



NIGERIA DEMOCRATIC GOVERNANCE REPORT

Curbing Political Instability and Extravagance

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List of Abbreviations

ARG - Afenifere Renewal Group
 INEC – Independent National Electoral Commission
 CBN – Central Bank of Nigeria
 SEC – Securities and Exchange Commission
 DMO – Debt Management Office
 ECA – Excess Crude Account
 IPPIS – Integrated Payroll and Personnel Information System
 SURE-P – Subsidy Reinvestment and Empowerment Programme
 SWV – Service Wide Votes
 NASS – National Assembly
 MDA – Ministries, Departments, and Agencies
 SWF – Sovereign Wealth Fund
 PTF – Petroleum Trust Fund
 NDDC – Niger Delta Development Commission
 VAT – Value Added Tax
 BPP – Bureau of Public Procurement
 PRRT – Pension Reform Task Team
 EFCC – Economic and Financial Crimes Commission
 NNPC – Nigerian National Petroleum Corporation
 NEITI – Nigeria Extractive Industry Transparency Initiative
 NBS – National Bureau of Statistics
 NER – Nigeria Economic Report
 FIRS – Federal Inland Revenue Service
 MDG – Millennium Development Goals
 NIS – Nigeria Immigration Service

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Foreword

This report is another edition of ARG's annual tradition of reviewing the state of our nation. The objective is to provide a conscientious assessment of national issues from the perspective of patriotic citizens.

The importance of this review is underscored by its positioning as an alternative voice to assessments from partisan quarters. It therefore helps every Nigerian to gain balanced and accurate knowledge of Nigeria's political/economic governance.

For this year however, the assessment is not limited to 2014 alone. Being the last edition in the current federal regime, it goes back in time to 2010, in order to provide a big picture of major national issues since 2010. It also presents pictorial representations of major trends since 1996.

The most important revelation from this report is that as 2015 approaches, Nigerians have to be sober because political instability is increasing and major indicators now put Nigeria on "Red Alert". Indicators show that since 1999 when the country returned to democracy, political stability has been on the decline, contrary to the norm in democratic climes.

We are now faced with a depressing economic outlook because of dwindling revenues, corruption, and heavily flawed and extravagant budget. Worse still, divisive politics is now so pervasive that the concept of a free and fair election in 2015 is looking more like a mirage, especially with the way INEC's rating has plummeted in recent times. How we navigate 2015 elections in the reality of this context will determine the country's survival.

Nigerians should be concerned because the 2015 General Elections will not replenish the country's depleted tank of political stability if certain reforms are not pursued as urgently as possible.

In the absence of socio-political and economic justice, nepotism and ethnocentrism have taken over as the emblem of our presidential politics. For instance, it is difficult not to read meaning to the fact that under the current administration, all economic agencies like CBN, SEC, DMO, and Finance Ministry, are headed by experts from one ethnic nationality.

Our proposal therefore is for all stakeholders to work together for a win-win situation that will bring about the reforms outlined in Chapter Five of this report, some of which are: restructuring of the current governance framework to reduce the cost of governance and entrench maximum devolution of powers to federating units with a commensurate revenue allocation formula, transparency and accountability in budget implementation process, abolition of Excess Crude Account, reduction of import load by pursuing development of the real sector and eliminating importation of refined petroleum products.

Nigeria was not "coupled" through violence; neither did its Independence occasion bloodshed, why then should its "unity" continue to pose the greatest threat to its citizens? If we desire a

change in this country's fortune for the better, 2015 must be a win-win, no-victor-no-vanquished year for all constituents and the only way to achieve that is by pursuing the reforms listed above.

It is our hope that the issues presented in this report will dictate national discourse, clearly inform Nigerians on what needs to be done to move the country forward, and also inform manifestoes of political parties and their candidates, who aspire to lead the country. This is because, in accordance with the facts presented in this report, historical and empirical evidences show that any administration that does not pursue the reforms enunciated in Chapter Five cannot engender the desired political stability, peace, and prosperity in Nigeria.

Hon. Olawale Oshun
National Chairman,
Afenifere Renewal Group (ARG)

Chapter 1: Nigeria from global perspective

Governance assessment in Nigeria is difficult – if not impossible – to do because such exercise is always subjected to ethno-political interpretations, which ends up depriving it of whatever it is worth. Therefore, a picture of how Nigeria fared on global ratings between 2010 and 2014, as shown below, becomes an alternative.

Please, note that in each of these charts, the country's rank signifies better performance when it goes downward and worse performance when it goes upward, in the first four charts.

Governance category

Summary: Governance indicators show very little progress in the last five years.

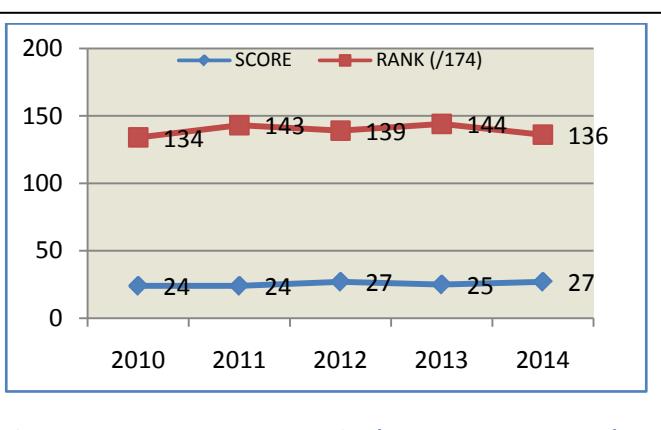


Chart 3: Corruption Perception Index (www.transparency.org)

