

## **Political Integrity Country Case: Capture of State Resource Allocation – Nigeria**

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\*The findings and conclusions from this research are a product of the author in his individual, independent research capacity. The content represents only the views of the researcher.

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### Problem Identification – Nigeria's kleptocratic state allocations

Nigerians often detest with the mixture of embarrassment and resignation that 'corruption is in the national DNA'.<sup>1</sup> The legendary kleptocratic nature of the distribution of state resources is blamed on the corrupt political class living in opulence and detached from the public reality. The deterioration of public services, the constant increase in insecurity and looting of extractive revenues from vast deposits of oil and gas is generally subscribed to political corruption at all levels of the Nigerian public and private sector.

The population size of roughly 200 million and a complicated governance system resting on formal and informal power-sharing agreements between competing religious, ethnic, and class interests inflate the lack of political integrity. Nigerian vast state resources are not shared to the benefit of the majority population.

There is a general opinion in the population across religious and ethnic lines that Nigerian political leaders are more inclined to serve personal and selfish needs than to work for the common good of the country. *Political corruption* is a deeply entrenched 'quasi-legitimised' tool to advance party, personal and political gains in a political system, which considers public resources as personal entitlements for politicians and public servants.<sup>2</sup> This *lack of political integrity* is so systemic that political offices are widely recognised as avenues for private wealth accumulation and power preservation to advance personal or network interests.<sup>3</sup>

Transparency International defines *political integrity* as 'means [of] exercising political power consistently in the public interest, not to sustain private interests and power holders' wealth and position'.<sup>4</sup> This paper focuses on the *capture of resource allocations* in Nigeria as a distinct form of political corruption stemming from the break-down of political integrity in Africa's most populous nation.

To observe the Nigerian case, we define *state capture* as *an effort of individuals, firms or other networks to shape the formation of laws, policies, and regulations of the state to their advantage by providing illicit private gains to public officials*.<sup>5</sup> This type of corruption requires the participation of high-level political power holders in the distortion of the formation and implementation of public policies, laws, and other governance tools of a state intended to gain access and allocate state resources for political preservation and financial gain.

As this case study lays out, the capture of allocation of state resources in Nigeria is both a consequence and an instrument of and for state capture aimed at the gaining of access and

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<sup>1</sup> Onomuakpokpo, P. (2019), 'Buhari, Onnoghen et al and their common DNA', The Guardian (Nigeria), 31 January 2019, retrieved from <https://guardian.ng/opinion/buhari-onnoghen-et-al-and-their-common-dna/>

<sup>2</sup> Page, M.T. (2018), A New Taxonomy for Corruption in Nigeria, Washington DC: Carnegie Endowment for International Peace, retrieved from <https://carnegieendowment.org/2018/07/17/new-taxonomy-for-corruption-in-nigeria-pub-76811>

<sup>3</sup> G.O Jgiebor "Political Corruption in Nigeria: Implications for Economic Development in the Fourth Republic" SAGE Journals, Volume: 35 issue: 4, pages: 493-513 December 16, 2019 <https://journals.sagepub.com/doi/full/10.1177/0169796X19890745>

<sup>4</sup> Martínez, R., Kukutschka, B., Valladares, J. and Vrushi, J. (2020) BUILDING POLITICAL INTEGRITY TO STAMP OUT CORRUPTION: THREE STEPS TO CLEANER POLITICS, retrieved from <https://www.transparency.org/en/news/building-political-integrity-to-stamp-out-corruption-three-steps-to-cleaner-politics>

<sup>5</sup> Hellman, J.; Jones, G. and Kaufmann, D. (2000) Seize the State, Seize the Day: State Capture, Corruption, and Influence in Transition Economies, World Bank Policy Research Working Paper No. 2444 (Washington).

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utilisation of the allocation of state resources for political or private gains.<sup>6</sup> This paper will display some examples to illustrate how powerful Nigerian elites and their networks exhibit vested economic and political interests and shape the "rules of the game" despite existing anti-corruption frameworks and tools. Contrary to the frequent public opinion that a few corrupt politicians bankrupt Nigeria because of greed, this paper argues that political corruption is a consequence of a political system, which relies on systemic state capture and diversion of state resources primarily to stay in power. The phenomenon of state capture is in the Nigerian context somewhat overlooked.

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<sup>6</sup> Ibid

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### How is the allocation of state resources captured in Nigeria

While Nigeria supplies seemingly unlimited case studies of grand corruption, we bring three different types of state capture to illustrate different tactics and strategies employed to divert state resources for other purposes.

