

Corruption and Poverty In Nigeria

A Report

ActionAid permits a reproduction of extracts from this publication on the condition that there is due acknowledgement of its original copyrights and a copy of the publication using the extract is sent to the address below.

Published by ActionAid Nigeria
Plot 477, 41 Crescent,
Off Sa'adu Zungur Avenue,
Gwarimpa Abuja.

P.M.B. 1890, Garki, Abuja, Nigeria
+234(0)812 8888 825-7
info.nigeria@actionaid.org
www.actionaid.org/nigeria

 ActionAidNigeria

 ActionAidNG

© 2015. All rights reserved.
ISBN: 978-978-946-173-8

Table of Contents

Foreword	6
Executive Summary	8
Section 1: Introduction	14
Background to the Study	
Corruption and Poverty	
Poverty in Nigeria	
Corruption in Nigeria	
Aims and Objectives of Study	
Methodology of Research	
Conceptualising Corruption	
Conceptualising Poverty	
Corruption and Poverty: A Review of Literature	
Section 2: Poverty In Nigeria	22
Dimensions of Poverty in Nigeria	
Policy Responses to Poverty	
An Assessment of Poverty Reduction Policies	
Section 3: Corruption In Nigeria	30
Manifestations and Dimensions of Corruption in Nigeria	
Actors and Drivers of Corruption	
Corruption and the Private Sector	
Oil and Gas Sector	
The Banking Sector	
Legal and Institutional Responses to Corruption in Nigeria	
Criminal Code and Penal Code	
Code of Conduct Bureau	
Independent Corrupt Practices Commission	
Economic and Financial Crimes Commission	
Transparency	
Section 4: Corruption, Poverty And Governance In Nigeria	46
Evidence from Existing Studies Measuring Corruption and Poverty	
Citizens' Perception of Trend and Impact of Corruption	
Corruption, Service Delivery and Poverty	
Poverty and Service Delivery	
Summary of Findings	
The Correlation Between Corruption and Poverty in Nigeria	
Citizens Perception of Corruption-Induced Poverty	
Section 5: Conclusions And Recommendations	58
Responsibility of the Executive	
Responsibility of the Legislature	
Responsibility of Anti-Corruption Agencies	
Responsibility of Civil Society	
Responsibility of Development Partnersz	
Acronyms	69

Tables and Figures

- Table 1:** Incidence of Poverty in Nigeria
- Table 2:** Relative Poverty by Sector (Urban and Rural)
- Table 3:** Trends in Poverty by Geo-Political Zone (%)
- Table 4:** Absolute Poverty Line by Geo-Political Zone (%), 2004
- Table 5:** Poverty by Gender of Household Head (In %)
- Table 6:** Comparing Nigeria's Corruption Perception and Human Development Index Rankings: 2005 - 2013
- Table 7:** Name of Public Officials Indicated in Cases of Corruption
- Table 8:** Reported Regularity of Payment of Bribes for Services
- Table 9:** Public Perception of the Delivery of Social Services (%)
- Table 10:** Gender Perception of the delivery of Social Services (%)
- Table 11:** Gender Perception of the Implementation of Programmes Meant to Assist the Poor
- Table 12:** Public Perception of the Governments' Addressing of the Education Needs of Citizens
- Table 13:** Public Perception of How the Governments are Handling the Maintenance of Roads

- Figure 1:** Public Perception of Poverty as Not Being a Major Problem in Nigeria Today
- Figure 2:** Public Perception of Trend of Poverty Since Return to Civil Rule in 1999
- Figure 3:** Public Perception of How the Federal Government Handled or Implemented Poverty-Reduction Programmes
- Figure 4:** Public Perception of How the Federal Government has Handled the Fight Against Corruption in Government
- Figure 5:** Public Reaction to the Statement: "Corruption has declined since return to civil rule in 1999"
- Figure 6:** Public Reaction to the Statement: "Corruption is not a major problem in the country today"
- Figure 7:** Public Reaction to the Statement: "Corruption is the major cause of poverty in Nigeria"
- Figure 8:** Public Reaction to the statement: "Corruption is the major cause of crime, violence and conflicts in Nigeria"
- Figure 9:** Public Perception of How the Government has Handled the Implementation of Policies to Reduce Poverty
- Figure 10:** Public Perception of How Well or Badly the Federal and State Governments are Handling Job Creation
- Figure 11:** Public Perception of How the Employment Opportunities have Changed in the Past 5 Years
- Figure 12:** Public Perception of the Governments' Handling of Narrowing the Gap Between the Rich and the Poor
- Figure 13:** Public Perception of the Governments' Handling of Improving Basic Health Services
- Figure 14:** Public Perception of the Governments' Provision of Household Water

Appendix

Foreword

Detecting the Relationship Between Poverty and Corruption: Why Must We Be Bothered?

Nigeria has, in recent times, been referred to as the fastest growing economy on the African continent and one of the 10 fastest growing economies in the world. Ironically, the country also harbours some of the poorest people in the world with as many as 69 percent of the population, which is about 112.47 million Nigerians, living below the poverty line (NBS, 2010).

Given the country's enormous resources, it is puzzling that such a huge portion of the populace lives in poverty. This vast incidence of poverty in the midst of plenty has severally been linked to the endemic corruption in the country, as it involves the massive stealing of resources that would have otherwise been invested in providing wealth-creating infrastructure for the citizens.

This perception is reinforced by an accepted position that corruption is a global incidence that tends to retard the growth of countries where it manifests. Corruption is also taken as having the tendency to exacerbate and cause conflicts, promote poverty, and impact negatively on the best use of human and natural resources. Some previous studies have shown that corruption remains a major hindrance to the achievement of the Millennium Development Goals (Transparency International, 2010; World Bank, 2010).

The Nigeria government, in admission of the urgent need to address high level of corrupt practices in the country, enacted the Independent Corrupt Practices and Other Related Offences Act (2000) to address issues of corruption in the country.

The position that corruption aggravates the incidence of poverty in Nigeria was further confirmed by the Economic and Financial Crimes Commission (EFCC), one of the anti-corruption agencies in Nigeria. EFCC observed, in its Annual Report for 2012, that "corruption in the public sector remains a sore spot in Nigeria's quest to instil transparency and accountability in the polity. The failure to deliver social services, the endemic problem of power supply and the collapse of infrastructure are all linked with corruption..."

In spite of the admission of the endemic state of corruption by government leading to establishment of anti-corruption agencies and the assertion above by the EFCC, the relationship between corruption and poverty in Nigeria still remains a contentious issue. A clear message from the EFCC 2012 report is, however, that the citizenry's quality of life is negatively impacted on by the high rate of corruption in the country.

If quality of life is diminished by corruption, and public services are retarded for the same reason, assumptions could be made that there are linkages between Nigeria's increasing cases of corruption and spiralling incidence of poverty. A better understanding of the way in which corruption and poverty relate would therefore help in deepening knowledge of how corruption had affected equality and equity in Nigeria. It will also help in shaping an effective response to the challenges posed by the combination of poverty and corruption,

It is for this reason that ActionAid Nigeria commissioned a “Study of the Relationship Between Poverty and Corruption in Nigeria”. The study examined the relationship between poverty, corruption and social crisis. It has as its prioritised objectives: examination of the relationship between the growing cases of corruption and poverty in Nigeria; analysis of how corruption affects different segments of the society; and the implication of these findings for social development. It also sought to document what people consider as corruption and what influences their existing perceptions with the aim of better understanding the factors responsible for the entrenchment of corruption.

While the main thrust of the project is exploring how corruption impacts poverty, it also prioritises identifying more effective ways of sustainably reducing poverty levels in the country. Thus it pays detailed attention to identifying effective ways of engaging national and local policies, developing effective strategy for engaging the general populace in the fight against corruption, and raising awareness of the relevance of such action towards poverty eradication.

The report aims to serve as a resource material for the executive, legislatures and other policy makers in acting on issues of corruption and poverty in Nigeria, both in the present and in the future. ActionAid also anticipates that the report will be relevant to further studies on the subject of the research; that academics as well as other researchers will find the literature useful.

To address some of the factors that deepen the incidence of corruption and poverty, it is also coming clearly open in the findings of the research that espoused values and root metaphor are important elements that must be focus of attention. How people see themselves, their interpretation of the actions of public officials, their sense of what is right or wrong and their attitude towards those conducts are important elements influenced largely by the tendency to emotionally align with their leaders.

For their painstaking work on the research and the final report, we are grateful to the members of the research team who are as follows:

Prof. Etanibi Alemika, Department of Sociology University of Port Harcourt

Prof. Dung Pam Sha, Department of Political Science, University of Jos

Ms. Ayo Ogusola Obe, Lawyer and Human Rights Activist/ former Executive Director Civil Liberties Organisation (CLO)

Mallam Yunusa Z. Ya’u, Executive Director Centre for Information and Development/former lecturer Bayero University Kano

Mr. Segun Adeniyi, Chair, ThisDay Newspaper Editorial Board/ former Special Adviser to the President on Media.

Hussaini Abdu, PhD
Country Director, ActionAid Nigeria

Executive Summary



Nigeria has been variously described as a country with strong growth potential. Reports indicate that the Nigerian economy has been growing at an average of 6% per year consistently for over 7 years. Yet despite this growth in the gross domestic product (GDP), unemployment, poverty and inequality have continued to expand (UNDP, 2010; FGN, 2010). The National Bureau of Statistics (NBS) reported that the percentage of people living in poverty increased from 27.2% in 1980 to 46.3% in 1985, dropped to 42.7% in 1992 and then increased to 65% in 1996. By 2010, the poverty level was at 69%, indicating that about 112.47 million Nigerians are living below the poverty line (NBS, 2010). Nigeria is therefore aptly described as a paradox of poverty in the midst of plenty.

Eradicating poverty and extreme hunger is at the core of the Millennium Development Goals (MDG). MDG reports in Nigeria have been very consistent in showing the difficulties of achieving this goal. In the year 2000, when the MDGs were declared, 60% of Nigerians were officially recognised as living in relative poverty. With the introduction of MDG programmes and initiatives, this rate was expected to drop to 21.35% by 2015. Based on this 15-year projection, it was expected that the rate would be at 28.78% by 2007, the midpoint of the MDG's lifespan. Instead, the actual percentage of poor people in 2007 was reported to be 54.40%, indicating a variance of about 25.62%. Estimates for 2008 and 2009 were set at 52.4% and 51.58% respectively, indicating a variance of 28.89% and 30.5%. Based on this trend, the updated projection suggested that by 2015 the incidence of poverty would possibly fall to 37.5% against the original target of 21.35% (FGN, 2010). However, with the current level of poverty estimated at 62.8% (NBS 2010), it is almost impossible to achieve even the 37.5% projection in 2015 (Abdu, 2014).

Existing alongside this high rate of poverty in Nigeria is a high rate of corruption. Mega corruption has grown to a level of impunity in the last two decades, with the country being variously rated as the most corrupt in the world (ActionAid, Concept Paper 2014).

This endemic corruption is linked to the huge incidence of poverty in the country. Corruption is related to the massive stealing of public resources that would have been invested in providing wealth-creating infrastructure and social services for the citizenry, thus reducing poverty.

This study is therefore designed to use Nigerian-based data to:

1. examine the relationship between the growing cases of corruption and poverty in Nigeria;
2. analyse how corruption affects different segments of the society and the implication for social development;
3. identify effective ways of engaging national and local policies to fight corruption and reduce poverty;
4. engage, through advocacy, the government, civil society groups and development partners to step up their interventions to eliminate corruption; and
5. raise awareness on the level of corruption and its impact on poverty in the country and use the same to improve on public engagement in the fight against poverty.

Findings

1. Public funds have been mismanaged by the state governors, ministers, legislators, and ministries, departments and agencies (MDAs) at national, state and local government levels who control the machinery of government and are responsible for the deployment of resources for welfare and development.
 2. The private sector, which has carried out capital projects on contract basis at national, state and local government levels, has also been involved in corruption, either in the form of kickbacks, non-performance, or under-declaration of internal operations including profits.
 3. Money laundering has become a major means through which looted money from Nigeria is taken out to other secret destinations, usually in other countries.
 4. Operations in the Nigerian extractive industry are still opaque and are not properly and effectively monitored by agencies and civil society.
 5. Massive corruption has diverted funds from wealth and employment generation sectors of the economy, making poverty reduction difficult to achieve.
 6. The anti-corruption agencies have not been able to win the war against corruption through effective and diligent prosecution of persons accused of corruption, thus weakening public confidence and support for the agencies and their efforts.
 7. The anti-corruption agencies do not have the capacity for systematic data collection, making the building of a comprehensive database of corruption cases difficult.
 8. There are legal impediments that frustrate the trial of corruption cases in the country, such as the perpetual injunction granted corrupt politicians against the Economic and Financial Crimes Commission (EFCC).
 9. The politicisation of corruption by the government, in which people who have been indicted and or convicted of corruption are given state pardon for reasons of political expediency, as well as their rehabilitation by the government weakens the fight against corruption. The shielding of public officials from facing investigation against corruption has also not helped matters.
 10. There is a lack of political will at the highest levels of government to reduce corruption.
- The Correlation Between Corruption and Poverty in Nigeria

The Correlation Between Corruption and Poverty in Nigeria

The study found that there is a strong correlation between corruption and poverty in Nigeria in the following areas:

1. Nigeria scores high in the Corruption Perception Index and scores low in the Human Development Index, implying that because the incidence of corruption is high, investment in citizens' welfare is low.
2. Poverty levels in some states where State Governors were found to be guilty of misusing and converting public funds into private use is higher than in states where governors were judicious in the use of public funds. This suggests that if stolen resources were deployed to address the various poverty challenges in these states, the poverty rates should have declined below their present levels.

3. Corrupt behaviours have eroded the institutional capacity of governments and ministries to deliver quality public services such as education, health, infrastructure, etc. This is why poor people perceive their living standards, by both income and non-income measures, to be stagnating or worsening.
4. Poverty is highest in situations where the Nigerians have the worst education and health indicators - both on service uptake and outcomes.

Recommendations

Responsibility of the Executive Arm of Government

1. There should be investments in civic education for both public office holders and citizens to promote the social contract needed to reduce citizens and leadership's propensity to engage in corruption
2. Corruption should be seen and addressed as a development issue, in which case governments at all levels should pay significant attention to social provisioning as a way of serving as a disincentive for citizens to engage in corrupt behaviours.
3. The Federal Government should implement all aspects of the Procurement Act, including constituting and inaugurating the national Procurement Council. State governments should also enact similar laws, where they don't exist, and ensure effective implementation.
4. The Office of the Attorney General should enforce compliance with the Freedom of Information across all ministries, departments and agencies.
5. The Federal Government should ensure that all anti-corruption agencies are autonomous and given all the powers and resources they need to discharge their mandates of fighting corruption.
6. There is need to strengthen the Nigerian Extractive Industries Transparency Initiative (NEITI) to enable it to discharge its mandate in the area of ensuring accountability in the extractive industry.
7. There is need to visit the public reward system and remuneration of public officials to reduce fear of impoverisation upon retirement from public employment.
8. Undue interference in the operations, processes and decisions of anti-poverty agencies should be avoided.
9. There should be adequate funding of anti-poverty agencies and programmes.

Responsibility of the National Assembly

1. The corruption-fighting agencies should be streamlined, reformed and strengthened in order to avoid administrative conflicts from similar agencies; be cost effective; freed from executive and other forms of control; and facilitate optimum performance. The specific actions to be taken include:
 - Merging the Independent Corrupt Practices Commission (ICPC) and the EFCC and harmonising of their activities
 - Reforming the anti-corruption agencies to weed-out non-performing staff and elements that frustrate and weaken the internal operations through their resistance to change

- Adequately funding the agencies, including designing and employing modern systems to enable them to conduct their affairs in a transparent and professional manner
 - Granting the agencies relative autonomy from the executive and legislature
2. The immunity clause should be removed from the 1999 Constitution of the Federal Republic of Nigeria (as amended) in order to deny public office holders the opportunity to engage in corruption and other forms of impunity and escape unsanctioned, and to serve as a deterrent to public officers from engaging in corruption. The specific action to be taken is the review of the 1999 Constitution to make it mandatory for the president, governors, and chairmen of local government councils and other political office holders to be tried in the court of law for criminal offences committed while in office.
 3. The extant laws in the Penal Code should be reviewed to increase penalties, which will serve as a deterrent to public officers from engaging in corrupt behaviours.
 4. There is need to review and reform the current tax system as a way of reducing corruption. Many government agencies, especially the gateway agencies, collect money that never gets to the treasury.
 5. The Whistle Blowers Protection Bill should be speedily passed.

Responsibility of Anti-Corruption Agencies

1. Anti-corruption agencies must institute a programme of robust documentation and the building of a reliable database on corruption.
2. A process of monitoring for corruption should be instituted to facilitate the taking of proactive measures, rather than wait for people to make complaints.
3. The Code of Conduct Bureau should ensure the compliance of the law with respect to the declaration of assets by public officials and promptly prosecute defaulters.
4. There is need for the anti-corruption agencies to mobilise various stakeholders around a strategic programme of fighting corruption in the country.