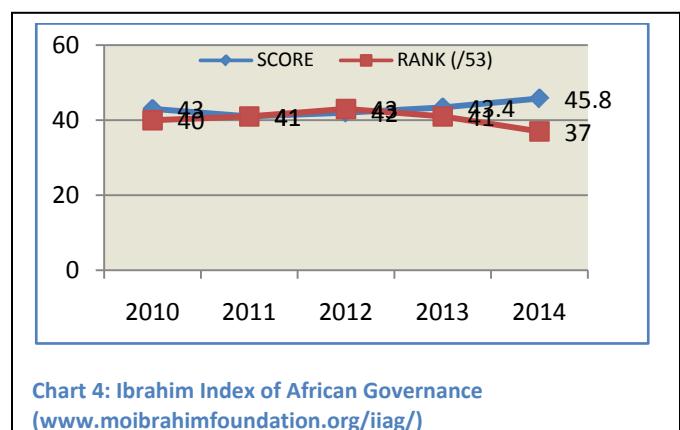


Chart 4: Ibrahim Index of African Governance (www.moibrahimfoundation.org/iiag/)

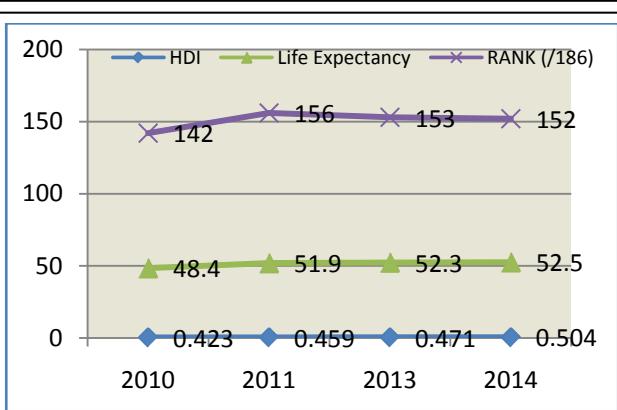


Chart 5: Human Development Index (www.hdr.undp.org/en)
All ratings fell under the **Low Human Development** category

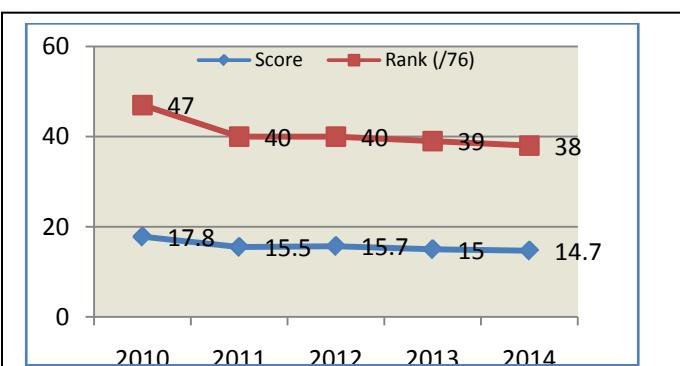


Chart 6: Global Hunger Index (www.ifpri.org)
While there has been improvement, Nigeria, since 2000, is still within the "**Serious**" hunger category.

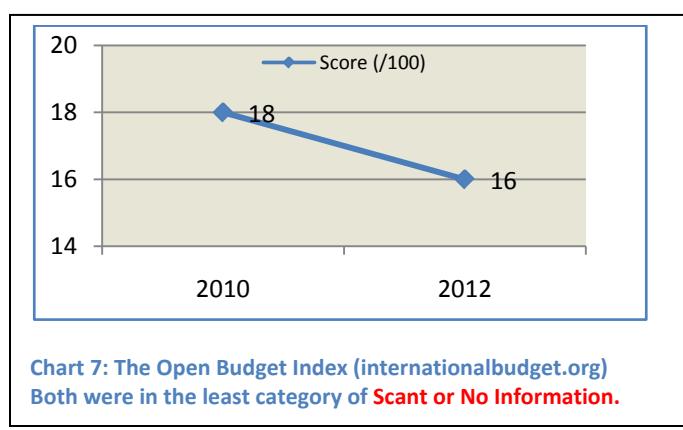


Chart 7: The Open Budget Index (internationalbudget.org)
Both were in the least category of **Scant or No Information**.

Economic Category

Summary: Economic indicators show worsening trends

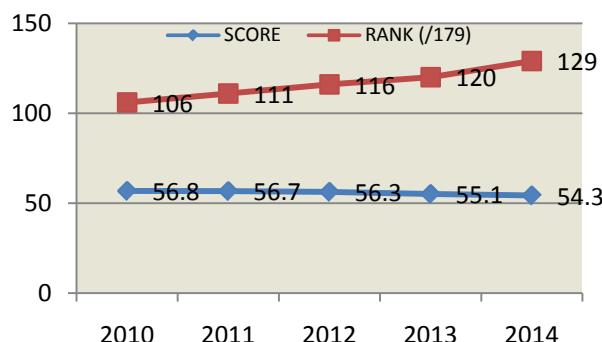


Chart 8: INDEX OF ECONOMIC FREEDOM (www.heritage.org)

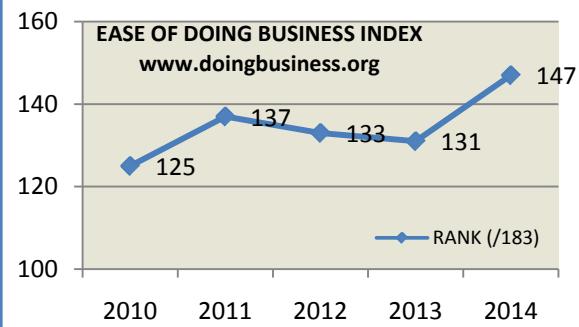


Chart 9: Ease of Doing Business Index

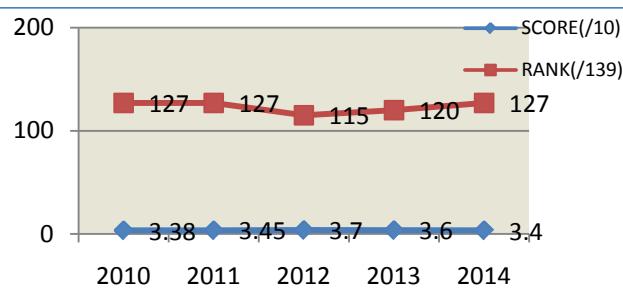


Chart 10: The Global Competitiveness Index
www.weforum.org/issues/global-competitiveness

