes. The figure indicates that the burden of public inflows generally falls on individuals aged 20 years and above. Younger individuals are involved in public outflows mainly through indirect taxes only because of the goods they consume some of whose indirect taxes are already embedded. While taxes on income increased and peaked around age 47 years, property tax indicated as tax on capital continue to increase with the age of the individual and older individuals pay more on average than younger individuals in the working age group.

Figure 3: Age Profile Of Tax Revenues, Nigeria 2004



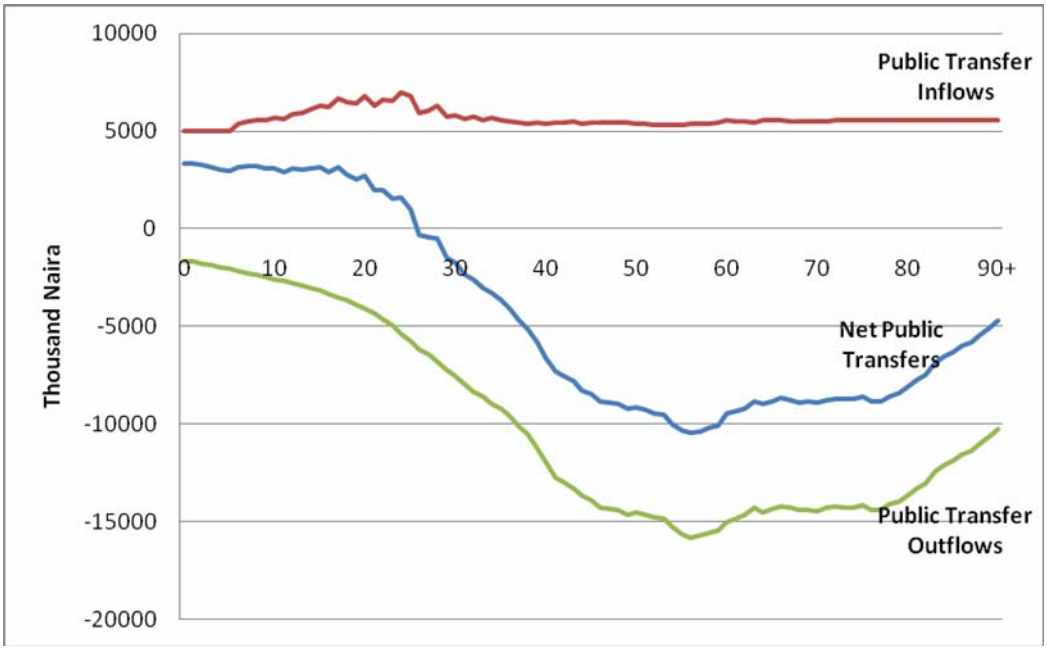
Although in the aggregate, public transfer inflows is equal to public transfer outflows, it should be noted that in Nigeria, tax revenues were much less than transfer outflows because of the heavy reliance on asset income. This quantitative overview of the public sector flows is presented in Table 4. The Table reveals that only the young have public transfer flow surplus, while from age group 26-55 and older, there are public transfer deficits. The Nigerian government have to rely on public asset based flows in order to generate resources to fund its transfer programmes. As the sixth largest oil exporter among OPEC, the country receives a lot of income from oil royalties. This has been identified earlier in Table 2 where Asset income accounts for more than half of government total revenue. In addition to the asset income, the remaining deficit is funded through resources from the rest of the world (ROW).

Table 4: Structure of Public Flow Account, Nigeria 2004

		0-17 years	*18-25 years*	*26-55 years*	*56-69 years*	*70 and above*	*TOTAL*
Net Public Transfers		**221,920.23**	**42,824.20**	**-184,966.22**	**-60,572.00**	**- 19,206.21**	**0.00**
Public Transfer Inflows		**390,378.23**	**136,665.66**	**211,145.35**	**34,964.62**	**12,665.55**	**785,819.41**
	In kind transfers	**390,378.23**	**136,665.66**	**211,145.35**	**34,964.62**	**12,665.55**	**785,819.41**
	Education	*31,719.05*	*28,732.80*	*8,824.65*	*-*	*-*	*69,276.50*
	Health	*19,932.54*	*9,071.06*	*21,987.87*	*4,419.41*	*1,757.64*	*57,168.51*
	Other	*338,726.65*	*98,861.81*	*180,332.82*	*30,545.22*	*10,907.91*	*659,374.40*
Public Transfer Outflows		**-168,458.00**	**-93,841.46**	**-396,111.57**	**-95,536.62**	**-31,871.76**	**-785,819.41**
	Personal Income Tax	*-293.24*	*-5,292.12*	*-79,357.32*	*-12,082.21*	*-1,796.67*	*-98,821.56*
	Corporate Income tax	*-24.18*	*-1,858.07*	*-51,573.30*	*-26,767.03*	*-10,402.15*	*-90,624.73*
	Net Indirect Tax	*-78,584.09*	*-43,001.97*	*-97,118.61*	*-17,046.48*	*-6,398.95*	*-242,150.10*
	Surplus (+) /Deficit (-)	-51,055.16	-32,452.18	-147,564.83	-36,168.69	-12,034.14	-279,275.00
	ROW	-38,501.33	-11,237.12	-20,497.51	-3,471.92	-1,239.85	-74,947.72