Responsibility of Civil Society

1. There is a need to strengthen local level accountability; citizens should be at the centre of demanding for transparency and accountability in the conduct of public and corporate affairs.
2. Civil society organisations (CSOs) should scale up the education of citizens to facilitate the understanding that public funds are not resources for government officials but resources for the provision of public good. CSOs should partake in continued advocacy for the passage of all anti-corruption related legislations at all levels.
3. CSOs should advocate for the full and effective implementation of the Freedom of Information Act.
4. Monitoring of compliance with all anti-corruption laws, including the Freedom of Information and Public Procurement Acts, should be undertaken by CSOs.

5. Advocacy should be undertaken by CSOs to ensure that states fully implement the Freedom of Information Act.
6. CSOs should engage in systematic monitoring and reporting of advocacy activities.
7. CSOs should drive the campaign against corruption to the grassroots level to ensure that the critical mass needed to achieve traction in the campaign is possible.
8. Sensitisation and advocacy efforts related to corruption should be extended to the private sector.

Responsibility of Anti-Poverty Agencies

1. Social protection programmes should be introduced and social services expanded, most especially education (both academic and vocational) and health care programmes.
2. Appropriate economic policies to promote sustainable growth in vital sectors capable of reducing poverty, inequality and expanding employment and entrepreneurship opportunities should be introduced.

Responsibility of Development Partners

1. Development assistance to Nigeria should be designed to contribute to the fight against corruption and poverty in the country.
2. Development partners should continue to encourage international support for the fight against corruption in the country using the instrumentality of bilateral and multilateral structures.
3. There should be adherence to the highest standards of openness and transparency in the granting of aid to the nation and the transfer of resources to agencies.
4. Development partners should continue to support the works of civil society groups, particularly those directed at fighting corruption, impunity and poverty.
5. Development partners need to understand poverty in its broadest sense rather than relying purely on aggregate measures of income poverty.



SECTION 1

Introduction

→ Background to the Study

Corruption and Poverty

The relationship between corruption and poverty has received extensive coverage in academic literature. Researchers from several disciplines, particularly economics, sociology, political science and development studies, have tried to establish the impact of corruption on different aspects of development and human welfare.

The World Bank, in its 2010 Report, stated that corruption has a negative impact on economic performance, employment opportunities, poverty reduction, and access to public health and police services. Further, the Bank (2001: 102) observed in a report published in 2001 that corruption affects the lives of the poor through several channels, including the diverting of resources from vital social services that benefit the poor, such as education and health clinics.

The nature and causes of poverty have also been examined. According to the World Bank, “[p]overty is an outcome not only of economic processes – it is an outcome of interacting economic, social, and political forces”¹. In the Bank’s view, it is also “an outcome of the accountability and responsiveness of state institutions”².

Poverty in Nigeria

The major indicators of poverty, according to the World Bank, are: lack of freedom of action and choice; lack of adequate food, shelter, education and health; vulnerabilities to ill health; economic dislocation; maltreatment by public agencies; and exclusion from key decision-making processes and resources in society³. Poverty, it was noted, “is the result of economic, political, and social processes that interact with each other and frequently reinforce each other in ways that exacerbate the deprivation in which people live”⁴.

Poverty remains endemic in Nigeria despite the introduction of several anti-poverty programmes by successive governments. According to statistics, the incidence of poverty has significantly increased in Nigeria since 1980. The percentages of the Nigerian population that were classified as ‘extremely poor’ over the last three decades are as follows: 6.2% (1980); 12.1% (1985); 13.9% (1992); 29.3% (1996); 22.0% (2004) and 38.7% (2010)⁵. These increases are strongest among the most vulnerable groups. In 2012, for example, the National Bureau of Statistics (NBS) reported that the poverty crisis in Nigeria varied by region, sector and gender, and impacted Nigerian youth, children and mothers more than the adult male population⁶.

Poverty levels also vary widely across the country’s geo-political zones. The proportions of the population in these zones that were ‘food poor’ in 2010 were: North-Central (38.1%); North-East (51.5%); North-West (51.8%); South-East (41.0%); South-South (35.5%); and South-West (25.4%)⁷.

In 2012, ..., the National Bureau of Statistics (NBS) reported that the poverty crisis in Nigeria varied by region, sector and gender, and impacted Nigerian youth, children and mothers more than the adult male population.

1 World Bank (2001: 99)

2 Ibid.

3 Ibid.

4 Ibid., p.1.

5 National Bureau of Statistics, NBS, ‘The Nigerian Poverty Profile 2010 report’, Abuja, 2012, p12-14.

6 Ibid., p.7

7 Ibid.

These statistics contrast sharply with the country's positive macro-economic performance. The Nigerian economy is reported to be 1 of the 10 fastest growing economies in the world, with a growth rate averaging about 6-7 percent in the last 10 years⁸. After rebasing the economy in 2013, gross domestic product (GDP) figures soared to \$ 509 billion USD by the end of the year, making Nigeria the largest economy in Africa and the 26th largest in the world. As should be expected, such rapid growth in GDP has been accompanied by other positive economic developments. First, Nigeria's per capital income has moved from approximately \$500 USD in 1999 to \$2,500 at the end of 2013⁹. Secondly, the size of the country's middle class has grown. Various studies state that by 2010 between 16% and 30% of the population were considered to be middle class (Ibid) . Given that the country's middle class had almost vanished by the end of the 90s, this represents significant progress.

Corruption in Nigeria

Corruption has been identified as one of the factors responsible for poverty in the country. In its Annual Report for 2012, the Economic and Financial Crimes Commission (EFCC) observed that:

Corruption in the public sector remains a sore spot in Nigeria's quest to instil transparency and accountability in the polity. The failure to deliver social services, the endemic problem of power supply and the collapse of infrastructure are all linked with corruption ... Unfortunately, the will to combat corruption in all tiers of government is still very weak. In some cases, especially in the states and local governments, the political will to fight corruption is non-existent, as the workings of the polity are intricately connected with corruption activities ... It is no surprise therefore that most of the predicate offences to money laundering are connected with corruption within the officialdom. (2012: 10)

Analysis of EFCC data shows that embezzlement and diversion of public funds are the most common forms of public sector corruption. A recent study of fifty-five (55) high profile cases of corruption charged to the court by the EFCC between 1999 and 2012 involved a total sum of one trillion, three hundred and fifty four billion, one hundred and thirty-two million and four hundred thousand Naira (N1,354,132,400,000:00)¹¹.

Aims and Objectives of the Study

Although various literature and reports purport that corruption influences poverty, there has been no adequate effort to determine, examine and explain the nature of the relationship between corruption and poverty in Nigeria. This study is intended to contribute to the filling of this gap.

1. The general aim of this study was to analyse how corruption impacts poverty in Nigeria and to provide evidence for a systemic response and to support advocacy efforts for effective anti-corruption measures. Specifically, the study:
2. reviewed existing literature on corruption and poverty;
3. examined the relationship between corruption and poverty in Nigeria;

⁸ Enweremadu, U. David, "Nigeria as an Emerging Economy?: Making Sense of Expectations", *South African Journal of International Affairs*, Vol. 20, No.1, 2013a.pp56-77.

⁹ Nigeria's economic past was characterised by decades of weak economic growth and massive decline in living standards. Over the period 1960 to 2000, annual GDP growth averaged about 3.3%. Juxtaposed with an average population growth above 3% per annum, it implied a zero growth rate in per capita GDP over the years that resulted in a deterioration of living standards for most citizens, Ibid.

¹⁰ Ibid

¹¹ Owasanoye, B. 2014. *Justice or Impunity? High Profile Corruption Cases Crawling or Gone to Sleep*. Lagos, Human Development Initiatives, 2004.

Although various literature and reports purport that corruption influences poverty, there has been no adequate effort to determine, examine and explain the nature of the relationship between corruption and poverty in Nigeria. This study is intended to contribute to the filling of this gap.

4. analysed the manifestations and mechanisms of corruption in different sectors of society and among the major actors;
5. discussed the impact of corruption on different segments of society and its implications for social development;
6. identified effective ways of engaging national and local policies to fight corruption and reduce poverty;
7. informed a policy brief that will serve as a major advocacy document for civil society groups and development partners; and
8. seeks to raise awareness on the level of poverty and corruption in the country to improve on public engagement efforts regarding accountability in governance and the fight against poverty.

The argument of this study is that corruption in Nigeria constitutes serious leakages of public resources that are required for promoting pro-poor people and anti-poverty programmes. Corruption involves the theft or mismanagement of resources required for reversing the widespread conditions under which poor people live, such as: “lack of income and productive resources sufficient to ensure sustainable livelihoods; hunger and malnutrition; ill health; limited or lack of access to education and other basic services; increased morbidity and mortality from illness; homelessness and inadequate housing; unsafe environments; social discrimination and exclusion; lack of participation and exclusion; lack of participation in decision-making and in civil, social and cultural life”¹².

Methodology of Research

This study combined both qualitative and quantitative research methods, incorporating both primary and secondary data. The primary source data consisted mainly of a questionnaire administered to a selected group of respondents.¹³

The 2,105 respondents were drawn from both urban and rural communities in the following eleven states across the six geo-political zones of the country and the Federal Capital Territory (FCT): Akwa Ibom (179), Delta (149), Bauchi (179), Gombe (180), Ebonyi (180), Kaduna (180), Kebbi (180), Kogi (175), Kwara (178), Nasarawa (180), Ondo (180) and FCT (165).

Secondary data on corruption and poverty was obtained from the following sources: laws of the country on corruption and establishing anti-corruption agencies; reports of the anti-corruption agencies (Economic and Financial Crimes Commission and the Independent Corrupt Practices Commission); cases filed in the courts; reports in newspapers and magazines; articles in journals and books; and reports on panels of inquiry by the legislature and executive branches of government.

The secondary data was analysed using the content analysis method and is presented in narratives. Data from the survey is presented using descriptive statistics such as numbers,

This study combined both qualitative and quantitative research methods, incorporating both primary and secondary data. The primary source data consisted mainly of a questionnaire administered to a selected group of respondents.

12 World Summit for Social Development, Copenhagen, 1995).

13 A random sampling method was adopted in selected sample sites

14 Kong, T. Y., “Corruption and its Institutional Foundations: The Experience of South Korea” in IDS Bulletin, vol. 7, No. 2, 1996, p.49; Dey, HarendraKanti, “The Genesis and Spread of Economic corruption: A Micro-Theoretic Interpretation” World Development 17(4), 1989, p503 - 504.

15 Dictionary of Social Sciences, Oxford University Press, Oxford 1964, p142.

16 Nye, J.S., Corruption and Political Development: A Cost Benefit Analysis, in Arnold J. Heidenheimer (ed.), Political Corruption, Transaction publishers, New York, 1970), pp.1970, pp. 566-67.

percentages and proportions, as well as charts and graphs.

Conceptualising Corruption

Corruption manifests in different ways and in different sectors of society. Therefore, it has been defined in several ways and qualified by several adjectives, such as 'economic', 'political', 'financial', 'administrative', 'bureaucratic' 'moral or ethical' . It is sometimes defined in terms of the quantum involved and the status of the perpetrators as 'grand' or 'petty' corruption.¹⁴

The Dictionary of Social Sciences (1964) provides a relatively straightforward but comprehensive definition of corruption: "the use of ... power for ... profit, preferment, or prestige, or for the benefit of a group or class, in a way that constitutes a breach of law or of standards of high moral conduct".¹⁵

Nye (1970) defines it as:

... a behaviour, which deviates from the normal duties of a public role because of private relationships (family, close private clique), pecuniary or status gain: or violates rules against the exercise of certain types of private relationship. This includes such behaviour as bribery (use of reward to pervert the judgment of a person in a position of trust); nepotism (bestowal of patronage by reason of a restrictive relationship rather than merit); and misappropriation (illegal appropriation of public resources for private-regarding uses).¹⁶

According to Ubeku (1991), corrupt transactions usually include bribery fraud (such as inflation of contract sums by public officials), unauthorised variation of contracts, payment for jobs not executed, payment of ghost workers, overpayment of salaries and allowances to staff, diversion of government revenue by public officials, and deliberate irregularities in the management of accounting procedures.¹⁷

According to Rose-Akerman (1997), bribes are the most important type of corruption. As a major component of corruption, they are usually given as incentive payments to bureaucrats in order to lower costs; to obtain contracts and concessions; to gain access to privatised public firms; to buy influence and/or votes; and to buy judicial decisions.¹⁸

Corruption has also been variously classified. Shah (2007) proposes a four-fold classification of corruption as follows:

1. **petty corruption** - involving individual public officials who abuse their offices by demanding bribes and kickbacks, diverting public funds or doling out favours in return for personal gratification;
2. **grand corruption** - which refers to the theft or misuse of vast amounts of resources by state officials, including politicians and government bureaucrats;
3. **state or regulatory capture and influence peddling** - a situation where private individuals collude with public officials or politicians for their individual and mutual benefits; and

17 Ubeku, 1991, 41-43

18 Rose-Akerman 1997, 38-41)

19 Shah, A. (2007), Tailoring the fight against Corruption to Country Circumstances", in A. Shah (ed.), "Performance Accountability and Combating Corruption. Washington, D. C.: The World Bank, p243.

20 Alemika (2002, 2013)

21 Adekunle (1991,p.9),

4. **patronage, paternalism, clientilism and being a ‘team player’**, which is a situation where public officials use their official position to provide assistance to clients or colleagues from the same geographic, ethnic, or cultural origin in order to enable them to receive preferential treatment from the public sector.¹⁹

Two major dimensions of corruption in Nigeria have been identified as:

1. **financial corruption**, including bribery, kickback, embezzlement, and fraud by misrepresentation or forgery; and
2. **nepotism**, in relation to appointment, promotion, or award of contracts to kinsmen, friends and associates.²⁰

Adekunle (1991) classified corruption in Nigeria into the following types:

1. **political corruption** – to gain or retain political power or to victimise, the main perpetrators being chief executives and other political office holders);
2. **economic and commercial corruption** - carried out by businessmen, contractors and consultants to make more profits and money;
3. **administrative and professional corruption** - engaged in by highly-placed civil servants and executives of parastatals for material wealth and the cultivation of political and social connections;
4. **organised corruption** - perpetrated by political, economic, social and bureaucratic elites, and by the high echelons of control agencies, for money and material wealth; and
5. **working class corruption** - done by artisans, junior and intermediate staff, market women and men, also for money and material wealth.²¹

the United Nations Development Programme (UNDP) contends that “poverty has many faces. It is much more than low income. It also reflects poor health and education, deprivation in knowledge and communication, inability to exercise human and political rights and absence of dignity, confidence and self-respect”

Conceptualising Poverty

Poverty has many dimensions and consequences. As a result, existing definitions of poverty tend to reflect its economic, social, political and psychological dimensions.

Poverty is commonly defined by economists in relation to a specific income level (\$1 or \$2 USD a day), or measured in terms of per capita income (total population divided by gross domestic product). However, critics argue that measuring poverty in terms of income does not fully capture the phenomenon of poverty. A broader definition by the World Bank treats poverty as multidimensional, including variables like (i) low income, (ii) low levels of education and health, (iii) vulnerability (to health or income loss, natural disaster, crime and violence, and education curtailment), and (iv) voicelessness and powerlessness (feeling discrimination, lacking income-earning possibilities, mistreatment by state institutions, and lacking status under the law).²²

This multidimensional perspective advanced by the World Bank enjoys wide acceptance. For example, the World Summit for Social Development, which was held in Copenhagen in

²² World Bank, 2001, op cit.

²³ World Summit for Social Development, Copenhagen, 1995).

²⁴ United Nations Development Programme, Human Development Report 1997, New York, 1998.

²⁵ Chetwynd Eric et al, Corruption and Poverty: A Review of Recent Literature (Final Report), Management Systems International, Washington, January 2003, p3.

²⁶ Ibid.

1995, also identified the manifestations of poverty to include: “lack of income and productive resources sufficient to ensure sustainable livelihoods; hunger and malnutrition; ill health; limited or lack of access to education and other basic services; increased morbidity and mortality from illness; homelessness and inadequate housing; unsafe environments; social discrimination and exclusion; lack of participation and exclusion; lack of participation in decision-making and in civil, social and cultural life”.²³

Similarly, in its Human Development Report for 1997, the United Nations Development Programme (UNDP) contends that “poverty has many faces. It is much more than low income. It also reflects poor health and education, deprivation in knowledge and communication, inability to exercise human and political rights and absence of dignity, confidence and self-respect”.²⁴

Corruption and Poverty: A Review of Literature

A survey of the literature shows that there are two broad perspectives or viewpoints regarding the relationship between corruption and poverty. The first perspective or viewpoint argues that corruption is not a major cause of poverty. The second viewpoint argues that there is some correlation between corruption and poverty, but that this relationship is an indirect one. It is argued that corruption by itself does not produce poverty; rather, corruption has direct consequences on economic and governance factors - intermediaries that in turn produce poverty.²⁵ From this understanding, Chetwynd et al derived two models: the economic model and the political or governance model.