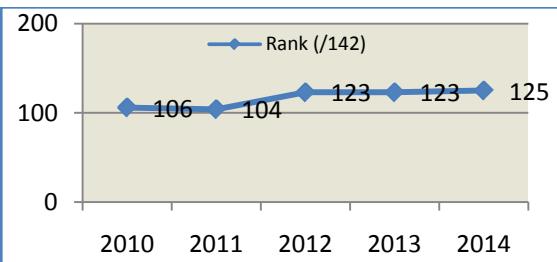


Chart 11: The Prosperity Index
www.prosperity.com

Democracy Category

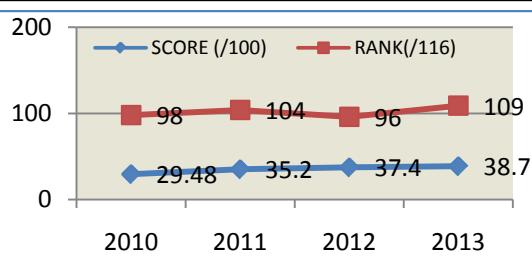


Chart 11: Democracy Ranking www.democracyranking.org

The maiden 2014 African Transformation Index¹ rated Nigeria 19th out of 21 African countries surveyed.

The readings from these charts and their implications for day-to-day life in Nigeria are consistent with the utter feeling of vulnerability and helplessness by the citizens and their clamour for revitalisation of economic growth and development in the country.

¹ <http://africantransformation.org/2014/02/13/2014-african-transformation-index/>

Chapter 2: Let's follow the money

Budget is any government's most important tool for executing its plan. The table below shows how resources were allocated in the last five years.

Table 1: Approved and Actual Federal Government's budget 2009-2014

| APPROVED BUDGET (N'bn) | | | | | | | | | | | | | |
|------------------------|-----------|----------|--------------|-----------------|----------|---------------------|-----------|------------|-----------|--------------|--------------|---------------|-----------------|
| YEAR | PERSONNEL | OVERHEAD | DEBT SERVICE | TOTAL RECURRENT | CAPITAL | STATUTORY TRANSFERS | TOTAL | DEFICIT | REVENUE | FUEL SUBSIDY | SURE-P | REC:CAP RATIO | OIL BENCHMARK |
| 2009 | | | 283.65 | 1,824.71 | 1,280.71 | 168.62 | 3,102.16 | | | | | 67:33 | \$45 |
| 2010 | 1,703.94 | 965.08 | 542.38 | 3,211.39 | 1,764.69 | 183.58 | 5,159.66 | (1,979.79) | 3,179.87 | 491.92 | | 66:34 | \$60 |
| 2011 | 1,948.91 | 476.16 | 495.10 | 2,920.17 | 1,146.75 | 417.83 | 4,484.75 | (1,136.64) | 3,348.11 | 245.96 | | 74:26 | \$75 |
| 2012 | 1,799.60 | 625.45 | 559.58 | 2,984.63 | 1,339.99 | 372.59 | 4,697.21 | (1,136.19) | 3,561.02 | 888.10 | 180.00 | 71:29 | \$72 |
| 2013 | 1,861.47 | 554.28 | 591.76 | 3,007.51 | 1,590.74 | 388.05 | 4,986.30 | (886.07) | 4,100.24 | 971.14 | 273.50 | 68:32 | \$79 |
| 2014 | 1,956.49 | 498.40 | 712.00 | 3,166.89 | 1,119.61 | 408.69 | 4,695.19 | (964.19) | 3,731.00 | 971.14 | 268.37 | 76:24 | \$77.5 |
| TOTAL | 9,270.41 | 3,119.37 | 3,184.47 | 17,115.30 | 8,242.49 | 1,939.36 | 27,125.27 | (6,102.88) | 17,920.24 | 3,568.26 | 721.87 | | |
| ACTUALS (N'bn) | | | | | | | | | | | | | |
| YEAR | PERSONNEL | OVERHEAD | DEBT SERVICE | TOTAL RECURRENT | CAPITAL | STATUTORY TRANSFERS | TOTAL | DEFICIT | BORROWING | REVENUE | FUEL SUBSIDY | REC:CAP RATIO | AVG OIL PRICE * |
| 2009 | 986.23 | 726.23 | 251.79 | 1,964.25 | 562.37 | 168.62 | 2,695.24 | (990.27) | | 1,704.97 | 43.65 | 79:21 | \$60.86 |
| 2010 | 1,563.98 | 982.26 | 415.62 | 2,961.86 | 883.87 | 201.32 | 4,047.06 | (1,088.34) | 1,360.00 | 2,958.72 | 416.46 | 78:22 | \$77.38 |
| 2011 | 1,853.96 | 673.30 | 527.07 | 3,054.33 | 918.55 | 329.18 | 4,302.06 | (1,735.39) | 852.00 | 2,566.67 | 1,055.23 | 79:21 | \$107.46 |
| 2012 | 1,810.66 | 589.64 | 679.28 | 3,079.58 | 744.42 | 307.23 | 4,131.23 | (1,000.14) | 744.44 | 3,131.09 | 743.00 | 82:18 | \$109.45 |
| 2013 | 1,552.66 | 947.85 | 834.57 | 3,335.08 | 900.67 | 331.53 | 4,567.28 | (1,066.80) | 544.00 | 3,500.47 | 505.00 | 80:20 | \$105.87 |
| 2014 | | | | | | | | | | | | | \$101.93 |
| TOTAL | 7,767.49 | 3,919.28 | 2,708.33 | 14,395.10 | 4,009.88 | 1,337.88 | 19,742.87 | (5,880.94) | 3,500.44 | 13,861.92 | | | |

Source: Budget Implementation Reports.