#### *The case of Babachir Lawal – state capture of resources as a political reward*

In January 2019, corruption charges were filed against the former secretary to the government of the federation (SGF) by the Economic and Financial Crimes Commission (EFCC), the biggest of the three dedicated anti-corruption agencies in Nigeria.<sup>7</sup> He was accused of using his private company to divert government contracts worth millions of dollars from a fund distributing relief material to the Boko Haram victims. The 10-count charge against the former SGF includes conspiracy, fraudulent acquisition of property and unlawful award of a contract to companies Lawal had an interest in or was their beneficial owner at the sum of around \$1.5 million.<sup>8</sup>

The contracts stated the removal of invasive plant species and simplified irrigation from governmental compounds, in other words, grass cutting. No work was ever conducted. The offence was allegedly committed in 2016 while Lawal held the position of the secretary to the government, one of the most influential positions in the Nigerian public service granting unlimited access to the President and all other top state and business officials. At the same time, he was also a director of Rholavision Engineering Limited, the company that was illegally awarded the trivial contracts with no record of any work conducted. State resources were allocated by 'his' Office of the Secretary to the Government of the Federation (DSGF) in the clear breach of existing procurement laws and policies.<sup>9</sup>

Although the volume and size of the bribe are arguably for Nigerian standards 'pocket money', the Nigerian public has been offended by the triviality of the case and the brazen nature of the clear clash of interests in one of the most prestigious and influential positions in the Nigerian public administration. The public was appalled by the direct involvement of one of the closest associates of the President Buhari, who won 2015 elections on the anti-corruption ticket with zero tolerance to corruption slogan defining his campaign and later government.

This case underlines that capturing public expenditures through fraudulent procurement of large state contracts is a widespread strategy amongst the Nigerian elite. Nigeria's wealth is wasted on 'white elephant projects' where large resources are diverted to bogus large scale procurement. To name a few examples, the \$5.8 billion Mambilla power project, which took an unbelievable 47 years to complete. It has never produced a single megawatt of electricity.<sup>10</sup> Equally, the Ajaokuta Steel Complex mega-enterprise has never made a single sheet of steel since the launch of the

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<sup>7</sup> EFCC files corruption charges against Babachir Lawal, Ayo Oke  
<https://www.premiumtimesng.com/news/headlines/308926-efcc-files-corruption-charges-against-babachir-lawal-ayo-oke.html>

<sup>8</sup> suit number CR/158/19

<sup>9</sup> FG slams 10-count charge on Babachir Lawal, Oke, wife <https://peoplesdailyng.com/fg-slams-10-count-charge-on-babachir-lawal-oke-wife/>

<sup>10</sup> Sanyaolu, A. (2019) Mambilla power project: White elephant project defying Chinese magic, retrieved from <https://www.sunnewsonline.com/mambilla-power-project-white-elephant-project-defying-chinese-magic/>

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project 40 years ago. Up to date, the investment price tag is estimated at \$4.6 billion and counting.<sup>11</sup>

Relatively simple fraud mechanism was used despite procurement laws in place, and a dedicated Bureau of Public Procurement mandated to prevent corruption in procurement. The corrupt transaction was enabled by dysfunctional internal and external oversight of administrative processes. A decisive factor so common for state capture has been a total lack of accountability of Mr Lawal. He had served as President Buhari's election campaign vice-chair in the All Progressive Party.<sup>12</sup> The following high executive position and his dealing with public funds have been interpreted as 'a reward' for his political service to the President. In the Nigerian context, the implicit rules of the game are such that political heavy-weights can act with impunity when diverting state funds to private or political gains. Mr Lawas was relieved of duties in 2017 but has been granted bail in 2019 despite overwhelming evidence. He has not been sentenced up to this date.<sup>13</sup> He remains an influential politician and political commentator.<sup>14</sup>

### **The case of Diezani Alison Madueke – state capture of extractive resources as a power preservation mechanism**

In a much bigger case in terms of the volume of state assets lost to political corruption, the former Minister of Petroleum Nigeria, Ms Diezani Alison Madueke stands accused of fraud and money laundering. Since 2015 when the current administration came to power, numerous corruption allegations have been made against the former minister of petroleum resources, who presided over the hugely lucrative governmental portfolio generating around 80% of governmental revenues.

Charges brought against her have bordered money laundering and siphoning of public funds for personal use while in office. Between 2011 and 2015, Diezani allegedly received bribes in exchange for billions of dollars-worth contracts awarded to shell companies linked to other politically exposed persons in Nigeria.<sup>15</sup> Relatively small-scale work for exploration and production operations of eight oil and gas blocks was awarded against exponentially over-priced contracts. As a result, state funds were looted to the approximate value of \$1.7 billion. Some of the proceeds from the looted funds were allegedly used to purchase real property worth millions of dollars in the UK, US and Nigeria in Diezani's name.<sup>16</sup>

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<sup>11</sup> Usim, U. (2019) Ajaokuta: How mismanagement, stealing crippled \$4.6bn steel industry, The Sun, retrieved from <https://www.sunnewsonline.com/ajaokuta-how-mismanagement-stealing-crippled-4-6bn-steel-industry/>

<sup>12</sup> Sun (2018) Buhari's re-election chances very bright –Mohammed Lawal, retrieved from <https://www.sunnewsonline.com/buharis-re-election-chances-very-bright-mohammed-lawal/>

<sup>13</sup> Daily Advent Nigeria (2019) BABACHIR LAWAL GRANTED BAIL BARELY 24 HOURS AFTER ARRAIGNMENT IN COURT, retrieved from <http://www.dailyadvent.com/crime/2019/02/13/breaking-babachir-lawal-granted-bail-barely-24-hours-after-arraignment-in-court/>