Figure 4 presents the profile of inflows and outflows as well as net flows arising from the public sector. While the public transfer inflows is relatively stable from age 33, the burden of outflow keeps increasing from the teenage years and reached the largest point at about age 55 years old.

Figure 4: Per capita age profile of Public Transfer Flows, Nigeria 2004



Net public transfers reflect the benefits received from the government less taxes paid by the population by age group. In fact there is no net positive public transfer flows to the old people in Nigeria. Rather they are net taxpayers. This is occasioned by the lack of social protection programmes for the adult in the country. The only group that have positive net public transfer inflows are the children below age 26 and they are mainly through in-kind transfer inflows. Besides, the net inflows are more than compensated for by the net public transfer outflows from the working age population as well as old people in the country. There are no cash transfer to any group whether children or adult. There were no significant scholarships or bursaries to students. Neither were there any cash transfers to the vulnerable groups like the poor, disabled or the elderly. There are also no significant cash subsidies for health care either.

Although public transfer inflow and public transfer outflows are not equal by definition, Nigeria has a public transfer deficit because the tax revenue of government is less than the public transfer inflows. As a result, public transfer balance is ensured by the flows generated through asset-based reallocations as well as positive net public transfers from foreign sources. As a result, domestic net public transfers is positive as residents receive more than they are paying because of the funds coming from rest of

the world. This is because when we weighted the net flows by population and added them up we have a positive number equal to net public transfers from ROW.

Furthermore, the net public transfer flow in Figure 4 shows that, the peak outflow of about 10,000 is almost three times the net inflow to children. This is a reflection of the feature of the labour income in Nigeria where labour income is low for the young adult, but remains at a higher level in the later years and for so long such that it declines relatively slowly in the old age (Mason, et al 2010). In essence, this analysis reveals how age structure can work against spending on children. The high proportion of young age coupled with low labour income of the age group can thus offer some explanations on why public spending and human capital is low in Nigeria. Mason et al, 2010 estimates that total normalized human capital investment in Nigeria n 2004 was 2.0 suggesting that given current spending levels, the lifetime human capital investment per child was two years worth of labour income.

Conclusion

Like many other low income developing countries, public transfers are downward in Nigeria. Our findings indicate that only children are net receivers of public transfers although they are mainly through in-kind public transfers in health and education.. While it is not strange for the working population age group to be net payer of public transfer it is important to note that the elderly have net outflows of public transfer. This is largely due to the limited public pension programs and little emphasis on health care for degenerative diseases. The implications of this is that since the elderly experience lifecycle deficit, such deficit are not offset by public transfer inflows that this is meant from private transfers and asset reallocations.

It is also interesting to note that net transfers are positive until about age 30 while net outflows are really concentrated in the 50 to 80 age group. One of the reasons is the productive age range in Nigeria. The lifecycle deficit shows that Nigerians consume more than they produce through their labour for the first 33 years of their lives. Hence, despite the large young population, tax flow in the younger ages is low due to high unemployment and underemployment in the country especially for the young age groups. The underemployment situation is captured by the low level of factor income among those in their 20s and early 30s. In addition, even when the proportion of the old age population in the country is small, the low income from the young age group, as well as the tax system's emphasis on asset income and

consumption taxes rather than labour income taxes tilt the proportion of public transfer outflows towards the middle and old age population groups.

The total lack of cash transfers for all age groups has implications for social protection. First, the lack of cash transfer to school-age children in terms of scholarships and bursaries puts a lot of burden on the households in the desire to give quality education to their children. In addition, the lack of direct cash social support for health care from government particularly for the poor also inhibits human capital development. Third, the lack of cash transfers to the elderly means that the elderly have to make recourse to asset-based reallocations and inter-household transfers in order to meet up with their lifecycle deficits requirements. This is probably why poverty reduction among the elderly has not been pronounced in the country. Nigeria needs to learn from other countries on how to improve social protection.

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