Average Oil Price was sourced from: www.statista.com/statistics/262858/change-in-opec-crude-oil-prices-since-1960/ (accessed on Dec 11, 2014)

Budgetary Notes

1. Any developing nation must be concerned with the recurrent/capital comparative analysis, whether at budgetary or actual implementation level. An average of 70/30 recurrent/capital actual figure portends a stagnating society limited by infrastructure capacities.
2. How to keep Nigeria's debt and recurrent expenditure down is an urgent matter. The cost of servicing debts has risen by 330% between 2009 (N215.79bn) and 2013 (N834.57bn). The domestic debt of about \$60bn is proving unsustainable as almost N943bn has been proposed to service debts in 2015 while capital expenditure is only N633bn, inclusive of SURE-P allocation.
3. For three years in a row – 2011 to 2013 – recurrent expenditure performed beyond 100% while capital expenditure never hit 60%, except in 2011 where it recorded 80% performance.
4. Federal Government's Personnel Cost, spent on less than 1% of Nigeria's population is always higher than the entire capital expenditure for the entire country of 170 million people.
5. The Minister of Finance said the increasing recurrent expenditure is due to wage increment of 2010 and has initiated an exercise (IPPIIS) to weed out "ghost workers." The exercise reportedly weeded out 46,639 "ghost workers"², translating to about 25% of federal civil service workforce but it has not commensurably reduce personnel cost.
6. In 2012 and 2013, the combined proposed allocation to both the Finance Ministry and SWV were less than N400bn. In 2014, the allocation to both jumped to N1.65tn. Curiously, SWV reverted to less than N400bn in the proposed 2015 Budget.

Value for money?

Are Nigerians getting value for the money spent by the Federal Government on their behalf?

1. Just five out of 43 ministries spend more than 70% of Nigeria's overhead on personnel cost and close to one-third of the entire budget. The five ministries are education, police formation and commands, defence and armed forces, health, and interior. But can Nigerians lay claim to effective service from these ministries? Three of these ministries are security related, yet Nigerians remain virtually the most insecure amongst democratic nations.
2. In 2012, the total fund released for capital expenditure was N744bn, which was the same amount the Federal Government raised from Bonds. Does this mean that all revenues generated in 2012 (N3.131tn), short of Statutory Transfers, was used to fund recurrent expenditure?
3. There is a pattern to setting up committees. "Something happens in the country and when the masses cry out, instead of taking decisive action to deal with the problem, the government sets up a committee, commission, panel or whatever they choose to call it."³ These committees sit for months, at the expense of public fund, perusing reports of some previous committee setup for the same or similar purpose. In the end, the recommendations are rarely

² <http://newtelegraphonline.com/46639-ghost-workers-in-federal-civil-service/>

³ <http://ynaija.com/opinion-committees-everywhere-when-will-jonathan-stop/>

- implemented and one is tempted to think that the entire point of setting up committees is to waste time and deflect public attentions away from burning national issues.
4. There has been outrage against the salaries and allowances of federal lawmakers. For instance, the N150bn 2014 Budget of NASS, comprising of just about 2000 elected and appointed personnel, is more than the respective budgets of 21 states in Nigeria⁴.
 5. About 80% of the education ministry's budget is always allocated to personnel, yet teachers and university academics are constantly on strike, raising questions about appropriate and efficient utilisation of allocated fund.
 6. While the Federal Government slashed capital expenditure in the proposed 2015 budget from N1.2tn to N627bn to allow for economic realities in the face of dwindling revenues, the recurrent expenditure was retained at N2.6tn, almost 80% of the estimated budget.
 7. A glance at Nigeria's budgets since 2011 show clear repetitions. New computers, software, printers, scanners are purchased every year by all MDAs, including the presidency, yet some amount is set aside for maintenance of these devices^{5, 6}. In 2014 Budget, N10bn was voted for computers and software acquisition, N50bn was voted for Research and Development in MDAs in a country where universities are crying for research funding. There was outcry against presidency budget for an 11th private jet, two wild life animals (N14.5m), car tracker for 100 presidential vehicles (N25m), upgrading of Aso Villa facilities (N1.5bn), and crested cutlery and glassware (N76.3m) which were all eventually approved.
 8. "A situation where projects not found in 2011 and 2012 budgets are found in 2013 as ongoing is very misleading. In the same vein, a situation where uncompleted projects are not included in the budgets of succeeding years is wasteful." That was how the chairman of Senate Committee on Appropriation, Senator Ahmad Maccido, described the 2013 approved budget.⁷

⁴ <http://www.yourbudgit.com/infographics/national-assembly-21-states/>

⁵ <http://saharareporters.com/2014/02/04/lawmaker-uncovers-fraud-2014-budget>

⁶ <http://www.dailytrust.com.ng/sunday/index.php/politics/16228-okonjo-iweala-s-budgeting-system-is-worrisome-sen-ojudu>

⁷ <http://www.thisdaylive.com/articles/ekweremadu-tasks-executive-on-budget-implementation/135008/>