The economic model postulates that corruption affects poverty by first impacting economic growth factors and/or income equality, which in turn impacts poverty levels. Corruption blocks economic growth in a number of ways: rent-taking increases costs and creates uncertainty, thereby reducing incentives to both foreign and domestic investors; entrepreneurs and innovators require licences and permits, and paying bribes for these cuts into profit margins; public resources are diverted to private uses; standards are waived; funds for operations and maintenance are diverted in favour of more rent-seeking activity, thus lowering the quality of public infrastructure; firms and activities are driven into the informal sector by excessive rent-taking; taxes are reduced in exchange for payoffs to tax officials, thus reducing tax revenues; officials who otherwise would be engaged in productive activity become pre-occupied with rent-taking (in which increasing returns encourage more rent-taking); and rent-seekers pursue those projects for which rent-seeking is easiest and best disguised, and as such divert funding from other sectors, leading to the distortion of the composition of public expenditure.²⁶

Further, Chetwynd et al also show that corruption exacerbates income inequality in the following ways: corruption may create permanent distortions from which some groups or individuals can benefit more than others; and the distributional consequences of corruption are likely to be more severe the more persistent the corruption. The impact of corruption on income distribution is in part a function of government involvement in allocating and

corruption disrupts governance practices; destabilises governance institutions; and reduces the provision of services by government, respect for the rule of law, and public trust in government and its institutions.

²⁷ Gupta, Sanjeev, Hamid Davoodi, Rosa Alonso Terme (1998). “Does Corruption Affect Income Equality and Poverty?” IMF Working Paper 98/76

²⁸ Governance is defined by the following indicators: “(1) the process by which governments are selected, monitored and replaced, (2) the capacity of the government to effectively formulate and implement sound policies, and (3) the respect of citizens and the state for the institutions that govern economic and social interactions among them” (Kaufmann et al, 1999)

²⁹ Chetwynd et al 2003, op cit.

³⁰ Ibid

³¹ Gupta et al, 1998, op cit, Gupta et al, 2000; Kaufmann and Kraay (2002)

financing scarce goods and services.²⁷ Corruption also aggravates income inequality because lower income households pay a higher proportion of their income in bribes.

The governance model (also known as the political model) contends that corruption affects poverty in the sense that corruption reduces governance capacity.²⁸ Corrupt behaviours erode the institutional capacity of government to deliver quality public services; divert public investment away from major public needs into capital projects; lower compliance with safety and health regulations; and increase budgetary pressures on government. The above factors, which are caused by corruption, are in turn responsible for producing poverty.²⁷

Some empirical studies have also shown that corruption disrupts governance practices; destabilises governance institutions; and reduces the provision of services by government, respect for the rule of law, and public trust in government and its institutions. This reduces the quantum of public funds available to support effective economic growth programmes.³⁰

When there is extensive corruption, public services such as health and basic education, which benefit the poor, are given lower priority than capital intensive programmes because the latter offer added opportunities for high-level rent-taking. As a result, Lower income groups lose access to those services. A general decline in government revenues occasioned by corruption leads to scarcity in public funds for poverty alleviation programmes.³¹

The literature shows that corruption reduces economic growth, equality and the capability of government to deliver services and welfare to its citizens. Conversely, anti-corruption programmes are likely to yield huge poverty reduction results, especially if these programmes are designed to increase economic growth; create more equitable income distribution; strengthen governance institutions and capacity; improve government services (especially in health and education); and increase public trust in government.



SECTION 2

Poverty in Nigeria

→ Poverty in Nigeria presents a very complex and difficult challenge to citizens and policy makers. The manifestations of poverty across urban and rural communities have been identified as lack of food, money and shelter, and indebtedness. The poor in Nigeria live in unhygienic and insecure environments with limited access to medical facilities, electricity, water and other basic services.³²

Nigeria is considered to be one of the poorest countries in the world because it has some of the poorest human development indicators. Table 1 shows the country's incidence of poverty, based on the percentage of people living below the poverty line. It reveals that in the 1980s and 1990s the number of people living below the poverty line steadily increased. There was a slight decrease in 2004, but the numbers have continued to increase since then.

Table 1. Incidence of Poverty in Nigeria

Year	Poverty Incidence (%)	Estimated Total Population (in Millions)	Population in Poverty (in Millions)
1980	28.1	65	18.26
1985	46.3	75	34.73
1992	42.7	91.5	39.07
1996	65.6	102.3	67.11
2004	54.7	126.3	69.09
2010	69.0	163.0	112.47

Source: National Bureau of Statistics, 2007: 5; 2012

Dimensions of Poverty in Nigeria

Poverty is widespread in both rural and urban areas in Nigeria. The rural areas, however, record a higher incidence, depth and severity of poverty than the urban areas. The National Bureau of Statistics' (2007) records show that more than half of rural households are 'absolutely poor' (defined as those who have minimal standards of food, clothing, healthcare and shelter), while the proportion is much lower in the urban areas (see table 2).

Table 2. Relative Poverty by Sector - Urban and Rural (%)

Year	Urban	Rural
1980	16.2	28.3
1985	37.8	51.4
1992	37.5	46.0
1996	58.2	69.3
2004	43.1	63.8
2010	61.8	73.2

Sources: National Bureau of Statistics (2007: 36; 2010)

The National Bureau of Statistics attributed the high incidence of poverty in the rural areas to their dependence on low-productivity agriculture, lack of access to opportunities and poor social and economic infrastructure.³³

Poverty is widespread in both rural and urban areas in Nigeria. The rural areas, however, record a higher incidence, depth and severity of poverty than the urban areas.

³² World Bank, "Voices of the Poor", World Development Report, Washington D. C, 2000/2001

³³ National Bureau of Statistics, Nigeria Poverty Assessment, Abuja, 2007, p7.

Poverty in Nigeria also has a regional dimension. Statistics show that people living in the northern part of the country are more likely to live in poverty than those living in the rest of the country. More specifically, NBS reports that in 2004 the poverty incidence was highest in the North-East zone (67.3%) and lowest in the South-East zone (34.2%), with similar figures for 2010 (see table 3).

Table 3. Trends in Poverty by Geo-Political Zone (%)

Zone	1980	1985	1992	1996	2004	2010
South-South	12.2	45.7	51.1	58.2	51.3	37.6
South-East	12.9	30.4	41.0	52.5	34.1	34.3
South-West	12.4	38.6	42.1	60.9	43.2	42.0
North-Central	32.2	50.8	46.0	64.7	63.4	62.3
North-East	35.6	54.9	54.0	70.1	67.6	63.0
North-West	37.7	52.1	36.5	77.2	63.9	62.9

Source: National Bureau of Statistics (2007: 38; 2012)

The three geo-political zones in the North consistently showed higher levels of poverty than those in the South (table 3). Similarly, both the 2004 as well as the 2010 figures show that the three northern zones also have higher absolute poverty rates (see table 4) This disparity may be attributed to high levels of illiteracy, low productivity, poor infrastructure, and unemployment.

Poverty in the South-South zone resulted from several factors, including social instability, poor local governance, competition for economic resources and environmental degradation (NBS, 2010).

Table 4. Absolute Poverty Rates by Geo-Political Zone (%), 2004

Sector	Extreme Poor	Moderate Poor	Non-Poor
National	36.60	18.08	45.32
South-South	32.77	18.34	48.90
South-East	16.68	17.49	65.84
South-West	28.80	14.21	56.99
North-Central	44.37	18.96	36.67
North-East	47.53	19.74	32.73
North-West	44.13	19.82	36.05

Source: National Bureau of Statistics

Poverty in Nigeria also exhibits disparities by states. NBS reports that the eleven states with the highest incidences of poverty are in the northern part of Nigeria, with Jigawa topping the list with a poverty incidence of 90.9 per cent while Oyo State has the lowest poverty incidence (20.9 per cent). The NBS holds the cost of living, in addition to the factors mentioned earlier, responsible for the disparity. The figures for 2010 largely follow the same pattern (see Appendix 1).

poverty in the country has a gender dimension. The incidence of poverty is higher among females than males. This situation, which is also known as the feminization of poverty, is explained by women's relative lack of access to education and technical skills as well as lack of access to capital and other means of production-including land (NBS 2007).

Finally, poverty in the country has a gender dimension. The incidence of poverty is higher among females than males. This situation, which is also known as the feminization of poverty, is explained by women's relative lack of access to education and technical skills as well as lack of access to capital and other means of production-including land (NBS 2007).

Table 5. Poverty by Gender of Household Head (%)

Year	Male-headed	Female-headed
1980	29.2	26.9
1985	47.3	38.6
1992	43.1	39.9
1996	64.7	58.5
2004	56.3	41.0

Source: National Bureau of Statistics (2007: 46)

Poverty in Nigeria also exhibits disparities by states. NBS reports that the eleven states with the highest incidences of poverty are in the northern part of Nigeria, with Jigawa topping the list with a poverty incidence of 90.9 per cent while Oyo State has the lowest poverty incidence (20.9 per cent). The NBS holds the cost of living, in addition to the factors mentioned earlier, responsible for the disparity.³⁴ The figures for 2010 largely follow the same pattern (see Appendix 1).

Finally, poverty in the country has a gender dimension. The incidence of poverty is higher among females than males. This situation, which is also known as the feminization of poverty, is explained by women's relative lack of access to education and technical skills as well as lack of access to capital and other means of production-including land (NBS 2007).

Policy Responses to Poverty

Successive Nigerian governments have sought to address the challenge posed by poverty by focusing on rural development, such as improving the access of farmers and rural producers to credit, and encouraging the development of small and medium-scale enterprises.

The measures, introduced in the 1970s and 1980s, can be summarised as follows:

1. Pilot integrated agricultural and rural development projects implemented by the early 1970s in Funtua, Gusau and Gombe but later expanded to other parts of the federation
2. National Accelerated Food Production Programme and the Nigeria Agricultural and Cooperative Bank (NACB) delivered in 1972 and 1973, respectively
3. Operation Feed the Nation (OFN), an integrated rural development strategy proposed by the United Nations and made up of three main components (rural-urban integration, intersectional and/or zonal coordination, and the package approach), implemented in 1976
4. The Agricultural Credit Guarantee Scheme (ACGS) established in 1977
5. The Green Revolution Programme, with the main aim of curtailing food importation and boosting crop and fibre production, introduced in 1979
6. The Back to Land Programme introduced in 1984³⁵

Successive Nigerian governments have sought to address the challenge posed by poverty by focusing on rural development, such as improving the access of farmers and rural producers to credit, and encouraging the development of small and medium-scale enterprises.

³⁵ National Bureau of Statistics, Nigeria Poverty Assessment, Abuja, 2007, p26-27.

³⁶ Ibid., p27.

In the end, these programmes failed to have substantial impact on poverty levels and some, such as the Green Revolution, were criticised for serving as conduits for enriching senior civil servants and military officers who acquired large tracts of land (for the Green Revolution) at the expense of peasant land owners.³⁶

In 1986, a new programme, known as the Structural Adjustment Programme (SAP), was adopted in Nigeria. Its implementation is criticised for engendering several social and economic problems such as income inequality, unequal access to food, shelter, education, health and other necessities of life. This prompted the introduction of other poverty reduction intervention measures and strategies to provide a safety-net for the poor in the economy. These poverty reduction strategies included the following:

1. The National Agricultural Land Development Authority (NALDA) - involving the development of 3,000-5,000 hectares of land in each state between 1992 and 1994. The main drawback of the programme was that it offered the developed plots of land to highly placed public officers and rich individuals at the expense of the poor rural population who were the targeted recipients.
2. The National Directorate of Employment (NDE) - introduced in 1989 to combat mass unemployment, it articulated policies to develop work programmes with labour-intensive potential.
3. The Directorate of Food, Roads and Rural Infrastructure (DFRRI) - launched in 1986 to identify, involve and support viable local communities in the effective mobilisation of the rural population for sustained rural development activities.
4. The Strategic Grains Reserve Programme - introduced in 1987 to help address the problem of food insecurity.
5. The Family Economic Advancement Programme (FEAP) - established in 1997 to empower locally based producers of goods and services as well as potential entrepreneurs in cottage industries.
6. The Primary Health Care Development Programme - launched in 1987 with the aim of achieving a level of health that could enable Nigerians to attain a socially and economically-productive life by the year 2000.
7. Other programmes, such as the Guinea Worm Eradication Programme; People's Bank of Nigeria (PBN); National Economic Reconstruction Fund (NERFUND); Community Banks; Nomadic Education Programme; National Urban Mass Transit Programme (NUMTP), etc.³⁷

These interventions were intended to reduce poverty in the country, but their designs and implementations were faulty. For instance, while some lacked targets, others had extremely ambitious targets which failed to consider technical capacities and budgetary limitations. In addition, the targeted beneficiaries had either very limited or no participation in the planning and implementation of these interventions. Because some of these intervention programmes lacked focus, they ventured into too many activities and became unsustainable.³⁸

These interventions were intended to reduce poverty in the country, but their designs and implementations were faulty. For instance, while some lacked targets, others had extremely ambitious targets which failed to consider technical capacities and budgetary limitations.

³⁷ Ibid., p28.

³⁸ Ibid., p29.

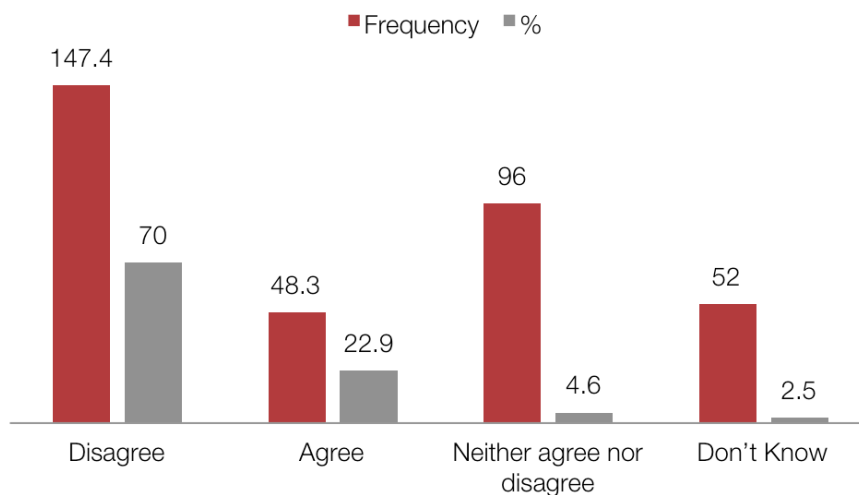
In subsequent years, especially following the return to civilian rule, the Nigerian government conceived and implemented several other socio-economic programmes aimed at alleviating the poverty rate in the country. One of such programmes was the Universal Basic Education (UBE) scheme. Launched in 1999, the aim of UBE is to provide intellectual and non-intellectual competencies to all Nigerian children. It was formed based on the realisation that the high rate of poverty ravaging the country, especially the Northern region, was partly linked to low literacy rates.

In a further attempt to stem poverty and unemployment rates, the Federal Government also introduced the Poverty Alleviation Programme, for which it earmarked the sum of N10 billion which was supposed to create 200,000 jobs in the year 2000. The failure of the programme can be traced to a philosophy which posited that the high level of poverty and rising unemployment could be reduced merely by paying stipends to selected beneficiaries without giving them any meaningful or actual work. The stipend approach was exploited by some privileged members of society who filled the available places with their own protégés, thereby denying the intended beneficiaries access to the funds.

Along the same line, the National Poverty Eradication Programme (NAPEP) was created in January 2001 with the goal of eradicating absolute poverty in the country by the year 2010. Its specific objectives included: empowerment of Nigerian youth to acquire skills; provision of functional infrastructural facilities; provision of necessities of life to all Nigerians to bring about a socially-organised and economically-prosperous society; enhancing long-term optimum development of natural resources; and the reduction of objectionable practices in resource exploitation to the minimum. Despite the huge sum committed, this programme has made very little impact on the poverty situation in Nigeria.

The fight against poverty and extreme hunger is at the core of the Millennium Development Goals, which are a major policy priority of the Nigerian government

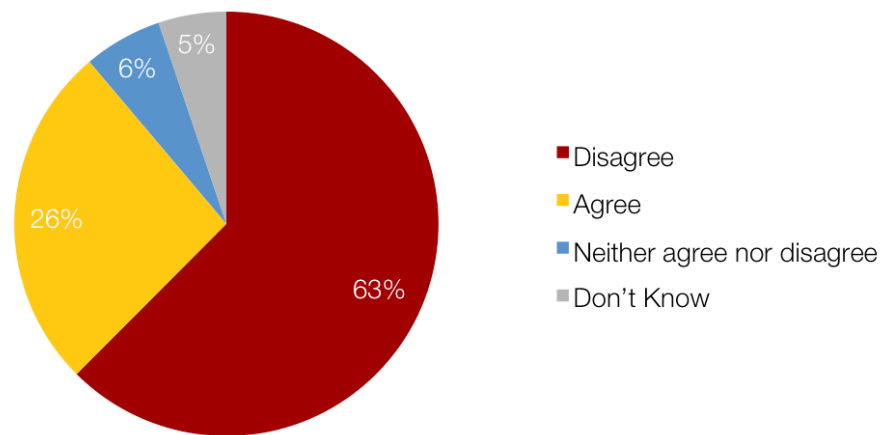
Figure 1. Public perception of poverty as not being a major problem in Nigeria today



39 (NEEDS, 2004 quoted in NBS 2007)

The National Economic Empowerment and Development Strategy (NEEDS) was designed to significantly advance the quality of life of Nigerians, create social nets for the vulnerable, and meet the requirement of people displaced by the reform process. The strategy sought to meet the following broad targets: increase average per capita consumption by at least 2 per cent a year; create approximately 7 million jobs by 2007; increase immunization coverage to 60 per cent by 2007; increase the percentage of the population with access to safe drinking water to at least 70 per cent by 2007; significantly increase school enrolment rates, especially for girls; increase the adult literacy rate to at least 65 per cent by 2007; and significantly improve access to sanitation.³⁹ These efforts hardly impacted the problem of poverty due to a combination of factors, including poor policy formulation and coordination, policy discontinuities, weak institutional framework and lack of effective coordination among the various tiers of government, and corruption. The issue of corruption will be highlighted in the next section of this report.