<sup>14</sup> See e.g. Toromade, S. (2020) Babachir Lawal says South should produce next president after Buhari, retrieved from <https://www.pulse.ng/news/politics/tinubu-babachir-lawal-says-south-should-produce-buharis-successor/cy1hc9r>

<sup>15</sup> The unbelievable figures of former minister's loot <https://www.pulse.ng/news/local/diezani-alison-madueke-the-unbelievable-figures-of-former-ministers-loot/pzb71bc>

<sup>16</sup> Page, M. (2017) FROM MAITAMA TO MAYFAIR: Nigeria's kleptocrats have a toxic love affair with London's expensive real estate, retrieved from <https://qz.com/africa/1137681/nigerian-corruption-kleptocrats-like-diezani-alison-madueke-have-a-love-affair-with-londons-expensive-real-estate/>

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Another allegation against Diezani targets the diversion of revenues from the state-owned Nigerian National Petroleum Corporation (NNPC). In 2014, former governor of the Central Bank of Nigeria (CBN), Lamido Sanusi, alleged that hardly imaginable sum of \$20 billion had been diverted from NNPC under the supervision of Diezani, partly to aid President Goodluck Jonathan political campaign.<sup>17</sup>

She was charged with money laundering in 2018 by the EFCC and is also investigated by the UK National Crown Agency (NCA) while being under movement restriction in the UK. She fights her repatriation to Nigeria and freezing of her assets by Nigerian and UK authorities. The anti-graft agencies claim to have traced and frozen at least \$615 million of illegally acquired cash and properties to the ex-minister.<sup>18</sup>

Capturing of state funds is efficient when lucrative portfolios in the government administration are managed by loyalists. Management and technical competency do not match personal loyalty as a key competency expected from political nominees. In particular, oil and gas portfolios and state-owned companies are dominated by close associates to the presidency and the ruling political party with the view of diverting extractive revenues. NNPC and other revenue-generating entities are used as 'cash machines' for the members of the incumbent administration for political and private gains.

### *The case of Jonah Jang – diverting of defence expenditures for power preservation*

Mr Jang served as the governor of the Nigerian Plateau State from 2000 to 2015. He was accused in 2018 of misappropriation of Plateau State funds to the tune of around \$16 million when he was the governor of the state.<sup>19</sup>

The EFCC filed a 17- count charge against the former governor bordering on misappropriation of funds, criminal breach of trust and corrupt advantages. The diversion of allocated funds included the alleged misuse of so-called 'security votes' within his government. Security votes are a colonial relic in the federal budget reserved for security funds given to public officials and institutions to cover unforeseen security needs due to the nation-wide precarious security situation. Due to their 'sensitive' nature, these funds are excluded from the usual legislative and financial oversight. They are not audited in any form and provide easy access to resource re-allocation for any legal or illegal expenditures.<sup>20</sup> Witness testimony at a 2016 judicial commission inquiry revealed that functionaries within governor's office withdrew 'classified expenditures' from state funds and some of it was delivered to the accused governor in cash without any attempt to conceal these transactions.<sup>21</sup>

The case of the diversion of state resources under the pretext of insecurity has been widespread throughout Nigeria. Especially successive military regimes instilled the culture of the utilisation

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<sup>17</sup> PBS (2015) Ex-minister might have personally supervised stealing of \$6bn, Interview with Sanusi in PBS News, 12<sup>th</sup> of July, 2015.

<sup>18</sup> Nigerian Court Adjourns Graft Case Against Ex-Oil Minister <https://www.bloomberg.com/news/articles/2020-03-10/nigerian-court-adjourns-graft-case-against-ex-oil-minister>

<sup>19</sup> Alleged N6.3bn fraud: EFCC re-arraigns ex-Governor Jonah Jang, cashier <https://guardian.ng/news/alleged-n6-3bn-fraud-efcc-re-arraigns-ex-governor-jonah-jang-cashier/>

<sup>20</sup> Camouflaged Cash: How 'Security Votes' Fuel Corruption in Nigeria <https://ti-defence.org/publications/camouflaged-cash-how-security-votes-fuel-corruption-in-nigeria/>

<sup>21</sup> How I withdrew N16.7 billion cash for Jonah Jang – Government Cashier <https://www.premiumtimesng.com/news/headlines/216054-i-withdrew-n16-7-billion-cash-jonah-jang-government-cashier.html>

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of state resources for repression and personal enrichment. This ended with the civilian rule in 1999 with the demiss of the kleptocrat Sani Abacha. He personally diverted between \$2-5 billion of state resources in some of the most significant corruption thefts in history.<sup>22</sup> In this legacy, security votes are larger that funds received by the Nigerian police force, army, air force and navy combined.<sup>23</sup> These funds are synonymous for corrupt re-allocation of resources for the preservation of power and private gains. They are exempted from Nigeria's Freedom of Information Act and do not require any financial or political accountability. In the case of Mr Jonah Jang, these funds have been ironically used to stoke more insecurity through the funding of criminal gangs responsible for electoral violence. <sup>24</sup> Diversion of allocation of state funds meant for security is an essential instrument of Nigerian politicians to stay in power and enrich themselves and their networks.