Excess Crude Account

Table 2: Analysis of Excess Crude Account 2009-2014

| YEAR | INFLOW (N'bn) | OUTFLOW (N'bn) | average price | benchmark | average production (bpd) | projected production(mbpd) | Expected Savings (\$'bn) | Expected Savings (N'bn) |
|-------|------------------|-------------------|------------------|-----------|--------------------------------|-------------------------------|-----------------------------|----------------------------|
| 2009 | 72.74 | | | | | | | |
| 2010 | 795.07 | | 77.38 | 60 | 2.46 | 2.35 | 12.484 | 1,872.66 |
| 2011 | 3,068.84 | 2,048.69 | 107.46 | 75 | 2.37 | 2.3 | 22.511 | 3,376.65 |
| 2012 | 2,308.75 | 2,066.69 | 109 | 72 | 2.35 | 2.48 | 25.389 | 3,808.41 |
| 2013 | 855.41 | 1,997.24 | 105.87 | 79 | 2.19 | 2.52 | 17.182 | 2,577.42 |
| 2014 | 158.45 | 154.88 | 101.93 | 77.5 | 2.23 | 2.39 | 15.907 | 2,386.17 |
| TOTAL | 7259.26 | 6,267.50 | | | | | 93.475 | 14,021.32 |

Source: Budget Implementation Reports (BIR)

2014 data was based on the 1st quarter BIR report only

Expected savings is calculated based on exportation of 80% of daily production as contained in CBN's data⁸

- Since 2012, daily crude production had consistently fallen short of projection which is explained away to oil theft. It is claimed that as much as 400,000 barrels of crude oil is stolen daily⁹. Illegal bunkering is festering in the oil industry, despite contracts worth billions of naira awarded purportedly to protect oil installations.
- We only hope that the data above portending that only about half of accruable amount was remitted into the ECA is not really true. If it is, we wonder what happens to the unremitting balance. We also ask why all revenues cannot be treated as total inputs into the Federation Account? The nebulous act of creating all these accounts will not work in Nigeria's corruption-prone platforms. The opaque management of special accounts in Nigeria always create potentials for fraud, whether in the retired PTF, ECA, SWF, or SURE-P.
- **Imagine what benefit could have accrued directly in electricity, health and education sector if all revenues kept in spurious special accounts and budget heads had gone into the Federation Account and used to fund developmental projects. For instance, the N6.2tn (\$41.7bn) spent is far above the “conservative estimate” of \$36bn needed to improve power generation capacity to 40,000MW¹⁰.**

⁸ Nigeria Economic Report 2014, page 6.

⁹ <http://www.vanguardngr.com/2013/08/29/ex-militants-trained-as-pilot-to-attend-courses-in-germany-uk/>

¹⁰ Roadmap for Power Sector Reform, 2010. Page 61.

- DISCREPANCY: In Budget Implementation Reports (BIR), N1.055tn was recorded as subsidy payments for 2011. But the Finance Minister told the Senate that N2.2tn was paid in 2011.¹¹
- Clearly, other than the Foreign Reserves, which may be built up to cover six months of importation index from the present three-month cover, Nigeria needs no other purported savings, be it SWF, ECA or any other opaque fund/account from which unmitigated looting of the country's patrimony is presently taking place.

N6.2tn ECA Expenses (2010-2014)

Table 3: Outflow from the ECA

Outflow from the ECA

| | 2011 | 2012 | 2013 | 2014 | Total | % |
|----------------------------------|----------|----------|----------|--------|----------|------|
| Federation Account | 1,774.74 | 1,393.11 | 1,086.61 | 106.65 | 4,361.11 | 69.6 |
| Subsidy | 269.32 | 483 | 505 | 48.23 | 1305.55 | 20.8 |
| Special Intervention Fund | | 190.58 | 405.63 | | 596.21 | 9.5 |

If, as shown in Table 3 above, 70% of expenses from the ECA still end up in the Federation Account, why could it not be ab initio when fund is full and yet to be stolen from? On December 17, \$1bn was reportedly missing from the ECA¹², only for the Finance Minister to explain the next day that the amount was used to pay petroleum products marketers¹³.

21% of ECA was used for this subsidy payment and another 9.5% for a nebulous special intervention fund.

Table 4: FIRS Performance (N'tn)

| | 2011 | 2012 | 2013 | 2014 | Total |
|--------------------------|-------|-------|-------|-------|--------|
| Projected Revenue | 3.63 | 3.635 | 4.468 | 4.21 | 15.943 |
| Collected Revenue | 4.628 | 5.007 | 4.8 | 3.50* | 17.935 |

*3.50tn was just the amount collected for the 1st and 2nd quarters of 2014.

Economic Injustice

Oil revenues have been on a shortfall since 2011 due to nebulous and worsening illegal bunkering, which in first quarter of 2014 reduced oil revenues by as much as 53%¹⁴. However, there is a reason to suspect foul play in government's flaccid response to oil theft.

In 2011 when Benin Republic could no longer contain activities of pirates in its maritime domain, its government cried out to Nigeria for help and Exercise Prosperity, led by Navy

¹¹ <http://www.thisdaylive.com/articles/okonjo-iweala-federal-government-paid-n2-19-trillion-as-subsidy-in-2011-2012/119224/>

¹² <http://www.premiumtimesng.com/news/top-news/173395-1-bn-excess-crude-money-missing-faac-meeting-ends-confusion.html>

¹³ <http://www.premiumtimesng.com/news/top-news/173427-breaking-missing-1billion-excess-crude-funds-spent-settling-oil-marketers-debts.html>

¹⁴ 2014 First Quarter Budget Implementation Report, page 12.

Commodore Muftau Bola Ajibade, was launched and it successfully curbed piracy in Benin Republic. It is therefore mindboggling that Nigeria helped dislodged pirates from other country's maritime domain but could not do same for herself¹⁵.

For oil, the contention is about derivation. The South-West coastline is exploited as no other has been, serving as home to thousands of ships year in year out, roads on which imports are distributed from those ports neglected, and with no derivation income on same.