Figure 2. Public perception of the trend of poverty since return to civil rule in 1999



An Assessment of Poverty Reduction Policies

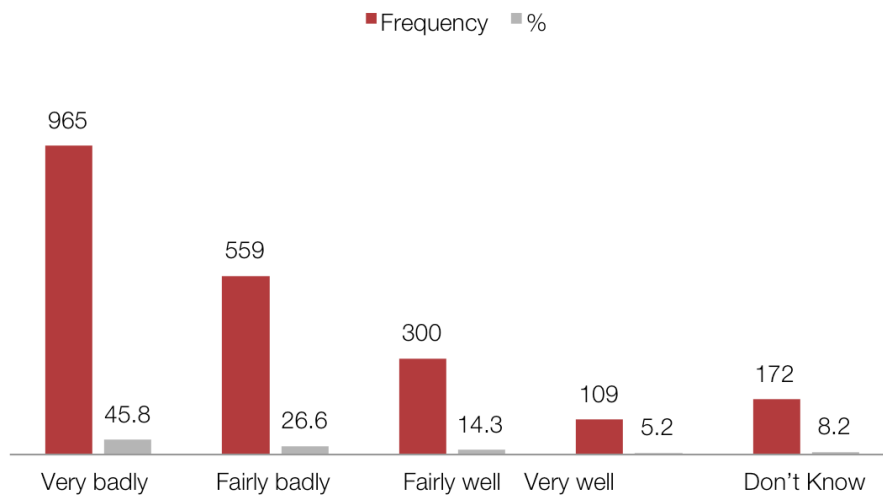
The fight against poverty and extreme hunger is at the core of the Millennium Development Goals, which are a major policy priority of the Nigerian government. However, our research findings confirm that the government is largely failing in this regard. Figures 1, 2 and 3 present the perceptions of our respondents in this research on poverty in the country. These clearly show that a majority of them feel that poverty is rising and policy responses are inadequate.

40 FGN, 2010

41 National Bureau of Statistics, NBS, 'The Nigerian Poverty Profile 2010 report', Abuja, 2012, p12-14.

42 Abdu, H. (2014). "Millennium Development Goals and Poverty Reduction: Context, Challenges and Way Forward", Current Studies in Development, Office of Research and Development, University of Jos, Vol. 2: 1

Figure 3. Public Perception of how the Federal Government handled or implemented poverty-reduction programmes



Successive MDG reports in Nigeria have also been very consistent in showing the difficulties encountered in achieving the goal of reducing poverty. As of 2000, when the MDGs were declared, 60% of Nigerians were officially recognised as living in relative poverty. This was expected to drop to 21.35% by 2015. Based on this projection, it was expected that by 2007, the midpoint of the MDG's lifespan, the number would have dropped to 28.78%. However, the actual percentage of poor people in 2007 was 54.40% - about 25.62% below the expected figure. Updated estimates for 2008 and 2009 were 52.4% and 51.58% respectively, indicating a shortfall of 28.89% and 30.5% from the original projections. Following this projection, by 2015 the incidence of poverty was expected to fall to 37.5%, as against the Federal Government target of 21.35%.⁴⁰ However, with the poverty level at 62.8% in 2010⁴¹, it is clearly going to be impossible to achieve even the revised target of 37.5% in 2015.⁴²



SECTION 3

Corruption In Nigeria

→ This section examines the manifestations and dimensions of corruption in both the public and private sectors in Nigeria. It further identifies the actors and drivers of corruption in the country before concluding with an examination of existing legal and institutional framework for controlling corruption.

Manifestations and Dimensions of Corruption in Nigeria

Corruption is widespread in the different tiers and arms of governments and the private sector. It manifests in various forms and in many types of transactions within and across levels of governments, within and between private enterprises of different types and scales of operations, between principal actors in private and public sectors, and within civil society organisations. Major manifestations and dimensions of corruptions in the country include the following:

- Inflation of public expenditure:
- Bribery and extortion
- Fraud
- Embezzlement and misapplication of funds
- Non-remittance or under-remittance of revenue
- Tax negotiation
- Diversion of local government allocations
- Office of the first lady of the president and state governors
- Crude oil theft or illegal oil bunkering
- Subsidy scandal
- Power sector reform
- The Nigerian National Petroleum Corporation (NNPC) and non-remittance of funds into the Federation's account
- Pension funds scandals

Actors and Drivers of Corruption

Although corruption may appear to be pervasive, it is important not to lose sight of the fact there are key drivers who not only enabled and profit from corruption but who are determined to ensure that efforts to fight corruption do not succeed. Some of the key drivers of corruption in the country are:

- Officials in the Executive Arm
- The legislature
- The judiciary
- The law enforcement agency
- Civil servants/public officers
- Politicians and political parties
- Corruption in the private sector
- The oil and gas sector
- The banking sector

Corruption and the Private Sector

.....
 43 Ndikumana, "The Private Sector as Culprit and Victim of Corruption in Africa", Department of Economics and Political Economy Research Institute (PERI) University of Massachusetts Amherst
 44 Transparency International Report on "Poverty and Corruption", 2008

corruption in the private sector, which is as invidious as that of the public sector because of its impact, "causes severe waste and misallocation of financial, human, and natural resources, thus retarding growth and social development.

According to Léonce Ndikumana, corruption in the private sector, which is as invidious as that of the public sector because of its impact, “causes severe waste and misallocation of financial, human, and natural resources, thus retarding growth and social development.”⁴³ Transparency International argues that when enormous ill-gotten wealth is captured by the private sector in an environment such as we have in Nigeria today, “income inequality is increased and a state’s governing capacity is reduced, particularly when it comes to attending to the needs of the poor.”⁴⁴ While this state of affairs pervades practically all sectors, we will be looking at how corruption in two critical areas of the private sector has helped to perpetuate poverty in Nigeria.

Oil and Gas Sector

Of the 850,000 tonnes of Liquefied Petroleum Gas (LPG) reserved for domestic consumption in 2013, Nigerians only consumed 250,000 tonnes. According to the Managing Director of the Pipelines and Products Marketing Company (PPMC), Haruna Momoh⁴⁵ this translates to a meagre consumption figure of 1.8kg per capita. Against the background that the West African regional average is 3.5kg, it is clear that a vast majority of Nigerians do not use this source of energy, preferring instead to depend on firewood and kerosene, most especially the latter.

Despite Nigeria’s vast energy potential, electrification remains a serious problem, especially in the rural areas. It is within that context that one can understand why kerosene remains the number one source of energy for household chores for most homes in Nigeria. However, the dependence on kerosene has created its own challenges as many public officials and their collaborators in the private sector have not only perfected the art of robbing the poor of the commodity on which they depend, but also of robbing the nation of the huge sums of public money that could have been deployed to other services.⁴⁶

According to official figures from the Petroleum Product Pricing and Regulatory Authority (PPPRA), the daily national consumption rate of kerosene is 10 million litres with a landing cost of N152 per litre.⁴⁷ With the official price pegged at N50 per litre, government is subsidizing every litre of kerosene to the tune of N102 per litre and indeed, that subsidy leaves government coffers. Yet ordinary poor people buy kerosene at prices ranging from N130 to N170 per litre. Other times, the product is not even available for purchase. The Deputy Speaker of the House of Representatives, Emeka Ihedioha, summarises the situation as such: “... the country has spent at least N1 trillion over the past four years to subsidise kerosene, yet the product is neither available nor is it sold at the official NNPC pump price whenever it is found and wherever.”⁴⁸ It is widely believed that the reasoning is due to corruption.

Adeola Adenikinju, President of the Nigerian Association for Energy Economics and Director of the Centre for Petroleum, Energy Economics and Law at the University of Ibadan explains what has happened to kerosene supply:

.....
45 Momoh, MD of PPMC, gave the figure at the inaugural conference of the Nigerian Association of Liquefied Petroleum Gas Marketing (NALPGAM) in Lagos on March 24, 2014

46 Vanguard, February 5, 2014, “Kerosene subsidy is a scam”, according to the CBN Governor, Sanusi Lamido Sanusi, <http://www.vanguardngr.com/2014/02/kerosene-subsidy-scam-sanusi/>

Information contained in the statement by then acting Group General Manager, Public Affairs, NNPC, Dr. Omar Farouk Ibrahim, on February 10, 2014.

48 Ihedioha, Deputy Speaker, House of Representatives, made the disclosure while declaring open an investigative hearing on kerosene subsidy organised by the House Committee on Petroleum Resources (Downstream) on February 18, 2014.

49 Eng. Andrew Yakubu, the GMD of NNPC made the statement on March 23, 2014 at a National Assembly public hearing on supply, distribution, expenditure and subsidy on kerosene

50 Huffington Post, July 25, 2011, story titled “Nigeria Kerosene Too Expensive For Oil-Rich Country’s Poor”, http://www.huffingtonpost.com/2011/07/25/nigeria-kerosene-too-expensive_n_908837.html

the dependence on kerosene has created its own challenges as many public officials and their collaborators in the private sector have not only perfected the art of robbing the poor of the commodity on which they depend, but also of robbing the nation of the huge sums of public money that could have been deployed to other services

The subsidy has provided a conduit pipe for some highly placed and connected people to swindle the country. In the rural areas where most of the poor live, kerosene prices are far beyond their ability, and [they] have had to continue to depend on the forest for their energy supply.⁴⁹

The Group Managing Director of the Nigeria National Petroleum Corporation has stated that “[d]iversion of kerosene to neighbouring countries, industrial use, aviation fuel, sharp practices by middlemen, and pipeline vandalism are reasons why kerosene is not readily available for domestic consumption.”⁵⁰

While the poor search endlessly for kerosene with which to cook and light their homes, corrupt officials and their collaborators in the private sector divert the heavily subsidised products. “As a marketer I’m faced with the option of selling my dual purpose kerosene as household kerosene or as jet fuel,” explains Augusto & Co Oil & Gas analyst Dolapo Oni. “Most settle for jet fuel and inadvertently create the scarcity that leads to household kerosene being sold at about the same price.”⁵¹

Given the foregoing, it is easy to situate the revelations by an ad hoc committee set up by the House of Representatives on how billions of naira of public funds were diverted to private pockets.

... contrary to the earlier official figure of subsidy payment of N1.3 Trillion, the Accountant-General of the Federation put forward a figure of N1.6 Trillion, the CBN N1.7 Trillion, while the Committee established subsidy payment of N2,587.087 Trillion (about US \$15 billion) as at 31st December, 2011, amounting to more than 900% over the appropriated sum of N245 Billion.⁵²

Following the release of the report, the Federal Government established the Technical Committee on Payment of Fuel Subsidies, chaired by then Access Bank Managing Director, Mr Aigboje Aig-Imoukhuede. Its findings corroborated the House report that there was indeed monumental corruption in the management of subsidy payments. Specifically, the government report stated that in 2011 alone, approximately N332 billion (US \$ 1.8 billion) was spent on an illegal kerosene subsidy that did not reach the intended beneficiaries.⁵³

According to the report, despite the June 15, 2009 directive by late President Umaru Musa Yar’Adua that the NNPC should cease subsidy claims on kerosene, PPPRA resumed the processing of kerosene subsidy claims in June 2011 and NNPC resumed the deduction of kerosene subsidy claims to the tune of N331,547,318,068.06 in 2011 alone. In addition, the distribution of DPK which was being imported solely by NNPC was skewed in favour of depot owners who have no retail outlets. Two-thirds of the kerosene sold by NNPC between 2009 and 2011 was sold to depot owners and ‘middle men’ who in turn sold the

⁴⁹ At its emergency sitting of 8th January, 2012 the House of Representatives resolved, among other things, to set up an Ad Hoc Committee to “to verify and determine the actual subsidy requirements and monitor the implementation of the subsidy regime in Nigeria.” The 8-man Committee headed by Hon Farouk Lawan submitted a report which indicted several fuel marketers of abuse of the fuel subsidy funds.

⁵⁰ Initially set up on February 28, 2012 in Lagos by the Coordinating Minister for the Economy, Dr. Ngozi Okonjo-Iweala, the Aigboje Aig-Imoukhuede Ministerial Verification Committee metamorphosed into a Presidential Committee but neither of the reports has been made public.

⁵¹ Olusegun Adeniyi “Yar’Adua, Kerosene & the Subsidy Scam” in This Day newspaper, 13th February 2014 <http://www.thisdaylive.com/articles/yar-adua-kerosene-the-subsidy-scam/171294/>

⁵² Nbn News, 24th May 2012, “Malabu Oil Scam: How \$1.1bn Was Shared”, <http://www.nigerianbestforum.com/blog/?p=114673>

product to owners of retail outlets at inflated prices of between N115.00 and N125.00 per litre (compared to the ex-depot price of N40.90), leaving consumers to pay higher prices than the N50.00 per litre directed by Government.⁵⁴

It is even more revealing that the NNPC, which had earlier disputed the allegations about the kerosene fraud, was represented on the government-initiated Aig-Imoukhuede committee by its Executive Director for Finance and Accounts, Mr Michael Arokodare, and the Executive Secretary of the PPPRA, Mr Reginald Stanley. Also on the committee were the Director General of the Debt Management Office, Dr Abraham Nwankwo; the Accountant General of the Federation, Mr Jonah Otunla; the Director General in the Budget Office of the Federation, Dr Bright Okogu, and a representative of the Central Bank of Nigeria, Ms Oyinye Ahuchogu.

To compound the situation, it was not only in the kerosene subsidy regime that billions of naira of public funds that could have been deployed to alleviate poverty were diverted from government coffers. In July 2011, the sum of \$1.092 billion (about N155 billion) was paid to Malabu Oil and Gas in questionable circumstances. The company was said to be owned by Chief Dan Etete, a former Petroleum Minister under the late General Sani Abacha, and there were allegations in the international media that known government officials had participated in sharing out the money in a manner that suggested impropriety.⁵⁵

The impact of corruption on the lives of the Nigerian people is more directly experienced in connection with the mismanagement of the banking sector.

It took several weeks and considerable pressure from the Nigerian public before the Attorney-General of the Federation and Minister of Justice, Mr Mohammed Bello Adoke, offered the explanation that the transaction had been carried out to facilitate the resolution of a long standing dispute between Malabu Oil & Gas Limited (Malabu), and Shell Nigeria Ultra Deep Limited (SNUD) and AGIP/Eni, over the ownership and right to operate an oil block (Oil Block 245). In a statement that raised more questions than answers, Adoke said:

In furtherance of the Resolution Agreement, SNUD and ENI agreed to pay Malabu through the Federal Government acting as an obligor, the sum of US\$ 1,092,040,000 in full and final settlement of any and all claims, interests or rights relating to or in connection with Block 245 and Malabu agreed to settle and waive any and all claims, interests or rights relating to or in connection with Block 245 and also consented to the re-allocation of Block 245 to Nigerian Agip Exploration Limited (NAE) and Shell Nigeria Exploration and Production Company Limited (SNEPCO).⁵⁶

The end result is that what was designed as a pro-poor intervention has not only been of no benefit to the poor, it has also succeeded in denying the federal purse of over a trillion naira (more than US \$ 6 billion) in a period of just four years.

56 The Premium Times, 27th May 2012, "Adoke lies, misleads Nigerians", http://premiumtimesng.com/news/5309-adoke_lies_in_reaction_to_n155bn_scandal.html

57 Vanguard, August 14, 2009, "CBN sacks 5 banks' CEOs, appoints acting MD/CEOs", <http://www.vanguardngr.com/2009/08/cbn-sacks-5-banks-directors/#sthash.eZ94iBRk.dpuf>

58 PUNCH, February 3, 2014, "AMCON spent N1.7tn on non-performing loans", by Chike-Obi, <http://www.punchng.com/business/money/amcon-spent-n1-7tn-on-non-performing-loans-chike-obi/>

The Banking Sector

The impact of corruption on the lives of the Nigerian people is more directly experienced in connection with the mismanagement of the banking sector. Over the years, several of the banking institutions that were established to serve as an intermediation role in the economy have gone under with hundreds of billions of naira in depositors' funds stolen by their promoters or officials.