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<sup>22</sup> TI DS (2018) Camouflaged Cash, retrieved from <https://ti-defence.org/nigeria-more-on-security-votes/>

<sup>23</sup> Ibid

<sup>24</sup> Ibid

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### Anti-Corruption Regulatory Framework

Given the volume of public theft, it is somewhat ironic that Nigeria has a relatively developed legal and institutional framework to prevent and punish the capture of the allocation of state resources. Economic Financial Crime Commission (EFCC) Establishment Act 2004<sup>25</sup> creates an institution meant to investigate and prosecute financial crimes, including money laundering. Independent Corrupt Practices & Other Related Offences Act 2000<sup>26</sup> establishes yet another anti-corruption agency with a dedicated mandate to fight corruption in the public administration. Money Laundering (Prohibition) (Amendment) Act 2012<sup>27</sup> is meant to combat money laundering and illicit financial flows. Miscellaneous Offences Act: Code of Conduct Act establishes a third dedicated anti-corruption institution, the Code of Conduct Bureau<sup>28</sup>, which has a clear and narrow mandate to supervise asset declarations from a wide range of public officials. The Nigerian Extractive Industries Transparency Initiative Act has provisions to prevent illegal re-allocation of the extractive revenues as a backbone of the Nigerian state through a dedicated institution called Nigeria Extractive Industries Transparency Initiative (NEITI).<sup>29</sup>

The Independent Corrupt Practices and Other Related Offences Commission (ICPC) and the EFCC and are the two agencies leading the fight against corruption in Nigeria. Established in 2000 and 2003 respectively, both agencies serve as the foremost institutions prosecuting corruption cases. Especially the EFCC has prominently featured as the main agency investigating and prosecuting grand corruption cases, including the capture of resource allocation through procurement, illegal appointments, money laundering, etc.

The Nigerian case shows that mere existence of legal and institutional framework is not sufficient in preventing and investigation of state capture and other grand corruption cases. Nigeria is characterised by the lack of political culture, which would demand political integrity from elected leaders. As a consequence, transparency and accountability in the execution of state resources are completely absent in the management of public resources. Even Nigerian oversight institutions, the anti-corruption agencies and the Nigerian Parliament are captured by corrupt networks. Their conduct and leadership are highly politicised. For example, the current head of the main anti-corruption agency EFCC is at the moment (August 2020) suspended on numerous corruption charges brought by the Minister of Justice who himself faces serious corruption and improper conduct allegations.<sup>30</sup>

In contrast, external oversight conducted by media and civil society proves to be somewhat efficient in pointing at corruption abuses, including state capture of state resource allocations. Relatively well organised civil society organisations have been fighting against corruption in procurement, defence and other sectors. World-class investigative journalists reveal corruption

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<sup>25</sup> PLAC (2002) ECONOMIC AND FINANCIAL CRIMES COMMISSION (ESTABLISHMENT, ETC.) ACT, retrieved from <http://lawsofnigeria.placng.org/laws/E1.pdf>

<sup>26</sup> ICPC (2000) CORRUPT PRACTICES AND OTHER RELATED OFFENCES ACT, 2000 EXPLANATORY MEMORANDUM, retrieved from <https://www.icpc.gov.ng/wp-content/uploads/downloads/2012/09/CORRUPT-PRACTICES-ACT-2010.pdf>

<sup>27</sup> Law Nigeria (2020) MONEY LAUNDERING (PROHIBITION) (AMENDMENT) ACT, 2012, retrieved from <https://lawnigeria.com/2020/01/money-laundering-prohibition-amendment-act-2012/>

<sup>28</sup> Lawyard (1991) CODE OF CONDUCT BUREAU AND TRIBUNAL ACT, retrieved from <https://www.lawyard.ng/wp-content/uploads/2016/01/CODE-OF-CONDUCT-BUREAU-AND-TRIBUNAL-ACT.pdf>

<sup>29</sup> NEITI (2020) Nigeria Extractive Industries Initiative

<sup>30</sup> See e.g. Olugbenga, Ige (2020) Corruption Allegation: Presidency Comments on Ibrahim Magu's Arrest, retrieved from <https://politicsnigeria.com/corruption-allegations-presidency-comments-on-ibrahim-magus-alleged-arrest/>

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scandals and press the Nigerian political elite to some accountability. As a result, long-term systemic changes have been achieved. For example, the relative recent passage and enactment of crucial legislative frameworks as in the case of the Freedom of Information Act 2015 has been a consequence of sustained outside pressure of non-governmental groups.