When will Lagos and other suffering South-West States have access to derivable funds, be it on import/export duties, corporate taxes, and VATs being carted away therefrom?

Arising therefore, as revenue from other regions is not faithfully remitted to the nation's coffer, can the South-West region pursue means through which a percent of revenues generated from its area can be kept or taken up as other regions are doing?

¹⁵ <http://www.thisdaylive.com/articles/-joint-patrol-with-benin-will-curb-piracy-/99999/>

Chapter 3: Let's do some tracking

Electricity

1. 168 power related contracts were awarded between 2010 to 2013 totalling in excess of N1tn (sourced from lists of approved contracts as published on BPP's website.)
2. On September 3, 2014, the Minister of State for Power, Mohammed Wakil, announced that the contract for design, manufacture, supply, installation and commissioning of 2 x 60MVA, 132/33KV Sub-Station at Amasiri,Afikpo and 132KV Line bay extension at Abakaliki, which was awarded on December 1, 2010 to Messrs Techno Electric and Engineering Company for \$5,155,455.22 (plus N649,688,788.79) has been re-awarded for \$5,835,368.47 (plus N505,788,083.58) to Messrs North China Power Engineering limited and NCEP (Nig) Limited. It took FG more than three years to know Messrs Techno Electric abandoned the project. Mr. Wakil did not tell Nigerians the fate of the 15% mobilisation fee paid to Techno; only that the company has been blacklisted.
3. **The short and medium term goals in the 2010 Roadmap for Power Sector Reform were to deliver an average annual generation capacities of 5755MW by April 2011 and 14000MW by December 2013¹⁶. However, power generation as of December 11, 2014 stands at 3,018MW and the highest generation recorded since 2010 was 4,517MW on December 23, 2012¹⁷.**
4. These two news headlines provide a summary: “FG reduces electricity target to 5000MW”¹⁸ was published in August 2014 by *The PUNCH*. “Fed Govt miss 5000MW target”¹⁹ was published in November by *The Nation*.
5. Can we take Mr. President up on the pledge he made in February 2011 when he said, “If I’m voted into power within the next four years, the issue of [electricity] will become a thing of the past. Four years is enough for anyone in power to make significant improvement and if I can’t improve on [electricity] within this period, it then means I cannot do anything even if I am there for the next four year.”²⁰

Anti-corruption

1. *The PUNCH* in an editorial described the N151bn police pension fund scam as follows:

For a country notorious worldwide for condoning corruption, very few incidents have offered as much insight into the endemic and pervasive nature of corruption in public office as the Maina case...Many even believed the government was tacitly providing him a hedge against arrest and investigation...at [the] time when Inspector-General of Police, Mohammed Abubakar, who was ordered to produce Maina at the Senate,

¹⁶ Roadmap for Power Sector Reform, 2010. Pages 63, 66.

¹⁷ Ministry of Power's website, <http://www.power.gov.ng/>, accessed on Dec 16, 2014.

¹⁸ www.punchng.com/news/fg-reduces-electricity-target-to-5000mw/

¹⁹ Thenationonlineng.net/new/fed-govt-misses-5000mw-target/

²⁰ <http://www.vanguardngr.com/2011/02/i-l-not-contest-2015-election-jonathan/>

said he was nowhere to be found, the PRTT boss was said to be cruising around town in bulletproof cars, under heavy police protection.²¹

2. Other landmark corruption-related cases include: the missing \$10.8bn crude oil money, Malabu oil field scandal, fuel subsidy scandal, kerosene subsidy scandal, NIS recruitment disaster, N10b private jet allegation against petroleum minister, Diezani Alison Madueke
3. In May 2014, President Jonathan was asked on a live national TV broadcast for his response to allegations that he is not doing enough to fight corruption. Mr. President said, “Over 70% of what are called corruption, even by EFCC and other anti-corruption agencies is not corruption, but common stealing.”²² **Mr. President’s response is in stark contrast to the provisions of the Corrupt Practices and Other Related Offences Act of 2000, which defined corruption in terms of bribery, theft, embezzlement of public funds, undue gratifications, fraud and “other related offences”.**²³ Is the President not obliged to fight “common stealing” also? And is stealing by a public official not a corruption index?
4. In February 2014, the former CBN Governor, Sanusi Lamido, made a disclosure about unremitted funds to the tune of \$49bn, which was later reconciled to \$10.8bn. Finance Minister, Ngozi Okonjo-Iweala, said a forensic audit of NNPC’s account would be conducted²⁴ by Price Waterhouse Coopers, within 16 weeks²⁵. To date, the nation is waiting to be assured as to the true state of affairs because it may not be out of place for anyone to conclude that indeed “money was missing”, whatever the amount. Loss of public funds demands immediate investigation, establishment of culpability, and meting appropriate punishment in order to restore public trust. All these are still missing.
5. Nuhu Ribadu Presidential Taskforce Committee, NEITI, Chatham House, and Berne Declaration released reports on different investigations and analysis of Nigeria’s crude oil management in 2013. All the reports concluded that oil theft has reached an alarming level, leading to substantial loss of revenue. Why is the oil industry in Nigeria such an opaque box? Why can’t the government investigate the claim of Berne Declaration that NNPC in connivance with some Swiss traders swindled Nigeria’s government of about \$6.8bn?
6. It is not all gloom though as verifiable reports showed that corruption may have been weeded out of fertiliser distribution system.