On August 13, 2009 the Central Bank of Nigeria (CBN) removed five Managing Director/ Chief Executives and Executive Directors of five banks, namely Afribank Plc, Finbank Plc, Intercontinental Bank Plc., Oceanic Bank Plc. and Union Bank Plc. The affected chief executives were: Mr Sebastin Adigwe (Afribank), Mr Okey Nwosu (Finbank), Dr. Erastus Akingbola (Intercontinental Bank), Dr. Cecilia Ibru (Oceanic Bank), and Dr. Bath Ebong. The Governor of the CBN, Lamido Sanusi, who informed Nigerians that the CBN would be injecting N400 billion into the five banks to salvage them, revealed that:

As at June 4, 2009 when I assumed office as Governor of the CBN, the total amount outstanding at the Expanded Discount Window (EDW) was N256.571 billion, most of which was owed by the five banks. A review of the activity in the EDW showed that four banks had been almost permanently locked in as borrowers and were clearly unable to repay their obligations. A fifth bank had been a very frequent borrower when its profile ordinarily should have placed it among the net placers of funds in the market.⁵⁷

That is, N400 billion of public money was to be deployed to bail out private concerns. Indeed, it was for this reason that the Asset Management Corporation of Nigeria (AMCON) was established in 2012 to take over the liabilities of these banks. To date, according to Managing Director, Mr Mustafa Chike-Obi, "AMCON has borrowed N5.7 trillion (about US\$36 billion) from the stock exchange market with a Federal Government guarantee. Of that N5.7 trillion, over N3 trillion was used to return depositors' monies to them."⁵⁸ Because of the potentially catastrophic impact on Nigeria's economy if several banks that had become illiquid and insolvent were to go under, the Federal Government had to intervene. That meant not only a diversion of public funds that could have been deployed in the service of the nation to private pockets, but a diversion – by means of the AMCON bailout – to largely the same class of people as those who looted the banks in the first place: the wealthy and well-connected. So heads or tails, the poor lose out.

A direct impact is suffered by the depositors and creditors of a banking institution that fails. But as noted above, banks are also expected to serve an intermediation role in the nation's economy between those with idle cash and those with ideas and industries that need capital to become effective, provide jobs and develop or expand the economy, and, in the process, lift people out of poverty.

The list of properties confiscated from Ibru that had been purchased in her own name and in the names of members of her family is a startling testament to the way that depositors' funds in Oceanic Bank that ought to have been applied to job-producing income-generating activities were instead diverted to the primitive accumulation of sterile assets outside Nigeria.

59 Saharareporters, March 12, 2013, Jonathan Pardons Ex-convicts, Alamieyeseigha, Bulama, Others - PREMIUM TIMES, (The men will no longer be referred to as ex-convicts), <http://saharareporters.com/2013/03/12/jonathan-pardons-ex-convicts-alamieyeseigha-bulama-others-premium-times>

60 National Bureau of Statistics, 2010 Report

61 In a Caveat Emptor dated January 16, 2010 and signed by then EFCC Chairman, Mrs. Farida Waziri, the anti-graft agency released a list of 103 choice properties allegedly belonging to Mrs. Cecilia Ibru, and affirmed that the said properties remained seized. The document entitled Economic and Financial Crimes Commission in the matter of Oceanic Bank Plc. stated that the notice of attachment of assets/properties was pursuant to Section 28 of the EFCC Act, 2004.

A key banking institution in this regard was established by the then Government of the Northern Region, namely Bank of the North. It provided capital and financial assistance to several businesses in the Northern Region and the successor states for several years after its founding. But the Bank of the North was killed by corruption. A measure of the rot was revealed in February 2004 when a former Managing Director of the bank, Alhaji Shettima Bulama, was arraigned on an eight-count charge of fraud involving a total of N443 million. On the 15th of June 2007, he was convicted and sentenced to term of six months imprisonment or, alternatively, could pay a N200,000 fine. Naturally he paid the fine and went home a free man. And as if to underline the futility of attempting to hold anybody to account for the collapse of the Bank of the North and the hope that it had held for the development of northern Nigeria, Bulama was subsequently granted a state pardon by President Goodluck Jonathan.⁵⁹

Against this background, it is perhaps not difficult to see why, of the 100 million Nigerians living in absolute poverty, the majority reside in the northern states.⁶⁰ The North-West zone has the highest poverty rate with 70 per cent of its people living on a sum that falls below the equivalent of the US\$1 per day definition of poverty noted earlier. The North-East follows with 69 per cent and the North-Central with 59.5 per cent. Those figures for poverty in Nigeria's northern states do not, however, mean that the impact of corruption is not felt in banking institutions whose main field of activity is in the southern states.

In this regard, the case of Dr. Cecilia Ibru, the former Chief Executive Officer of Oceanic Bank plc., is only different from that of Bulama in that she did not receive a state pardon, and because of the huge sum in cash and assets that was recovered from her. That recovery became possible because of a plea bargain arrangement whereby when she was arraigned in October 2010, she pleaded guilty to three out of twenty-five counts of fraud. She was then convicted and – in accordance with the terms of the plea bargain – sentenced to six months in prison for fraud on each of the three counts, and ordered to hand over \$1.2 billion (1.9 trillion naira) in cash and assets.⁶¹ The terms of the plea-bargain were that the three six-months' terms should run concurrently, and as a result of the period that she had spent in detention prior to conviction, Ibru was released immediately.

The list of properties confiscated from Ibru that had been purchased in her own name and in the names of members of her family is a startling testament to the way that depositors' funds in Oceanic Bank that ought to have been applied to job-producing income-generating activities were instead diverted to the primitive accumulation of sterile assets outside Nigeria. According to the Economic and Financial Crimes Commission, the assets, which included 103 properties and shares in 27 companies ranging from banks, oil and gas, telecommunications, aviation, real estate and manufacturing firms, were bought with funds belonging to Oceanic Bank. They included several properties at International City in Dubai (Building Y18, Shop 18, Building Y5, Shop 1, Building Y5, Shop 2 and

⁵⁹ Among assets confiscated from Dr. Ibru inside Nigeria are: Real Property, Ikeja; Good Shepherd House, IPM Avenue, Opposite Lagos State Secretariat, Alausa, Ikeja, Lagos (registered in the name of Ogekpo Estate Managers); Residential block with 19 apartments on 34, Bourdillon Road, Ikoyi (registered in the name of Dilivent International Limited); 20 Oyinkan Abayomi Street, Victoria Island (remainder of lease or tenancy up to 2017). She also forfeited to government 15,000 square metres of land at Okunade Water Front, Lekki Peninsula; 7,000 square metres of land at Okunade Water Front, Lekki Peninsula - (registered in the name of Melake Properties Limited). Also confiscated are Metro Plaza Building, 991/992 Zakari Maimalari Street, Central Area, Zone 5, Abuja, (registered in the name of Abinof Food Company Limited); 4 Floor Building at Herbert Macaulay Way, Wuse Zone 6, Abuja (registered in the name of Casi Properties and Investment Ltd).

Building Y5, Shop 3); in South Africa where Accustrat (Pty) Limited, Meha Real Estate, Scharde Designs PTY Limited and Vakson Freehold Properties Limited were confiscated; and in the United States, the confiscated properties include 4155 Chariot Way, Upper Marlboro, Maryland purchased at \$452,508.00; 4145 Chariot Way, Upper Marlboro, Maryland, purchased at \$440,105.00; 4139 Chariot Way, Upper Marlboro, Maryland, purchased at \$451,629.00; and 4149 Chariot Way, Upper Marlboro, Maryland, purchased at \$473,657.00.⁶²

Legal and Institutional Responses to Corruption in Nigeria

In response to the growing nature of corruption in Nigeria, several anti-corruption measures and initiatives have been conceived and implemented by successive governments. Some of the measures are:

- Criminal Code and Penal Code
- Code of Conduct Bureau
- Independent Corrupt Practices & Other Related Offences Commission (ICPC)
- Economic and Financial Crimes Commission
- Transparency initiatives

Nigeria's response to corruption dates back to the pre-colonial era, when offences relating to corruption and abuse of office were included in the Criminal Code. The present provisions came into force in 1966 when the military administration stipulated further offences and included judicial officers as potential offenders.

Criminal Code and Penal Code

Chapter 12 of the Criminal Code Act deals with official corruption, with sections 98-105 being particularly pertinent.

Section 98 creates the felony of official corruption as having been committed by any public official who:

1. corruptly asks for, receives or obtains any property or benefit of any kind for himself or any other person; or
2. corruptly agrees or attempts to receive or obtain any property or benefit of any kind for himself or any other person, on account of:
 - anything already done or omitted, or any favour or disfavour already shown to any person, by himself in the discharge of his official duties or in relation to any matter connected with the functions, affairs or business of a Government department, public body or other organisation or institution in which he is serving as a public official, or
 - Anything to be afterwards done or omitted, or any favour or disfavour to be afterwards shown to any person, by himself in the discharge of his official duties or in relation to any such matter as aforesaid...

The provisions place the burden of proof on the person charged to show that the benefit was not corruptly received. It also stipulates that a public officer not doing what s/he was bribed to do, or not even having the intentions to do it, will not serve as a valid defence,

Section 98a of the Criminal Code deals with the complementary part of any corrupt transaction and makes it an offence to give bribes. It creates a felony where a person:

1. corruptly gives, confers or procures any property or benefit of any kind to, on or for a public official... or to, on or for any other person, or
2. corruptly promises or offers to give or confer or to procure or attempt to procure any property or benefit of any kind to, on or for a public official or to, on or for any other person

Section 98b on the other hand, addresses the situation that may arise when the public officer is acting through an intermediary. Under this section, a felony is conducted when a person:

1. corruptly asks for, receives or obtains any property or benefit of any kind for himself or any other person; or
2. corruptly agrees or attempts to receive or obtain any property or benefit of any kind for himself or any other person, on account of –
 - anything already done or omitted, or any favour or disfavour already shown to any person, by a public official ... in the discharge of his official duties or in relation to any matter connected with the functions, affairs or business of a Government department, public body or other organisation or institution in which the public official is serving as such; or
 - anything to be afterwards done or omitted, or any favour or disfavour to be afterwards shown to any person, by a public official in the discharge of his official duties or in relation to any such matter as aforesaid.

Where the corrupt act relates to a judicial officer, s/he cannot be arrested without a warrant, and no proceedings can be instituted against her/him unless they are signed by the Attorney-General of the Federation or of the State concerned.

Section 99 deals with extortion by public officers, while section 101 creates a felony where:

Any person who, being employed in the public service, knowingly acquires or holds, directly or indirectly, otherwise than as a member of a registered joint stock company consisting of more than twenty persons, a private interest in any contract or agreement which is made on account of the public service with respect to any matter concerning the department of the service in which he is employed, ...

Any person who, being employed in the public service, and being charged by virtue of his employment with any judicial or administrative duties

.....
63 See Appendices.

64 Cap. C15 Laws of the Federation of Nigeria

respecting property of a special character, or respecting the carrying on of any manufacture, trade, or business of a special character, and having acquired or holding, directly or indirectly, a private interest in any such property ... discharges any such duties with respect to the property ... in which he has such interest, or with respect to the conduct of any person in relation thereto, is guilty of a misdemeanour ... liable to imprisonment for one year.

Section 103 creates a felony where false claims are made by officials, while section 104 creates the offence of abuse of office.

These provisions under the Criminal Code are prohibitive, but essentially reactive in that they punish corrupt acts after they have been proven. With the coming into force of the 1979 Constitution however, the Code of Conduct Bureau was entrenched as part of a somewhat more proactive response to corrupt practices which requires a limited degree of transparency from public officers. Similar provisions have been retained in the 1999 Constitution.

Code of Conduct Bureau

The Code of Conduct Bureau is established as a Federal Executive Body under section 153(1) (a) of the Constitution of the Federal Republic of Nigeria 1999. The Third Schedule to the Constitution sets out its composition and powers and includes the following:

1. The Code of Conduct Bureau shall comprise the following members:
 - a Chairman; and
 - nine other members, each of whom, at the time of appointment, shall not be less than fifty years of age and subject to the provisions of section 157 of this Constitution shall vacate his office on attaining the age of seventy years.
2. The Bureau shall establish such offices in each state of the Federation as it may require for the discharge of its functions under this Constitution.
3. The Bureau shall have power to:
 - receive declarations by public officers made under paragraph 12 of Part I of the Fifth Schedule to this Constitution;
 - examine the declarations in accordance with the requirements of the Code of Conduct or any law;
 - retain custody of such declarations and make them available for inspection by any citizen of Nigeria on such terms and conditions as the National Assembly may prescribe;
 - ensure compliance with and, where appropriate, enforce the provisions of the Code of Conduct of any law relating thereto; and
 - receive complaints about non-compliance with or breach of the provisions of the Code of Conduct or any law in relation thereto, investigate the complaint and, where appropriate, refer such matters to the Code of Conduct Tribunal.

Part I of the Fifth Schedule to the 1999 Constitution sets out the Code of Conduct for Public Officers and establishes the Code of Conduct Tribunal⁶³ which has power to try any public officer for contraventions of the Code of Conduct. Part II lists the public officers to whom the Code of Conduct applies. In addition to these Constitutional provisions, the Code of Conduct Bureau and Tribunal Act⁶⁴ set up the Bureau and the Tribunal.

It is under the Code of Conduct that public officers are required to make a declaration of assets upon assumption of office and every four years thereafter. A false declaration of such assets is an offence. But while the Code of Conduct Tribunal has power to try public officers for contravening the provisions of the Code of Conduct, the punishments it can impose are limited by section 18(2) of the Fifth Schedule to the following:

- vacation of office or seat in any legislative house, as the case may be;
- disqualification from membership of a legislative house and from the holding of any public office for a period not exceeding ten years; and
- seizure and forfeiture to the State of any property acquired in abuse or corruption of office.

However, section 18(3) stipulates that these sanctions are “without prejudice to the penalties that may be imposed by any law where the conduct is also a criminal offence.” It may be recalled that under the military dictatorship which seized power on the 31st December 1983, many political office holders were sentenced to lengthy terms of imprisonment for false declaration of assets.

Under section 3 of the Code of Conduct Bureau and Tribunal Act, the Bureau’s functions are listed as being to:

- receive assets declarations by public officers in accordance with the provisions of this Act;
- examine the assets declarations and ensure that they comply with the requirements of this Act and of any law for the time being in force;
- take and retain custody of such assets declarations; and
- receive complaints about non-compliance with or breach of this Act and where the Bureau considers it necessary to do so, refer such complaints to the Code of Conduct Tribunal established by section 20 of this Act in accordance with the provisions of sections 20 to 25 of this Act.

Where the person concerned makes a written admission of such breach or non-compliance, no reference to the Tribunal shall be necessary. The determination of the Bureau to shield Declaration of Assets forms from public scrutiny has left it in a position where it is perceived as responding only to political pressures, and doing little to actively confirm the veracity of the contents of Declarations of Assets.

.....

⁶⁵ Chapter E1 of the Laws of the Federation of Nigeria.

Independent Corrupt Practices Commission

With the coming into force of the 1999 Constitution, the incoming civilian administration headed by General Olusegun Obasanjo announced an intention to tackle corruption, and his first step in this direction was the establishment of the Independent Corrupt Practices Commission (ICPC). Section 3 of the ICPC Act (2000) established the Commission.

According to section 6 of the Act, the Commission has the following general duties:

- where reasonable grounds exist for suspecting that any person has conspired to commit or has attempted to commit or has committed an offence under this Act or any other law prohibiting corruption, to receive and investigate any report of the conspiracy to commit, attempt to commit or the commission of such offence and in appropriate cases, to prosecute the offenders;
- examine the practices, systems and procedures of public bodies and where, in the opinion of the Commission, such practices, systems or procedures aid or facilitate fraud or corruption, to direct and supervise a review of them;
- to instruct, advise and assist any officer, agency or parastatals on ways by which fraud or corruption may be eliminated or minimised by such office, agency or parastatal;
- advise heads of public bodies of any changes in practices, systems or procedures compatible with the effective discharge of the duties of the public bodies as the Commission thinks fit to reduce the likelihood or incidence of bribery, corruption and related offences;
- educate the public on and against bribery, corruption and related offences; and
- enlist and foster public support in combating corruption.