In another example, with much pomp and after decades of advocacy from Nigerian civil society, NNPC has published in 2020 the first-ever audit after 40 years of existence.<sup>31</sup> It is noteworthy to mention that after winning elections in 2015, President Buhari did not take any chances and has nominated himself as the Minister of Petroleum since 2015.<sup>32</sup>

Whereas Nigerians consider their political leaders as extremely corrupt, the public at large believes corruption is the necessary 'way of doing business' in Nigeria. According to the 2017 Nigeria Corruption Survey, 95% of Nigerians have committed at least one bribery transaction.<sup>33</sup> This data suggests that Nigeria's highly corrupt environment is enabled by the lack of supply and demand for accountability and transparency in the political sphere. On the supply side, weak and politicised institutions, unenforced legal and institutional checks and balances and the inefficient and corrupt judiciary are both results and consequences of corruption. On the demand side, most Nigerian citizens accept the status-quo which characterises the break-down of political integrity in the Nigerian civic and political domain. Most citizens lower their good-governance expectations to the hope that they will profit from 'their' corrupt leaders more than 'the others'.

The Nigerian case shows that state capture of resource allocations occurs despite legal and institutional framework if public exactions on political integrity are low to non-existent. Despite imperfect Nigerian democracy marked by violence and widespread vote-buying, Nigerian politicians are voted in the offices despite their well-known corruption scandals. There are indeed reports calcimining that Nigerian public offer on election days their votes against pittance to the highest bidder.<sup>34</sup>

The capture of state resources is thus perceived by Nigerian politicians as a necessity to obtain sufficient 'war-chest' by misappropriation and re-allocation of the maximum of state resources once in power.<sup>35</sup> The frequent occurrence of the capture of state resources by public officials in Nigeria is evidence that the existence of anti-corruption legislation alone does not serve as deterrence to corrupt public officials. They continually divert state assets for personal gains. Unfortunately, it is challenging to obtain a conviction on high profile corruption cases, even with the presence of overwhelming evidence.

In the Nigerian context, internal oversight mechanisms and law enforcement demonstrate through inaction and passivity that they are too politicised, inefficient and sometimes under too much criminal and political influence to prevent and investigate state capture and diversion of state resources at massive scale. Almost all recent exposures of state capture and substantial

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<sup>31</sup> CISLAC (2020) Press release: NNPC first-ever audit released, retrieved from <https://cislacnigeria.net/reforming-nigerias-oil-and-gas-sector-cislac-reacts-to-outcome-of-the-nnpc-audit-report/>

<sup>32</sup> Vanguard (2015) Buhari names self Minister of Petroleum, retrieved from <https://www.vanguardngr.com/2015/11/breaking-buhari-names-self-minister-of-petroleum/>

<sup>33</sup> UNODC (2019) CORRUPTION IN NIGERIA: PATTERNS AND TRENDS, Second survey on corruption as experienced by the population, Abuja, Nigeria.

<sup>34</sup> Olaseni, A (2020) Edo people should stop selling their votes — Oboh, governorship contestant, retrieved from <https://punchng.com/edo-people-should-stop-selling-their-votes-oboh-governorship-contestant/>

<sup>35</sup> Oladipo, Prusa, V., Amundsen, I. (2019) Congenitally Conjoined and Inseparable: Politics and Corruption in Nigeria, Edward Elgar Publishers, USA.

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diversion of state funds have been exposed by external anti-corruption stakeholders such as Nigerian or international non-governmental organisations, law enforcement of other jurisdictions where Nigerian proceeds of corruption are laundered or Nigerian business community. The Nigerian judiciary has its own problems with corruption. However, it has been recently progressing in finding new and innovative ways to bring lengthy corruption cases to convictions or at least to the seizure of the proceeds of corruption stemming from the state capture.<sup>36</sup>

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<sup>36</sup> CISLAC (2019) Policy Brief on Management of Recovered Assets in Nigeria, retrieved from <https://cislacnigeria.net/category/briefs/page/2/>

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### Process Tracing Assessment

It has to be noted that foundational factors such as freedom of expression and the rule of law play in the Nigerian context a crucial role. Even though there are frequent attacks against journalists and civil society organisation working on governance matters<sup>37</sup>, media are still able to expose corruption on an almost every-day basis. Equally, the Nigerian justice system and the Parliament are notoriously inefficient and fight many corruption allegations themselves. Still, they ensure that, unlike in many countries in the African region, the rule of law is critically debated. The Nigerian public is engaged in emotionally complaining and pushing for preserving and advancing of these achievements, which have been wrestled in 1999 from decades of military rule characterised by institutionalised state capture and disregard to human rights. Days prior 1999 when Sani Abacha used military trucks and Nigeria Airways planes to transport tons of cash from the Central Bank of Nigeria out of the country and when civil society activists were publicly harassed and disappeared en mass are long gone but not forgotten by the Nigerian public.<sup>38</sup>

Nigeria has always occupied bottom quarters of anti-corruption and transparency rankings. Corruption's persistent nature in Nigeria is clearly reflected in Transparency International's 2019 Corruption Perception Index where Nigeria constantly scores in lower quantiles in global and regional comparisons.<sup>39</sup> Some progress has been achieved in specific areas, such as promoting a business-friendly environment. Nigeria was placed 170th out of 190 in 2014 at the World Bank Ease-of-Doing Business Index, 190 being the worst performer. It has remarkably improved by 40 positions to 131<sup>st</sup> place by introducing business-friendly reforms.<sup>40</sup>