MDGs

Nigeria would not have achieved the MDGs by the time the deadline elapses next year. However, while the NBS in its *MDG Performance Tracking Survey 2014 Report* claims some

²¹ <http://www.punchng.com/editorial/the-maina-pension-mess/>

²² <http://www.premiumtimesng.com/news/160156-corruption-charges-ministers-politically-motivated-says-jonathan.html#sthash.aGWFTvXb.dpbs>

²³ <http://www.nigeria-law.org/Corrupt%20Practices%20and%20other%20Related%20Offences%20Act%202000.htm#Offences and Penalties>

²⁴ <http://www.vanguardngr.com/2014/02/missing-20-bn-cbn-okonjo-iweala-calls-forensic-audit/>

²⁵ <http://www.premiumtimesng.com/business/160428-nigerian-government-names-firm-nnpcs-forensic-audit.html>

achieved progress, the World Bank's Nigeria Economic Report 2013 stated that "Nigeria's progress toward the MDGs has been largely disappointing, with indicators in many areas resembling those in the poorest countries in Africa."

Job creation and poverty rate

Table 5: Record of Job Creation

| NEW JOBS FOR ALL SECTORS, Q2, 2012 -Q3, 2014 | | | | | | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|--|
| | 2012 | | 2013 | | | | 2014 | | | |
| | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | |
| FORMAL | 164,293 | 152,018 | 174,326 | 80,412 | 76,385 | 101,597 | 76,018 | 78,755 | 145,464 | |
| INFORMAL | 240,359 | 208,920 | 232,327 | 112,567 | 140,673 | 143,278 | 158,894 | 175,786 | 198,144 | |
| PUBLIC INSTITUTIONS | 22,644 | 24,975 | 24,368 | 28,075 | 28,931 | 20,827 | 5,959 | 4,812 | 5,735 | |
| TOTAL | 427,296 | 385,913 | 431,021 | 221,054 | 245,989 | 265,702 | 240,871 | 259,353 | 349,343 | |

Source: National Bureau of Statistics (NBS)

According to the table, a total of about 2,826,542 jobs have been created between 2012 and 2014. Without accounting for unemployed youths from other social strata, the number of jobs claimed to have been generated is not enough to absorb fresh graduates from Nigeria's higher institutions, which alone churn out about 1.8 million graduates annually²⁶. Also, the jobs created in 2014 are not significantly different from those of previous years even though the budget was anchored on "Job Creation and Inclusive Growth".

It is therefore difficult to vaunt the NBS employment attainment, since annual population growth and new entrants into the job market at all levels and sphere far outstrips whatever jobs were created. The NER clearly underscores this point as stated below:

"Job creation and poverty reduction are not keeping pace with population growth, implying that the number of underemployed and impoverished Nigerians continues to grow. With a median age of 14 and population growth at close to 3%, the very stability of the country depends on a major acceleration in the creation of jobs, opportunities, and basic social services for the population."²⁷

The NBS puts Nigeria's unemployment rate at 23.9% in 2011²⁸ and also said in 2013 that 54% of Nigeria's youth population are unemployed²⁹. Rising unemployment, especially among youth,

²⁶ <http://www.punchng.com/news/1-8-million-graduates-enter-job-market-yearly-fg/>

²⁷ Nigeria Economic Report 2013, pg 7

²⁸ <http://www.punchng.com/business/business-economy/nigerias-unemployment-rate-rises-to-23-9-npc/>

²⁹ <http://www.vanguardngr.com/2013/12/54-nigerian-youths-unemployed-2012/>

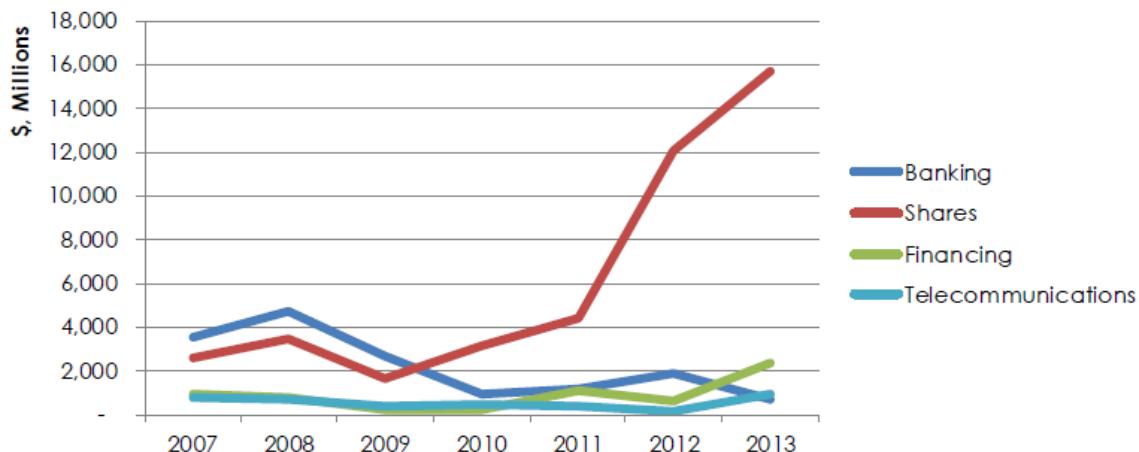
will continue to deepen poverty. The World Bank early in the year said Nigeria is third on the World Poverty Index, hosting 7% of world's 760 million poor people. Literally, this translates to about a third of Nigeria's population.

Such dire situation is bound to promote crime and aggression, evidence of which includes the stampede that led to deaths during the Nigeria Immigration Service recruitment exercise. Rather than confronting the issue of job creation and poverty frontally, Mr. President and his government faulted the World Bank's report saying "If you talk about ownership of private jets, Nigeria will be among the first 10 countries, yet they are saying that Nigeria is among the five poorest countries.³⁰,

Apart from the insensitivity of this statement, what further proof of an escalating corruption index can anyone lay claim to?

Capital Importation and Real Sector

Another Key Performance Indicator for the current administration is the Foreign Direct Investment. However, the World Bank says it is a threat rather than a treasure. Below is a chart representing inflow of capital into Nigeria since 2007.