Many of the corruption-related offences created by the Corrupt Practices and Other Related Offences Act are similar to those under the Criminal Code. These include:

- Gratification by an official
- Corrupt offers to public officers
- Corrupt demand by persons
- Fraudulent acquisition of property
- Fraudulent receipt of property
- Making false statement or return
- Gratification by and through agents
- Bribery of public officers
- Using office or position for gratification
- Bribery in relation to auction
- Bribery for giving assistance, etc. in regard to contracts
- Duty to report bribery transactions
- Dealing with, using, holding, receiving or concealing gratification

Figure 4. Public perception of how the Federal Government has handled the fight against corruption in government

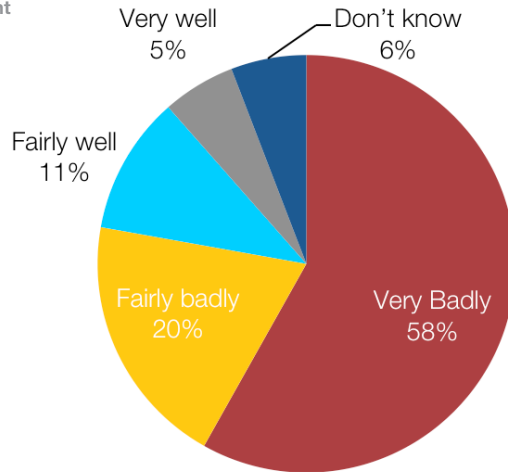


Figure 5. Public reaction to the statement: "corruption has declined since return to civil rule in 1999"

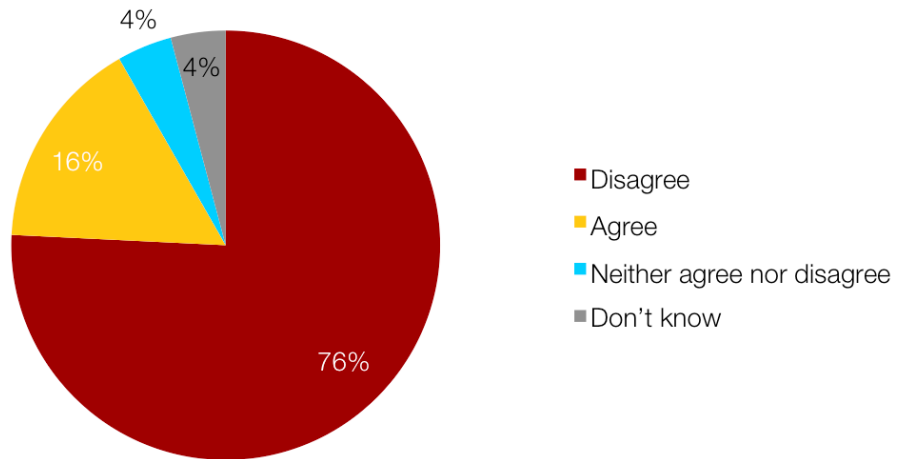
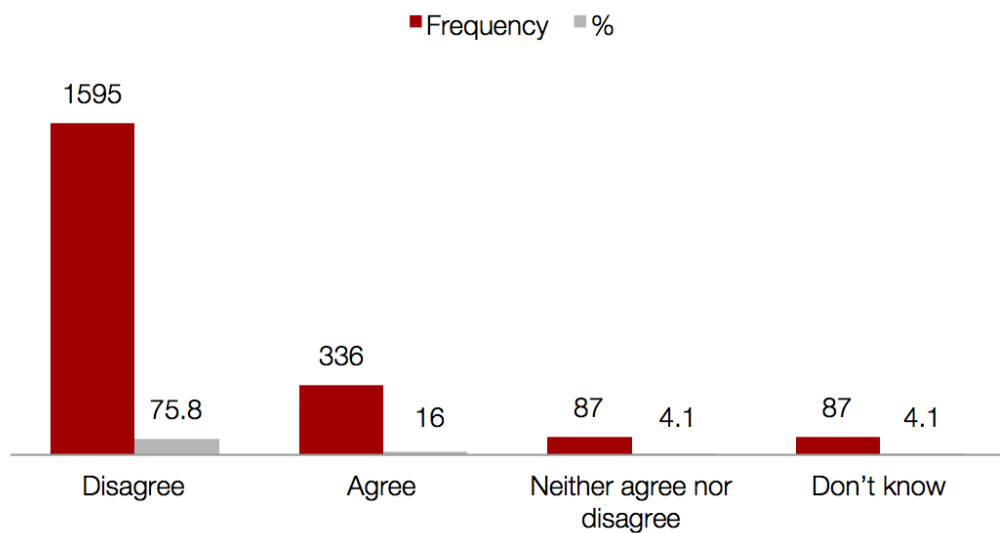


Figure 6. Public reaction to the statement: "corruption is not a major problem in the country today"



Apart from its enforcement or prosecutorial duties, the ICPC has prevention duties with regard to advising on the institutions of practices, systems and procedures which will militate against corrupt practices. It also has the duty of educating the public “on and against bribery, corruption and related offences”, as well as enlisting public support in combating corruption. In pursuit of the prevention duties, the ICPC is expected to set up an Anti-Corruption and Transparency Unit (ACTU) in each Ministry, Agency or Parastatals. According to the Commission, it has established over 170 such ACTUs. The Commission also runs a National Anti-Corruption Volunteer Corps for those Nigerians “who feel strongly about the evil of corruption and want to take positive actions against it.”

The first two Chairs of the ICPC were retired appellate judges, and, with “[t]o rid Nigeria of corruption through lawful enforcement and preventive measures” serving as the mission statement, it was expected that ICPC would adhere to the rule of law in carrying out its functions. But although it had been established along the lines of similar successful bodies in Singapore and Hong Kong, it became clear that the government that had set it up was seeking a more coercive and biddable institution. It appeared to find this in the Economic and Financial Crimes Commission.

Economic and Financial Crimes Commission

The Economic and Financial Crimes Commission is established by section 1 of the Economic and Financial Crimes Commission Act 2004.⁶⁵ According to section 6(b), the functions of the Commission are defined to cover “the investigation of all financial crimes including advance fee fraud, money laundering, counterfeiting, illegal charge transfers, futures market fraud, fraudulent encashment of negotiable instruments, computer credit card fraud, contract scam, etc.”

This reflects the fact that the EFCC was originally set up to tackle the problems that financial crimes caused for Nigeria’s economy and reputation – particularly those crimes with an international component.

However, the Commission is also responsible for:

- the co-ordination and enforcement of all economic and financial crimes laws and enforcement functions conferred on any other person or authority; ...
- the collection of all reports relating to suspicious financial transactions, analyse and disseminate to all relevant government agencies;
- taking charge of, supervising, controlling, co-ordinating all the responsibilities, functions and activities relating to the current investigation and prosecution of all offences connected with or relating to economic and financial crimes;
- the coordination of all existing, economic and financial crimes investigating units in Nigeria;

These provisions, together with the powers conferred by section 7, give the EFCC investigative powers and make it the co-ordinating agency for the enforcement of the

provisions of:

- the Money Laundering Act
- the Advance Fee Fraud and Other Related Offences Act
- the Failed Banks (Recovery of Debt and Financial Malpractices in Banks) Act
- the Banks and Other Financial Institutions Act
- the Miscellaneous Offences Act; and
- any other law or regulation relating to economic and financial crimes, including the Criminal Code and Penal Code.

This explains why, at one stage, the EFCC became one of the principal institutions in Nigeria's response to corruption. It is certainly energetic in obtaining convictions across the federation, but a glance at its convictions records show that these relate mostly to financial crimes by individuals (such as conspiracy to steal, obtaining money by false pretences, theft, and so on), rather than official corruption. The EFCC is, however, still active in money laundering prosecutions.

Transparency

Apart from the limited moves towards transparency in the Code of Conduct provisions, the above legislation and institutions are mostly reactive tools in the hands of the Nigerian government.

Civil society has long championed the idea of transparency as a weapon to prevent and respond to corruption. At the time of return to civilian rule in 1999, for example, civil society had been actively seeking to have access to information legislation enacted in Nigeria. Although the incoming president had made a great deal of his determination to combat corruption, he declined to support the proposed legislation once in office. At the same time, bodies such as the Code of Conduct Bureau refused to release the details of the Declaration of Assets forms filed by political office holders under the excuse that the National Assembly had not given it any powers to do so.

In 2004 however, the Obasanjo administration inaugurated the National Stakeholders Working Group of the Nigerian Extractive Industries Transparency Initiative, and in 2007 enacted the Nigerian Extractive Industries Transparency Initiative Act to provide a framework for all companies in the extractive industries to disclose the amount of revenue that they pay to the Federal Government. Further, in 2010 the Freedom of Information Act was enacted into law by the Federal Government. It provides a right of access to information held by government ministries, departments and agencies. There is on-going litigation about whether it automatically applies to information held by state bodies, but Ekiti State has enacted such legislation.

Other forms of transparency include the release by the Federal Government of details of the amounts paid from the Federation Account to each State for itself and for its Local Governments. This was done on the initiative of the Federal Ministry of Finance but was deeply resented by the States which complained that the Federal Government

was concealing the amount spent by its own ministries, departments and agencies. Dissatisfaction was also expressed by some Local Governments which came to know how much of funds meant for them were being spent 'on their behalf' by State governments.

Overall, these measures have had limited effects on Nigeria's corruption level. Thus, despite having enacted several laws and established multiple institutions dedicated to fighting corruption, corruption has continued to remain a serious challenge in Nigeria, as underscored by the data presented in figures 4, 5 and 6.

Responses in figures 4 – 6 indicate that the public views corruption as a serious problem that is neither declining nor being effectively tackled by the government. The next section of this report examines the impact of that corruption problem on citizens' welfare, particularly on poverty levels.



SECTION 4

Corruption, Poverty and Governance In Nigeria

→ The decision of successive Nigeria governments to create multiple institutions for combating corruption in public and private sectors is itself a confirmation of the endemic nature of corruption in the country.

The governance model contends that corruption affects poverty in the sense that increased corruption reduces governance capacity (otherwise understood as the institutional capacity of government to deliver quality public services). This study was primarily instituted to examine the link between these two phenomena in Nigeria. During the study, we found evidence that in Nigeria, corruption has a profound impact on the level of poverty due to the resulting failure by the government to use resources to deliver poverty-reduction services.

Evidence from Existing Studies Measuring Corruption and Poverty

The first basis for concluding that there is a strong correlation between corruption and poverty in Nigeria is derived from our review of the performance of the country in several existing studies measuring corruption and poverty. A good example is the Transparency International's Corruption Perception Index and the UNDP's Human Development Index. When we analysed the results of both studies for the period 2005- 2013 it became clear that Nigeria consistently scored high in the Corruption Perception Index and low in the Human Development Index, implying that because the incidence of corruption is high, investment in citizens' welfare is low (see table 6).

Nigeria consistently scored high in the Corruption Perception Index and low in the Human Development Index, implying that because the incidence of corruption is high, investment in citizens' welfare is low

Table 6. Comparing Nigeria's Corruption Perception Index and Human Development Index rankings: 2005-2013

Year	Corruption Perception Index Rankings	Human Development Index Rankings
2005	152 out of 158	158 out of 177
2006	150 out of 163	159 out of 177
2007	132 out of 147	158 out of 177
2008	121 out of 150	158 out of 177
2009	130 out of 150	158 out of 182
2010	134 out of 178	142 out of 169
2011	143 out of 182	156 out of 179
2012	139 Out of 175	153 out of 187
2013	144 out of 175	153 out of 187

Source: Transparency International, CPI, 2005 - 2013 and UNDP, HDI 2005 - 2014

If the monies of the states were judiciously deployed they would have had a more positive impact on the lives of the people.

Table 7. Name of public officials indicted in cases of corruption

Name of Public Officer	Amount Misused/Converted	Poverty Rates 2004	2010
Ayo Fayose (Ekiti State)	₦1.2b	40	40
Joshua Dariye (Plateau State)	₦700m	49	54
Michael Botmang (Plateau State)	₦1.5b	49	54
Saminu Turaki (Jigawa State)	₦36b	87	78
Orji Uzo Kalu (Abia State)	₦5b	26	30
James Ibori (Delta State)	₦9.2b	56	42
Lucky Igbinedion (Edo State)	₦4.3b	38	43
Jolly Nyame (Taraba State)	₦180m	44	48
Chimaroke Nnamani (Enugu State)	₦5.3b	32	48

Source: EFCC, "Ongoing Cases", in Bolaji Aluko, April 28, 2010 and NBS, 2012

Citizens' Perceptions of Corruption Trends and Impacts

A second basis for assessing the relationship between corruption and poverty in Nigeria consisted of learning from the perception and feelings of the citizens themselves, who experience these two phenomena under study on a daily basis. In doing this, we assume that their responses will, to a reasonable extent, be influenced by their personal experience with corruption and poverty. In order to avoid biasing the responses to the question of what impact corruption has on poverty was casted or posed in two different ways; one question in a direct way (figure 7) and two questions in an indirect way. The indirect questions used crime, violence and conflict, which are closely associated with corruption (see figure 8). Essentially, our respondents were asked whether they agreed or disagreed with the view that corruption is a major cause of poverty in Nigeria.

Figure 7. Public reaction to the statement: "corruption is the major cause of poverty in Nigeria"

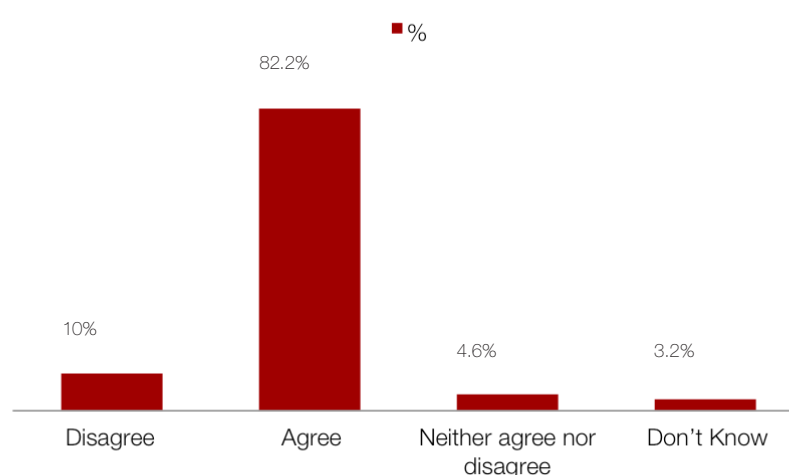
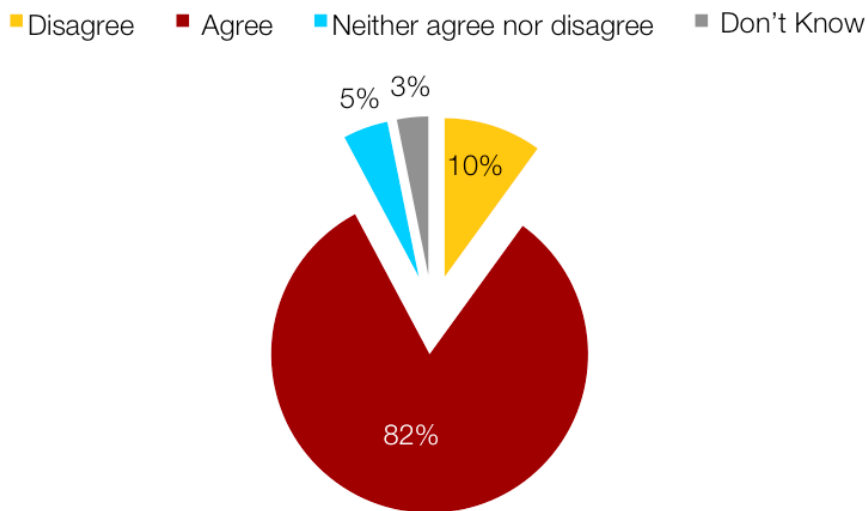


Figure 8. Public reaction to the statement: “corruption is the major cause of crime, violence and conflicts in Nigeria”



A close reading of the responses we received, as contained in tables 6 and 7 indicated that an overwhelming majority considered corruption as a major source of poverty, as well as crime, violence and conflicts. Indeed, only 10.0% of the respondents disagreed with the view compared to 82.2% that agreed with it.

Corruption, Service Delivery and Poverty

Literature shows that the poor often do not get needed services from public agencies when corruption is rampant in society. This may be attributed to several reasons, including: (a) diversion and embezzlement of resources earmarked for services, including vital services such as education and health clinics, (b) lack of access due to limited resources left-over after looting, and (c) lack of oversight and accountability engendering extortion for services by public officials which then leaves the poor with even smaller disposable incomes.⁶⁶ Similarly, the poor are sometimes excluded from some vital social services because they do not have money to bribe officials. When these services are denied the poor, this further worsens their poverty situation.

Respondents in this study were asked how often they have had to pay bribes for admission into educational institutions for their wards; securing employment; obtaining household services like electricity, water, etc.; securing medical attention; avoiding problems with the police; and obtaining important official documents like international passport, driving licences, etc. Their responses are presented in table 8.

Table 8. Reported regularity of payment of bribes for services

Services	Never	Sometimes	Often	Always
Secure admission to school for a child	52.3	29.6	6.7	7.6
Secure employment	40.9	23.6	12.6	19.5
Obtain household services (electricity, water, etc.)	42.4	28.6	13.0	11.0
Secure medical attention	56.2	25.0	8.4	7.0
Avoid problem with the police	31.2	24.0	17.3	23.7
Obtain document (passport, driving license, etc.)	46.3	22.6	11.3	11.7

N = 2105 {percentages do not add to 100, because the 'don't know' category is not reflected}

a significant proportion of the respondents said they often or always paid for admission, employment, utilities, medical attention and avoidance of problems with the police. As a result, the poor, who need these services most, are sometimes excluded from accessing them because they do not have money to bribe officials.

A government is obliged to render certain services to citizens for free, but a significant proportion of the respondents said they often or always paid for admission, employment, utilities, medical attention and avoidance of problems with the police. As a result, the poor, who need these services most, are sometimes excluded from accessing them because they do not have money to bribe officials. This then helps to further perpetuate poverty. It is therefore not surprising that when our respondents were asked whether they agreed or disagreed with the view that corruption is a major cause of poverty in Nigeria, only 10.0% of the respondents disagreed with the view compared to 82.2% that agreed with it (see figure 7).

Poverty and Service Delivery

Results from the survey indicated that a significant proportion of the respondents suffered deprivation in the form of lack of essential means of services and resources (see table 9).