However, these measurements do not reveal the astronomical waste in state resource allocations due to the combination of incompetency and institutionalised corruption. A study commissioned by the incoming Buhari government in 2015 showed that corruption in Nigeria could cost up to 37% of Gross Domestic Products (GDP) by 2030 if no drastic measures are taken. The international auditing firm PricewaterhouseCoopers computed the cost of corruption \$1,000 per person in 2014 with the projection of climbing to nearly \$2,000 per capita by 2030 if the corruption trend is sustained at the current levels.<sup>41</sup>

The 'conventional' measurements of real incidences of corruption (e.g. through bribery surveys) or perception-based measurements such as the Transparency International Corruption Perception Index or the World Bank's Ease of Doing Business Index do not reveal the full economic damage and the social and political costs associated with the capture of resource allocations. Indirect indices such as catastrophic access to health care, poor quality of education and other deteriorating services hint at the costs for Nigerians of this type of corruption.

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<sup>37</sup> Omoniyi, T (2019) Under Buhari, Nigeria records worst attacks on journalists in 34 years — Report, retrieved from <https://www.premiumpost.com/news/headlines/361738-under-buhari-nigeria-records-worst-attacks-on-journalists-in-34-years-report.html>

<sup>38</sup> Mofrini, E. (2008) The Abacha Case, retrieved from [https://star.worldbank.org/corruption-cases/sites/corruption-cases/files/documents/arw/Abacha\\_Switzerland\\_Mofrini\\_Art\\_2008.pdf](https://star.worldbank.org/corruption-cases/sites/corruption-cases/files/documents/arw/Abacha_Switzerland_Mofrini_Art_2008.pdf)

<sup>39</sup> In 2019, Nigeria scored 146 out of 18 countries scored, retrieved from <https://www.transparency.org/en/countries/nigeria>

<sup>40</sup> WB (2019) Ease of doing business index, retrieved from <https://data.worldbank.org/indicator/IC.BUS.EASE.XQ>

<sup>41</sup> PwC (2016) Impact of Corruption on Nigeria's economy, retrieved from <https://www.pwc.com/ng/en/press-room/impact-of-corruption-on-nigeria-s-economy.html>

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It is assumed that political corruption is responsible for the extreme income inequality within Nigerian society, which one of the most unequal in the world. According to the Oxfam report (2018), the country's and Africa's richest man would have to spend \$1 million a day for 42 years to exhaust his fortune, while more than 112 million people live in poverty in Nigeria.<sup>42</sup> Nigerian political and business class indulges in opulence at a global scale. Dubai luxury real estates have at least 800 properties linked to Nigerian politically exposed persons worth at least \$400 million.<sup>43</sup> London, New York and other prime locations receive large shares of approximately \$9 billion of illicit financial outflows disappearing from Nigeria every year.<sup>44</sup>

As a consequence of this extreme distortion of the public revenues, Nigeria has become 'the capital of poverty in the world' with the highest absolute number of people living in abject poverty in global comparison. Extreme poverty in Nigeria is growing by six people every minute despite enormous state revenues from oil and gas extractives.<sup>45</sup> However, the link between these consequences and political corruption is not captured by any quantifiable measurement. Qualitative data mainly based on investigative journalism and storytelling does not provide the real extent of the volume of state assets captured by the Nigerian kleptocratic elite at various levels of 774 local governments, 36 federal states and the national government.

Moreover, the Nigerian politically exposed persons are 'masters of survival' in clinging to power and keeping lucrative elected and executive positions controlling state resources and lucrative portfolios. Political parties are ideologically empty 'platforms'. Nigerian politicians criss-cross political parties and state institutions as they consider fit. Exposing state capture and corrupt intent in the allocation of state resources as well as other grand corruption is a double-edged sword, which can always be turned against those leading the fight once political constellation changes to their disfavour. A good example is the case of the ex-governor of the Central Bank of Nigeria and a leading intellectual and Islamic scholar Muhammad Sanusi. After exposing systemic state capture of the Nigerian petroleum revenues under the previous President Goodluck Jonathan (2010-2015), he was sacked. After being shortly rehabilitated by the Buhari administration, he was again denounced after accusing some Buhari officials of nepotism and lack of political will to fight political corruption.<sup>46</sup>

The public administration is thus a closed-circuit system, where nobody has interests in producing reliable data, which would enable accurate measurement of the volume of diverted resources. Actionable intelligence and reliable data which would help to track and revealing state capture are not available. Despite the effort of external stakeholders, lack of data and unclear conceptualisation on how to measure state capture hamper even approximate quantification and policy responses to the threat of corrupt intent in resource allocations.