Table 9. Public perception of the delivery of social services (%)

Services	Never	Just once or twice	Several/ many times	Always	Don't know	Total
Gone out without enough clean water for home use	29.9	16.9	38.2	12.7	2.3	100
Gone without money to buy prescribed medicines or medical treatment	24.4	21.5	44.0	7.6	2.5	100
Gone out without enough fuel to cook your food	34.4	17.1	37.6	8.3	2.6	100
Gone out without money for school expenses for your children	28.7	18.7	37.4	11.0	4.1	100
Avoid problem with the police	31.2	24.0	17.3	23.7		
Obtain document (passport, driving license, etc.)	46.3	22.6	11.3	11.7		

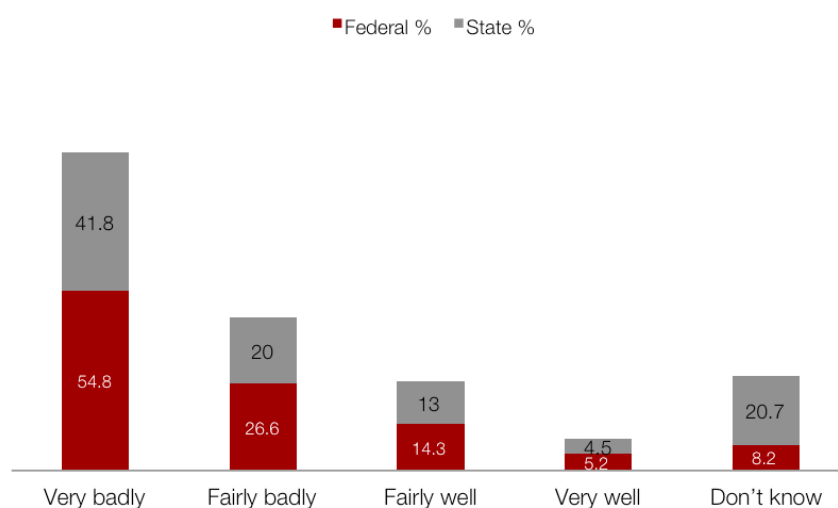
.....
66 World Bank, 2001, op cit.

In terms of the gender dimension of accessing essential services related to poverty, there were no substantial difference demonstrated between males and females (table 10).

Table 10. Gender perception of the delivery of social services (%)

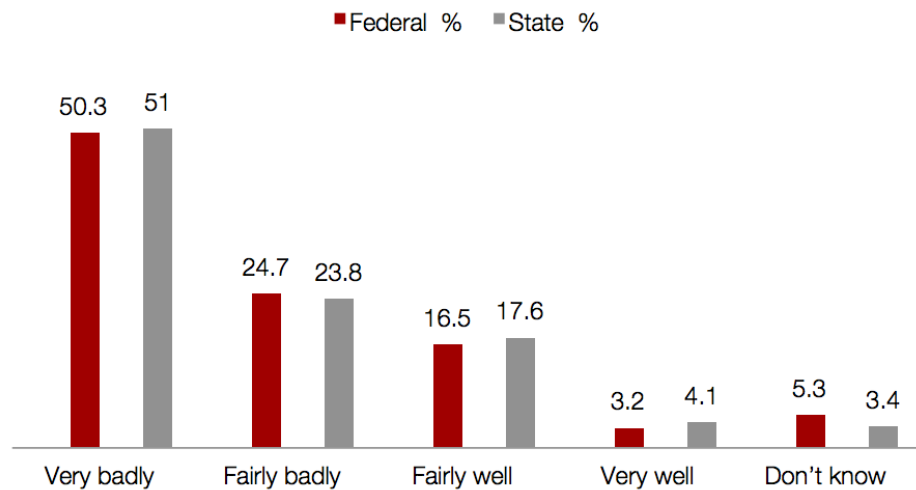
Perception	Gender	Never	Once or twice	Several/ many times	Always	Don't know	Total
Gone out without enough food to eat	M	25.8	25.9	39.1	7.7	1.5	100
	F	26.3	26.5	36.5	9.3	1.5	100
Gone out without enough clean water for home use	M	30.1	17.3	36.2	13.9	2.5	100
	F	29.6	16.5	40.4	11.5	2.1	100
Gone without money to buy prescribed medicines or medical treatment	M	25.5	20.8	44.1	6.6	3.0	100
	F	23.3	22.2	43.8	8.8	2.0	100
Gone out without enough fuel to cook your food	M	36.0	15.6	36.3	9.2	3.0	100
	F	32.8	18.8	39.0	7.4	2.1	100
Gone out without a cash income	M	23.5	19.8	42.5	8.6	5.6	100
	F	24.6	18.4	41.2	11.6	4.2	100
Gone out without money for school expenses for your children	M	29.6	19.4	36.0	9.7	5.3	100
	F	27.8	18.0	39.1	12.3	2.8	100

Figure 9. Public perception of how the government has handled the implementation of policies to reduce poverty?



In countries where corruption is high, employment rates are usually high. This is because resources generated from high growth rates which are meant for employment-generating investments are misused or converted to personal use. Figure 10 shows that more than three quarter of the respondents (75%) say that the handling of job creation by both the federal and state governments in the country hasn't been successful despite the attempts made by the federal government.

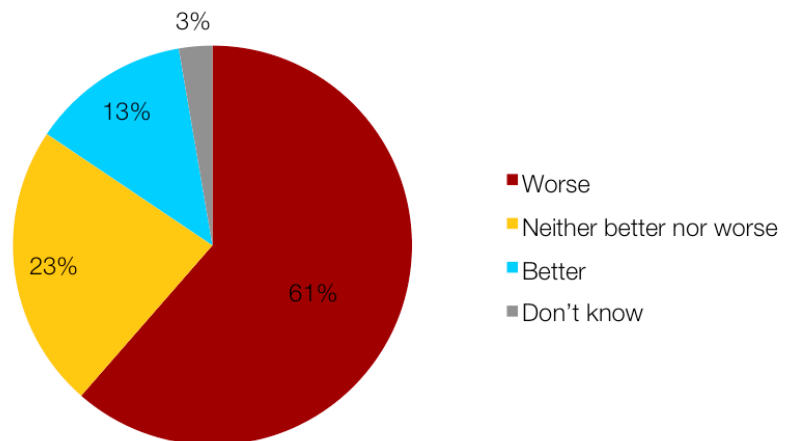
Figure 10. Public perception of how well or badly the federal and state governments are handling job creation



Government officials, through embezzlement of public funds, divert public investment away from major public needs into capital projects that offer huge opportunities for corruption but are of little value to most citizens.

Figure 11 shows that more than half of the respondents indicated that opportunities for citizens to be gainfully employed have not improved in the last 5 years.

Figure 11. Public perception of how the employment opportunities have changed in the past 5 year



More than four-fifths of the respondents said that both the federal and state governments haven't done enough to narrow the gap between the rich and poor in Nigeria (figure 12).

Figure 12. Public perception of the governments' handling of narrowing the gap between the rich and poor

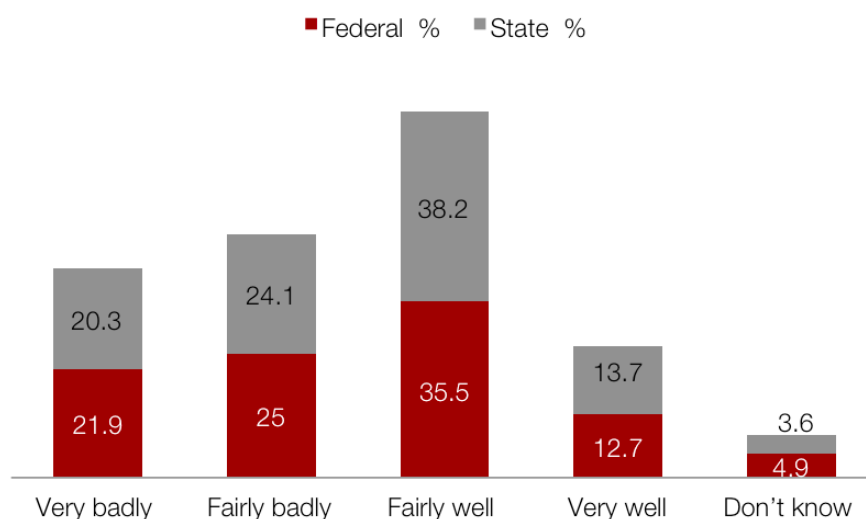


Table 11 shows that there are no fundamental differences in the responses from both male and females regarding their perception of government effectiveness in the implementation of programmes meant to assist the poor.

Table 11. Gender perception of the implementation of programmes meant to assist the poor

Gender	Disagree		Agree		Don't Know		Neither disagree nor agree		Total	
	#	%	#	%	#	%	#	%	#	%
Male	642	58.8	279	25.5	115	19.5	56	5.1	1092	100
Female	591	58.3	224	22.1	120	11.8	78	7.7	1013	100
Total	1233	58.6	503	23.9	235	11.2	134	6.4	2105	100

The respondents are almost equally divided on the issue that the Federal Government has handled health services adequately. 51.9% of respondents are comfortable with the state governments' handling of basic health services (figure 12).

In terms of education, about half of the respondents said that the federal government's handling of the educational sector is bad while the respondents say that governments at state level handle education better.

Figure 13. Public perception of the governments' handling of improving basic health services

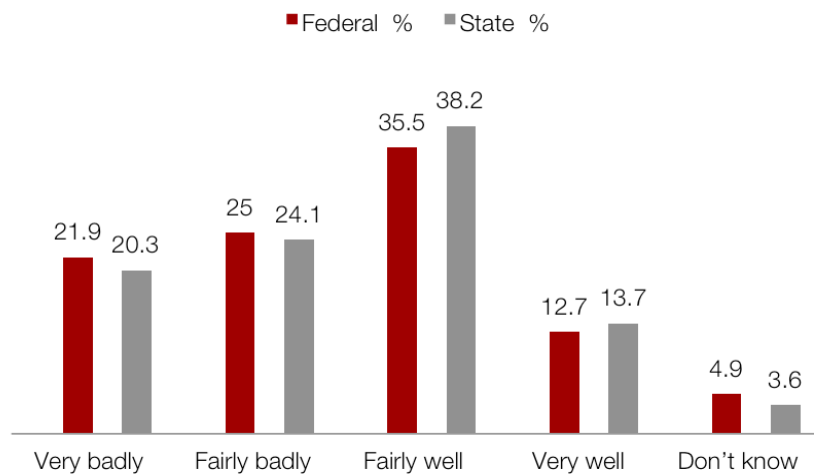
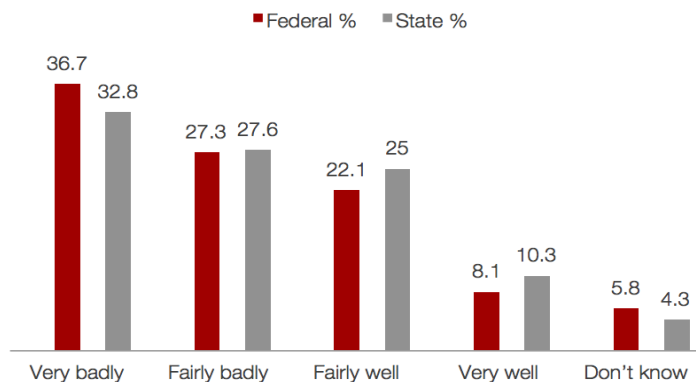


Table 12. Public perception of the governments' addressing of the educational needs of citizens

Performance	Federal		State	
	Frequency	Percentage	Frequency	Percentage
Very badly	528	25.1	481	22.9
Fairly badly	526	25.0	482	22.9
Fairly well	717	34.1	772	36.7
Very well	242	11.5	288	13.7
Don't know	92	4.4	81	3.8
Total	2015	100	2015	100

Figure 14 shows that pipe borne water (water provided by government) is not available for citizens. More than half of the respondents believe that both the federal and state governments' handling of household water is poor.

Figure 14. Public perception of the governments' provision of household water



Roads are in a deplorable state in all parts of the country. Table 13 shows that more than half of the respondents (61.5%) feel that the federal and state governments have not handled the maintenance of roads well.

Table 13. Public perception of how the governments' are handling of the maintenance of roads

Performance	Federal		State	
	Frequency	%	Frequency	%
Very badly	746	35.4	710	33.7
Fairly badly	550	26.1	522	24.8
Fairly well	516	24.5	524	24.9
Very well	211	10.0	252	12.0
Don't know	82	3.9	95	4.5
Total	2015	100	2015	100

Summary of Findings

1. State governors, ministers, legislators, MDAs at national, states and local government levels who control the machinery of government and are responsible for the deployment of resources for welfare and development have mismanaged public funds.
2. The private sector, which carries out capital projects on a per contract basis at national, state and local government levels, has also been involved in corruption, either in the form of kickbacks or non-performance or under-declaration of internal operations, including profits.
3. Money laundering has become a major means through which looted money from Nigeria is taken out to other secret destinations usually in other countries.
4. Operations in the Nigerian extractive industry are still opaque and are not properly and effectively monitored by agencies and civil society.
5. Massive corruption has diverted funds from wealth and employment generation sectors of the economy and this makes poverty reduction difficult to achieve as a goal.
6. Anti-corruption agencies have not been able to win the war against corruption through effective and diligent prosecution of persons accused of corruption, thus weakening public confidence and support for the agencies and their efforts;
7. Anti-corruption agencies do not have the capacity for systematic data collection and this makes the building of a comprehensive database of corruption cases difficult.
8. There are legal impediments that frustrate the trial of corruption cases in the country, such as the perpetual injunction granted corrupt politicians against the EFCC.
9. The politicization of corruption by the government in which people who have been indicted and or convicted of corruption as well as their rehabilitation by the government weakens the fight against corruption. The shielding of public officials from facing investigation against corruption has not helped matters either.

10. There is lack of political will at the highest levels of government to reduce corruption.
11. The Correlation Between Corruption and Poverty in Nigeria
12. The study found out that there is a strong correlation between corruption and poverty in Nigeria in the following areas:
13. Nigeria scores high in the Corruption Perception Index and scores low in the Human Development Index implying that because the incidence of corruption is high, investment in citizens' welfare is low.
14. The poverty level in some states where State Governors were found to be guilty of misusing and converting public funds into private use is higher than states where governors were judicious in the use of public funds. The point that is being made here is that if stolen resources were deployed to address the various poverty challenges in these States (and in the health sector in the case of the Ministers involved), the poverty rates should have declined below their present levels.
15. Corrupt behaviours eroded the institutional capacity of government in states and ministries to deliver quality public services such as education, health, infrastructure etc. This is why poor people perceive their living standards, by both income and non-income measures, to be stagnating or worsening.
16. Poverty is reflected in situations where the poorest Nigerians have the worst education and health indicators - both on service uptake and outcomes - across the country.



SECTION 5

Conclusions and Recommendations

→ The study revealed that both corruption and poverty are widespread in Nigeria. The majority of Nigerians have limited access to education and health services - both in terms of service uptake and outcomes - across the country.

Reflecting on the arguments in the literature review, it was discovered that much of the poverty in Nigeria is caused by corruption. Specifically, this study shows that corruption is contributing to poverty in Nigeria in two main ways. The first way is by aggravating income inequality; lower income households use a higher proportion of their income for bribes to access basic social services, leaving them with very little disposable funds to spend on essential goods and services. This agrees with the economic model of corruption which was earlier evoked in our literature review.

The second way corruption contributes to poverty in Nigeria is by eroding the institutional capacity of government to deliver quality public services such as education, health, infrastructure, security, etc. This is what is known as the governance model. Government officials, through embezzlement of public funds, divert public investment away from major public needs into capital projects that offer huge opportunities for corruption but are of little value to most citizens. In other words, corruption will negatively affect the composition of government spending on health and education. This is why countries with higher corruption generally tend to have lower levels of social spending, regardless of their level of development. Or, where such social services are available, they will be of poor quality because of the little amount of resources that will be committed to them. This implies that because of rampant corruption, most citizens are unable to access important social services that could improve their living standards.

It is therefore not surprising that the majority of the people in Nigeria perceive their living standards, by both income and non-income measures, to be stagnating or worsening. The rationale for this deterioration is: “the increased prices of food and fuel; absent or unaffordable/inaccessible and low quality public social services; lack of skills and employment opportunities; uncertain land tenure and property rights; lack of social capital; and elite capture of resources and benefits”.⁶⁷

This generalised atmosphere of corruption can and does have consequences. The first consequence is a reduced public trust in government, the vulnerability of the poor increases as their economic productivity is affected as corruption in government services contributes to disaffection and distrust, and this appears to impact particularly heavily on the poor. This is because low-income communities are the ones who are most likely to be dependent on government services for assistance with basic needs, such as education and healthcare, and are least likely to be able to pay bribes to cut through corrupt bureaucracies. The absence of trust also has economic consequences: it serves as a disincentive to engage in productive activities.⁶⁸

Government officials, through embezzlement of public funds, divert public investment away from major public needs into capital projects that offer huge opportunities for corruption but are of little value to most citizens.

This generalised atmosphere of corruption can and does have consequences. The first consequence is a reduced public trust in government, the vulnerability of the poor increases as their economic productivity is affected as corruption in government services contributes to disaffection and distrust, and this appears to impact particularly heavily on the poor.

67 DFID (2013). Protect LOCSEN - poverty analysis, DFID Nigeria, p. 10-11; World Bank, Voices of the Poor, Washington D. C., 2003.
68 Buscaglia, Edgardo (1995). “Judicial Corruption in Developing Countries: Its Causes and Economic Consequences”, Essays in Public Policy. Hoover Institution

The second consequence is that while in the public sector, corruption undermines economic growth, fosters inequality, and erodes government's capacity to provide social services, thereby deepening poverty. Alternatively, poverty invites corruption as it is also established that where public officials are underpaid and are unable to meet basic needs with their legitimate income, they are more likely to resort to sharp practices, bribery, extortion and diversion of public resources.

Recommendations

In Nigeria, the two problems of corruption and poverty have so far been treated as two separate national challenges. However, findings from this study have demonstrated a strong causal relationship between the two. The study demonstrates that a reduction in corruption could help drop the level of poverty. In other words, anti-corruption programmes must be considered as part of the overall strategy to address the Nigerian poverty problem. Our policy recommendations, addressed to the different major stakeholders, are therefore both targeted and generic to the twin issues.

findings from this study have demonstrated a strong causal relationship between the two. The study demonstrates that a reduction in corruption could help drop the level of poverty. In other words, anti-corruption programmes must be considered as part of the overall strategy to address the Nigerian poverty problem.

I Responsibility of the Executive

- a. **Geographical Targeting:** Poverty is high throughout the country, but considerable geographical differences exist in terms of magnitude of problem and underlying causes. It is therefore important to develop policies that understand the underlining causes of poverty and its differential spread and adequately respond to such differences.
- b. **Targeting certain public services, particularly Education, Health:**
 - **Health:** Cost of health care is one of the major barriers to access. There are lots of potentials with the existing policy framework in addressing this constraint, particularly with Primary Health Care (PHC). What is required is effective coordination between the three tiers of government. In particular, greater attention needs to be paid to the provision of PHC facilities in the north, where access to health facilities is lower and health outcomes are worse.⁶⁹
 - **Education:** In recognition of the relative differences in educational attainment and outcomes between regions and among States, policies must be discriminatory to reflect these differences. The current framework, the Universal Basic Education (UBE), needs to be reviewed and fine-tuned for greater effectiveness .
- c. **Social Protection Policy:** Develop and implement an effective social protection policy. Nigeria currently doesn't have a coherent social protection policy. At best social protection at both national and state level is largely ad hoc. Such a policy will help identify vulnerabilities and respond to them in more systematic manner. A more detailed pro-poor policy orientation will need to be put in place, coordinated between the three tiers of government and complemented by private sources and on-going donor interventions.

⁷⁰ For details on this recommendation see for instance Nigerian Bureau of Statistics, 2007, op cit.

- d. Strengthen state-citizens relations as part of the social contract needed to reduce citizens and leadership's propensity to engage in corruption. There should be investments in civic education for both public office holders and citizens to promote this synergy.
- e. Make corruption a development issue, in which case governments at all levels should pay significant attention to social provisioning as a way of serving as a disincentive for citizens to engage in corrupt behaviours.
- f. The Federal Government should implement all aspects of the Procurement Act, including constituting and inaugurating the national Procurement Council. State governments should also enact similar laws, where they don't exist, and ensure effective implementation.
- g. The Office of the Attorney General should enforce compliance with the Freedom of Information Act across all MDAS.
- h. The Federal Government should ensure that all anti-corruption agencies are autonomous and given all the powers and resources they need to discharge their mandates of fighting corruption.
- i. There is need for government to increase its support and commitment to NEITI to enable it to discharge its mandate in the area of ensuring accountability in the extractive industry.
- j. There is need to visit the public reward system and remuneration of public officials to reduce fear of impoverisation upon retirement from public employment.

II. Responsibility of the Legislature

- a. The corruption fighting institutions should be streamlined, reformed and strengthened in order to avoid administrative conflicts from similar agencies; be cost effective; free it from executive and other forms of control; and facilitate optimum performance. The specific actions to be taken include:
 - Merge ICPC and EFCC and harmonise their activities
 - Reform the anti-corruption institutions to weed out non-performing staff and elements that frustrate and weaken the internal operations through their resistance to change
 - Adequately fund the institutions, with ; modern systems designed and employed to enable them to conduct their affairs in a transparent and professional manner
 - Ensure the institutions' relative autonomy from the executive and legislature
- b. The immunity clause should be removed from the 1999 Constitution of the Federal Republic of Nigeria (as amended) in order to deny public office holders the opportunity to engage in corruption and other forms of impunity and escape unsanctioned and serve as a deterrent to public officers from engaging in corruption. The specific action to be taken is the review of the 1999 Constitution to make it mandatory for President, Governors, Chairmen of local government councils and other political office holders to be tried in the court of law for criminal offences committed while in office.
- c. The extant laws in the Penal Code should be reviewed in order to increase penalties

The immunity clause should be removed from the 1999 Constitution of the Federal Republic of Nigeria (as amended) in order to deny public office holders the opportunity to engage in corruption and other forms of impunity and escape unsanctioned and serve as a deterrent to public officers from engaging in corruption.

Local level accountability should be strengthened; citizens should be at the centre of demanding for transparency and accountability in the conduct of public and corporate affairs.

which will serve to deter public officers from engaging in corrupt behaviours. The specific actions to be taken include the review of clauses relating to sanctions in the Penal Code to increase penalties.

- d. There is need to review and reform the current tax system as a way of reducing corruption. Many government agencies, especially the gateway agencies, collect money that never gets to the treasury.
- e. New modalities have to be put in place through appropriate legislation to ensure transparency of public financial transaction beyond just seeking to know using the Freedom of Information Act.
- f. There is need to speedily pass the Whistle Blowers Protection Bill

III Responsibility of Anti-Corruption Agencies

- a. Anti-corruption agencies must institute a programme of robust documentation and building of reliable database on corruption.
- b. A process of monitoring for corruption needs to be instituted to enable the agencies to act proactively rather than wait for people to make complaints.
- c. The Code of Conduct Bureau should ensure compliance with the law with respect to the declaration of assets by public officials and promptly prosecute defaulters.
- d. There is need for the anti-corruption agencies to mobilise various stakeholders around a strategic programme of fighting corruption in the country.

IV Responsibility of Civil Society

- a. Local level accountability should be strengthened; citizens should be at the centre of demanding for transparency and accountability in the conduct of public and corporate affairs.
- b. There is a need to scale up citizen education to facilitate the understanding that public funds are not resources for government officials, but resources for the provision of public good.
- c. Advocacy for the passage of all anti-corruption related legislations should be continued at all levels.
- d. Advocacy for the full and effective implementation of the Freedom of Information Act should be continued.
- e. There is need to monitor government to ensure compliance with all anti-corruption laws including the Freedom of Information and Public Procurement Acts .
- f. Advocacy is needed to ensure that states fully implement the Freedom of Information Act.
- g. Civil society should engage in systematic monitoring and reporting on advocacy efforts.
- h. Civil society should drive the campaign against corruption at the grassroots level to ensure that a critical mass needed to achieve traction in the campaign is possible.
- i. Sensitisation and advocacy efforts against corruption should be extended to the private sector

Although Nigeria is not a major aid destination, development partners have an important role to play in the fight against corruption and poverty.

V Responsibility of Development Partners

Although Nigeria is not a major aid destination, development partners have an important role to play in the fight against corruption and poverty.

- a. Development assistance to Nigeria should be designed to contribute to the fight against corruption and poverty in the country.
- b. Development partners should continue to encourage international support for the fight against corruption in the country, using the instrumentality of bilateral and multilateral structures.
- c. There should be adherence to the highest standards of openness and transparency in the granting of aid to the nation and transfer of resources to agencies.
- d. They should continue to support the works of civil society groups, particularly those directed at fighting corruption, impunity and poverty.
- e. Development partners need to understand poverty in its broadest sense rather than relying purely on aggregate measures of income poverty

→ References

- Abdu, Hussaini (2014). "*Millennium Development Goals and Poverty Reduction: Context, Challenges and Way Forward*", Current Issues in Development, Office of Research and Development, University of Jos, Vol. 2: 1
- Adekunle, F (1991). "*Illustrations of Types, Patterns, and Avenues of Corruption in Nigeria: A Typology*" Kalu, A. W. et.al (1991) Perspectives on Corruption and Other Economic Crimes in Nigeria, Lagos, Federal Ministry of Justice
- Alemika, E. E. O (No Date). "*Corruption, Governance Performance and Political Trust in Nigeria*" (unpublished)
- Amundsen, Inge (2010). *Good Governance in Nigeria: A Study in Political Economy and Donor Support*, Michelsen Institute, Project number: 10013, Project title: Study of Norwegian Support for Good Governance in Nigeria, 24 August
- Bayley, D. H (1970). "*The Effects of Corruption in a Developing Nation*" Heidenheimer, Arnold J. (1970) Political Corruption - Readings in Comparative Analysis, New York: Holt, Rinehart and Winston Inc.
- Buscaglia, Edgardo (1995). "*Judicial Corruption in Developing Countries: Its Causes and Economic Consequences*", Essays in Public Policy. Hoover Institution
- Cap. C15 Laws of the Federation of Nigeria
- Chetwynd, Eric; Chetwynd, Frances; Spector, Bertram (2003). "*Corruption and Poverty*", Washington, DC: Management Systems International, January
- Dey, Harendra Kanti, "*The Genesis and Spread of Economic corruption: A Micro-Theoretic Interpretation*" World Development 17(4), 1989, p503 – 504.
- DFID (2013). Protect LOCSEN - poverty analysis, DFID Nigeria,
- Dictionary of Social Sciences, Oxford University Press, Oxford 1964
- Egwu, Samuel (no date). "*Nigeria's Poverty Overhang: Fashioning a Legislative Response*" (unpublished)

Enweremadu, U. David (2013). "*Nigeria as an Emerging Economy?: Making Sense of Expectations*", South African Journal of International Affairs, Vol. 20, No.1,

Gupta, Sanjeev, Hamid Davoodi, Rosa Alonso Terme (1998). "*Does Corruption Affect Income Equality and Poverty?*" IMF Working Paper 98/76

Gupta, Sanjeev, Hamid Davoodi and Erwin Tiongson (2000). "*Corruption and the Provision of Health Care and Education Services.*" IMF Working Paper 00/116

Klaveren, J. V. (1970). "*The Concept of Corruption*", Heidenheimer, Arnold J. Political Corruption - Readings in Comparative Analysis, New York, Holt, Rinehart and Winston Inc

Kong, T. Y., (1996) "*Corruption and its Institutional Foundations: The Experience of South Korea*" in IDS Bulletin, vol. 7, No. 2,

Kaufmann, Daniel, Aart Kraay and Pablo Zoido- Lobaton (2002). "*Governance Matters II, Updated Indicators for 2000/01*," World Bank Policy Research Working Paper 2772.

National Bureau for Statistics and World Bank (2007). Nigeria Poverty Assessment 2007, Abuja: NBS

National Bureau of Statistics, (2012). '*The Nigerian Poverty Profile 2010 report*', Abuja,

Ndikuman, A, (...) "*The Private Sector as Culprit and Victim of Corruption in Africa*", Department of Economics and Political Economy Research Institute (PERI) University of Massachusetts Amherst

Nye, J.S. (1970). Corruption and Political Development: A Cost Benefit Analysis, in Arnold J. Heidenheimer (ed.), Political Corruption, Transaction publishers, New York,)

Owasanoye, B. (2014). Justice or Impunity? High Profile Corruption Cases Crawling or Gone to Sleep. Lagos, Human Development Initiatives

Quibria, M.G. (2002). "*Growth and Poverty: Lessons from the East Asian Miracle Revisited.*" Asia Development Bank Research Paper 33

Rogow, A. A. and Lasswell, H. D. (1970). "*The Definition of Corruption*" Heidenheimer, Arnold J. Political Corruption - Readings in Comparative Analysis, New York, Holt, Rinehart and Winston Inc

Rose-Ackerman, Susan (2001). "*Trust, Honesty and Corruption: Reflections on the State Building Process.*" European Journal of Sociology 42:

Sha, D. Pam (2009). "*Corruption and Its Effects on Governance and Development in Nigeria*" Paper presented at the NLC Rain School, Calabar Nigeria

Shah, A. (2007). Tailoring the fight against Corruption to Country Circumstances", in A. Shah (ed.), "*Performance Accountability and Combating Corruption*. Washington, D. C.: The World Bank

Theobald, Robin, (1990). Corruption, Development and Underdevelopment, Durham, Duke University Press

Transparency International (2005 - 2013). Corruption Perception Index, <http://www...>

Transparency International (2005). Report on the Transparency International Global Corruption Barometer 2005. Policy and Research Department Transparency International – International Secretariat 9 December

Transparency International (2005-2013). Corruption Perception Index

Transparency International (2008). Report on "*Poverty and Corruption*" <http://www...>

Ubeku, A.K, 1991. "*The Social and Economic Foundations of Corruption and Other Economic Crimes in Nigeria*", Ajibola, Bala, Perspectives on Corruption and Other Economic Crimes in Nigeria , Lagos: Federal Ministry of Justice

United Nations Development Programme (1998). Human Development Report1997, New York,.

United Nations Development Programme, (2005-2014). Human Development Index, <http://www...>

United Nations Industrial Development Organisation (2010). "*Energy Poverty: How to make modern energy access universal*", a special early excerpt of the World Energy Outlook for the UN General Assembly on the Millennium Development Goals

World Bank, (2003). "*Voices of the Poor*", World Development Report, Washington D. C.,

World Summit for Social Development (1995). Copenhagen,.

Zak, Paul and Stephen Knack (1998). "*Trust and Growth*," IRIS Center Working Paper No. 219.

→ Newspaper

BUSINESSDAY, March 1, 2014 "*Nigeria's Kerosene Conundrum*",
http://businessdayonline.com/2014/03/nigerias-kerosene-subsidy-conundrum/#.U7o9_bEbicl

Huffington Post, July 25, 2011, story titled "*Nigeria Kerosene Too Expensive For Oil-Rich Country's Poor*",
http://www.huffingtonpost.com/2011/07/25/nigeria-kerosene-too-expensive_n_908837.html

Nbm News, 24th May 2012, "*Malabu Oil Scam: How \$1.1bn Was Shared*",
<http://www.nigerianbestforum.com/blog/?p=114673>

Olusegun Adeniyi "*Yar'Adua, Kerosene & the Subsidy Scam*" in This Day newspaper ,
13th February 2014
<http://www.thisdaylive.com/articles/yar-adia-kerosene-the-subsidy-scam/171294/>

PUNCH, February 3, 2014, "*AMCON spent N1.7tn on non-performing loans*", by Chike-Obi, <http://www.punchng.com/business/money/amcon-spent-n1-7tn-on-non-performing-loans-chike-obi/>

Sahara reporters, March 12, 2013, Jonathan Pardons Ex-convicts, Alamiyeisegha, Bulama, Others - PREMIUM TIMES, <http://saharareporters.com/2013/03/12/jonathan-pardons-ex-convicts-alamieyisegha-bulama-others-premium-times>

The Premium Times, 27th May 2012, "*Adoke lies, misleads Nigerians*", http://premiumtimesng.com/news/5309-adoke_lies_in_rection_to_n155bn_scandal.html

Vanguard, August 14, 2009, "*CBN sacks 5 banks' CEOs, appoints acting MD/CEOs*",
<http://www.vanguardngr.com/2009/08/cbn-sacks-5-banks-directors/#sthash.eZ94iBRk.dpuf>

Vanguard, February 5, 2014, "*Kerosene subsidy is a scam*", according to the CBN Governor, Sanusi Lamido Sanusi, <http://www.vanguardngr.com/2014/02/kerosene-subsidy-scam-sanusi/>

→ Acronyms

MDG	-	Millennium Development Goals
ICPC	-	Independent Corrupt Practices & Other Related Offences Commission
EFCC	-	Economic and Financial Crimes Commission
CLO	-	Civil Liberties Organisation
GDP	-	Gross Domestic Product
MDAs	-	Ministries, Departments and Agencies
CSOs	-	Civil Society Organisations
NBS	-	National Bureau of Statistics
USD	-	US Dollars
FCT	-	Federal Capital Territory
UNDP	-	United Nations Development Programme
NACB	-	Nigeria Agricultural and Cooperative Bank
OFN	-	Operation Feed the Nation
ACGS	-	Agricultural Credit Guarantee Scheme
SAP	-	Structural Adjustment Programme
NALDA	-	National Agricultural Land Development Authority
NDE	-	National Directorate of Employment
DFRRI	-	Directorate of Food, Roads and Rural Infrastructure
FEAP	-	Family Economic Advancement Programme
PBN	-	People's Bank of Nigeria
NERFUND	-	National Economic Reconstruction Fund
NUMTP	-	National Urban Mass Transit Programme
UBE	-	Universal Basic Education
NAPEP	-	National Poverty Eradication Programme
NEEDS	-	National Economic Empowerment and Development Strategy
NNPC	-	Nigerian National Petroleum Corporation
LPG	-	Liquefied Petroleum Gas
PPMC	-	Pipelines and Products Marketing Company
PPPRA	-	Petroleum Product Pricing and Regulatory Authority
DFID	-	Department for International Development
DPK	-	Dual Purpose Kerosene
SNUD	-	Shell Nigeria Ultra Deep Limited
Malabu	-	Malabu Oil & Gas Limited
NAE	-	Nigerian Agip Exploration Limited
SNEPCO	-	Shell Nigeria Exploration and Production Company Limited
AMCON	-	Asset Management Corporation of Nigeria
ACTU	-	Anti-Corruption and Transparency Unit
PHC	-	Primary Health Care
DFID	-	The Department for International Development