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<sup>42</sup> Oxfam (2018) Nigeria: extreme inequality in numbers, retrieved from <https://www.oxfam.org/en/nigeria-extreme-inequality-numbers>

<sup>43</sup> Page, M. (2020) Dubai Property: An Oasis for Nigeria's Corrupt Political Elites, retrieved from <https://carnegieendowment.org/2020/03/19/dubai-property-oasis-for-nigeria-s-corrupt-political-elites-pub-81306>

<sup>44</sup> Data is based on Global Financial Integrity reports 2008-2015, retrieved from <https://gfintegrity.org/research/>

<sup>45</sup> Kharas, H., Hamel, K. and Hofer, M. (2018) The start of a new poverty narrative, retrieved from <https://www.brookings.edu/blog/future-development/2018/06/19/the-start-of-a-new-poverty-narrative/>

<sup>46</sup> PT (2014) Sanusi, Whistle blowing and Corruption, By Integrity Organisation, retrieved from <https://www.premiumtimesng.com/opinion/155951-nigeria-sanusi-whistle-blowing-and-corruption-by-integrity-organisation.html>

## Political Integrity Country Case: Capture of State Resource Allocation – Nigeria

### Conclusion – what can Nigeria do about state capture?

Despite enormous security, economic and governance challenges, Nigeria could become an anti-corruption success story if the existing strengths are advanced and consolidated. Domestically mobilised resources, availability of high-quality anti-corruption expertise, relatively developed legal and institutional framework, involvement in international networks, and ever-more agile and competent civil society can and does prevent state capture. These drivers can control and punish wasteful and corrupt allocation of state resources a result of the lack of political integrity. Nigeria is in this respect better placed to counter state capture than most other African countries.

There are short-term milestones and long-term reforms that should be pursued by all concerned stakeholders. As a 'quick win', Nigerian oversight institutions such as the Office of the Auditor General, the Bureau of Public Procurement and the Economic Financial Crime Commission must use the existing legal framework to prevent, investigate and prosecute corruption in procurement as the primary source of diversion of public expenditures. Nigerian law enforcement and judiciary is internationally recognised for piloting innovative legal instruments. For example, the utilisation of the non-conviction based approaches to asset seizures proves to be relatively effective in seizing corrupt proceeds when providing evidence in corrupt cases is impossible, impractical or costly. Nigeria is a global leader in utilising this tool, which confiscates billions of dollars of domestically seized assets. International recoveries of Nigerian proceeds of state capture seized and frozen abroad are also gradually being repatriated and have much potential.<sup>47</sup>

Hard-won legal instruments such as the Freedom of Information Act (FoIA), which provides access to information including public financial revenues and expenditures must be utilised to the fullest to expose the capture of state resources by corrupt networks. Legal exemptions pertaining, for example, very corrupt defence sector excluded from any civilian fiduciary oversight, must be eliminated.

Company and Allied Matters Act (CAMA) is another example of a fundamental legal framework passed in August 2020. This legislation paves the way for the establishment of the nation-wide beneficial ownership registry of companies in Nigeria. The importance of the recent enactment cannot be overstated as this tool has the potential to be a driver of change in exposing recipients of the vast leakages in state revenues and corrupt allocation of state expenditures. CAMA has taken CSOs and other partners almost 15 years to pass due to, amongst others, enormous opposition of vested interests of politically exposed persons. It is an example of the fact that in the Nigerian context, CSO-led, anti-corruption advocacy takes time but can be successful if conducted in a strategic and consistent manner.<sup>48</sup>

Improved performance and greater accountability of the Nigerian Parliament may also be a quick win in preventing and exposing corruption. Nigerian Parliamentarians may be the most-generously rewarded legislators in the world reportedly pocketing 'jumbo-salaries' with over \$40 000 per month in basic income plus allowance.<sup>49</sup> They are known for their propensity to public scandals and excessive behaviour, which prompts large sections of the public to call for abolishing

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<sup>47</sup> CIFAR (2018) Asset recovery in Nigeria: the good and the bad, retrieved from <https://cifar.eu/nigeria-asset-recovery/>

<sup>48</sup> CISLAC (2020) SDG 16 'Shadow Report', published by CISLAC, Abuja, Nigeria.

<sup>49</sup> Campbell, J. (2018) Uproar Over Parliamentary Salaries in Nigeria, Again, retrieved from <https://www.cfr.org/blog/uproar-over-parliamentary-salaries-nigeria-again>

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the National Assembly and their 36 state amalgamations altogether.<sup>50</sup> Yet, there are signs that the current 9<sup>th</sup> National Assembly starts using their constitutional powers to question governmental resource allocation in a way unthinkable even a few years ago.<sup>51</sup> The oversight capacity of the parliamentarians must be strengthened and supported to track state revenues and expenditures, while critically observing their record to act within constitutional provisions. Judicial reform must also be pursued with newly formed and promising 'anti-corruption courts' leading the way to efficient and transparent dealing with grand corruption cases, including state capture.<sup>52</sup>

In the long term, the best prevention of state capture and corrupt allocation of state resources comes with the behavioural change of the elite but also the citizenry. The public opinion largely accepting corruption including state capture as 'a way of life' must be decisively challenged.<sup>53</sup> Recent research conducted in Lagos suggests that by making individuals aware of the pervasiveness of corruption, Nigerians give up on challenging corruption because 'nothing can be done about it'.<sup>54</sup> The constant stream of rampant corruption, including the capture of state resources by criminal networks, exacerbate the collective-action problem. Negative media and civil society reportage reinforce the pessimism of Nigerians accepting corrupt and unethical behaviour of their leaders as an inevitability. Whereas it is essential to expose grand corruption, CSOs and media may need to utilise a balanced anti-corruption messaging as a driver of change to promote positive behaviours and reforms. Anti-corruption achievements that Nigeria has undoubtedly reached in recent years, including the fight against organised crime capturing state resources, may need to be highlighted based on available evidence.

Many non-governmental organisations and some state education providers are aware of the long-term mission to change the corruption narrative, which has to focus on prevention to reinforce positive leadership even when 'nobody is watching'. President Buhari launched after his election a nation-wide campaign 'Change begins with me' to remind Nigerians that the change of the corrupt system has to be led from the bottom. The newly unveiled Nigeria Anti-Corruption Harmonised strategy recognises the long-term goal of challenging the 'corrupt mindset' as key in preventing grand and petty corruption.<sup>55</sup> Some stakeholders realise that it will take a generation to challenge stereotypes and political culture, which considers state capture and state resources as a personal entitlement rather than public service. Step Up Nigeria, an anti-corruption CSO educates even pre-school children on the disastrous impact of corruption on Nigerian lives with the motto 'catch them while still young'.<sup>56</sup>

Another driver of change is systemic, long-term effort to prevent state resource allocation capture through depoliticising and professionalism of Nigerian law enforcement and anti-corruption agencies. Nigeria Police Force wins the unwanted title of the 'most corrupt police force in the world' periodically according to the World Internal Security & Police Index (WISPI).<sup>57</sup> The anti-

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<sup>50</sup> Sote, L. (2019) What Nigerian legislators do, retrieved from <https://punchng.com/what-nigerian-legislators-do/>

<sup>51</sup> See questions about defence expenditures, Scrutinizing Nigeria's Defense Spending - Politics – Nairaland, retrieved from <https://www.nairaland.com/4736235/scrutinizing-nigerias-defense-spending>

<sup>52</sup> Falana, F. (2016) Why Nigeria Urgently Needs a Special Anti-Corruption Court, retrieved from <https://opinion.premiumtimesng.com/2016/04/07/172127/>

<sup>53</sup> Obijiofor, L. (2016) Corruption as way of life

<sup>54</sup> Cheeseman, N., Peiffer, C. (2018) The unintended consequences of anti-corruption messaging in Nigeria: Why pessimists are always disappointed, retrieved from <https://ace.soas.ac.uk/publication/unintended-consequences-of-anti-corruption-messaging-in-nigeria/>

<sup>55</sup> OGP (2019) Implement National Anti-Corruption Strategy, retrieved from <https://www.opengovpartnership.org/members/nigeria/commitments/NG0022/>

<sup>56</sup> See Step Up Nigeria Website, <https://stepupnigeria.org/>

<sup>57</sup> IPSA (2026) World Internal Security & Police Index (WISPI), retrieved from <http://ipsa-police.org/ProjectInfoDetails/world-internal-security-and-police-index>

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corruption institutions are accountable to the ruling political party, especially the President, who nominates and dismissed heads of these institutions with a stroke of the pen. Such a political culture makes it close to impossible to investigate, let alone prosecute state capture leading to incumbent administrations.

Perhaps most importantly, long-term change must come with the overhaul of the legal and policy framework and enforcement of political parties' and political candidates' financing. It is almost impossible to obtain any data or record showing how Nigerian political parties are funded. Despite some legal framework in place, there is no enforcement of even most obvious breaches. Nigerian political parties and candidates are up to the highest bid. Most candidates rely on powerful 'godfathers' who have unrestricted access to state resources through 'purchased' politicians and senior civil servants.<sup>58</sup> These individuals, frequently named *Cabal*, are in the shadow and enjoy absolute immunity from any accountability. By capturing the state, they utilise state resources for power preservation and self-enrichment.

To challenge this statute quo, Nigerians and international partners must be persistent and patient—long-term changes where a significant shift of mindset how political integrity is perceived and demanded, takes decades. In the meantime, small steps and quick wins that are driven by the broad base of Nigerian citizens at home and in the diaspora may gradually challenge the current kleptocratic system. If the right mixture of drivers of change is consistently exercised and assumed that the rule of law and freedom of expression remain at least at the current levels, there are good chances that Nigerian citizens will start placing greater emphasis on political integrity from their leaders. This new generation of political leaders outside of the entrenched structures relying on the diversion of state resources may be more willing to challenge state capture. Behavioural change might be the only sustainable solution to prevent the state capture and allocation of state resources for power preservation and self-enrichment in the long-term.

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<sup>58</sup> See e.g. Majekodunmi, A., Olanrewaju, A. (2013) Godfatherism and Political Conflicts in Nigeria: The Fourth Republic in Perspective, International Journal of Management and Social Sciences Research (IJMSSR)