Source: NBS Nigerian Capital Importation Summary Report 2007-2014

The chart shows that the bulk of these investments are channelled into the money market. According to the NBS report, investments into real sectors like agriculture, brewing, construction, transport have been on the decline, apart from Information Technology and Oil and Gas³¹. Essentially, capital importation is "potentially volatile short term capital flows"³².

In the face of clearly un-thought of fiscal policy imported wholesales by the Coordinating Minister of the Economy, that induced outgoing capital to serve consumption or primary imports, rather than secondary or tertiary industrial machinery and the utter lack of protection for local industries, Foreign Direct Investment cannot but serve those volatile ends. They come with no

³⁰ <http://www.thisdaylive.com/articles/jonathan-nigeria-is-not-poor/177590/>

³¹ Nigerian Capital Importation Summary Report 2007-2014 Appendix 1.

³² Nigeria Economic Report 2014 page 2.

job creation, and as you can see, foreign nationals now serve as sales men and women even in basic furniture outlets.

Capital importation that is not channelled into real sector investment is a time-bomb and rather than show off with it, a better model to develop real sector is what should be pursued.

Special Intervention Fund

There is now a long list of intervention funds: \$200m Nollywood Intervention Fund, N200bn Small and Medium Enterprise Credit Guarantee Scheme, N220bn Micro, Small and Medium Enterprises Development Fund, N200bn Restructuring and Refinancing Facility Scheme, N200 billion Pharmaceutical Intervention Fund, N300bn Power and Airline Intervention Fund, N200bn Commercial Agriculture Credit Scheme, N100 billion Cotton Textile and Garment Revival Scheme, N300bn Hotel & Leisure intervention fund, N126.1bn as export expansion grant, N75bn Nigerian Incentive Risk-based Sharing System for Agricultural Lending, N75bn Grooming Enterprise Leaders Fund, N32bn Entertainment Intervention Fund, N10.71bn Commercial Agriculture Credit Guarantee Scheme to six selected banks, N7.9bn National Automotive Fund, Special Intervention Fund on Solid Minerals, N10bn Rice Intervention Fund.

In totality, about N2tn have been dedicated to these funds and apart from the textile and Nollywood fund, little or nothing cheerful has been heard about others. In 2012, a Senate committee said N44bn was missing from Solid Minerals Fund³³ and another said “Apart from inability of stakeholders to access the government’s intervention funds, there have been discrepancies in the administration of the funds. While some of the funds have been diverted to other uses, parts of the funds can no longer be accounted for.”³⁴,

It is certain that our economic management is an ad hoc process, rather than a well thought out integrative process.

Political Leadership

There are issues that should have been resolved to foster national interest but which were either ignored or dealt with in ways that are not compatible with acceptable standards.

- Mr President, his political party, and the opposition political parties consistently accuse one another of inducing and profiting from large scale insurgency in the country. The losers in this “blame game” are the citizens. While the government plays Emperor Nero, what is certain is that insurgency has totally obliterated the economy of the affected areas, rendered Nigerians to refugees in their own country, and it is feasting on the accrueable revenue of government.
- Internally Displaced Persons have been left largely to fate by governments at all levels, raising questions about the N60bn raised for Victims Support Fund.

³³ <http://www.thisdaylive.com/articles/senate-panel-queries-missing-n44-billion-federal-government-intervention-fund/119446/>

³⁴ <http://www.punchng.com/news/intervention-funds-fg-spends-n2trn-in-two-years/>

- In Ekiti State, the judiciary was sacked by police-backed thugs and seven lawmakers were enough to impeach the Speaker of a 26-man House of Assembly³⁵.
- Instead of playing a neutral or reconciliatory role in the shameful Nigeria Governors Forum chairmanship election, the President endorsed a faction.³⁶
- Just like insecurity and illegal bunkering, jailbreak is another phenomenon that gradually becoming a norm.

³⁵ <http://www.punchng.com/news/seven-ekiti-pdp-lawmakers-impeach-speaker/>

³⁶ <http://www.punchng.com/news/jonathan-endorses-gov-jangs-faction/>

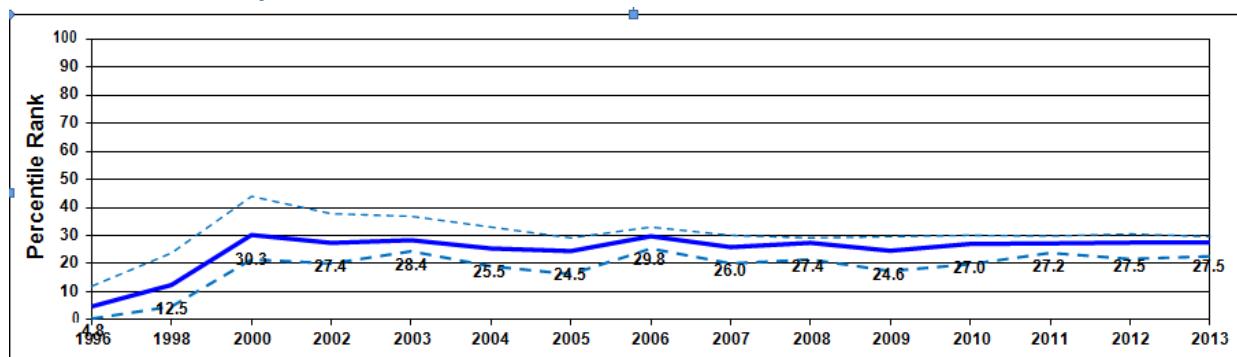
Chapter 4: Where lies the problem?

It is now pertinent to look beyond the current administration to see if it is in anyway remarkably different from those of its predecessors, including military presidents.

Worldwide Governance Indicators

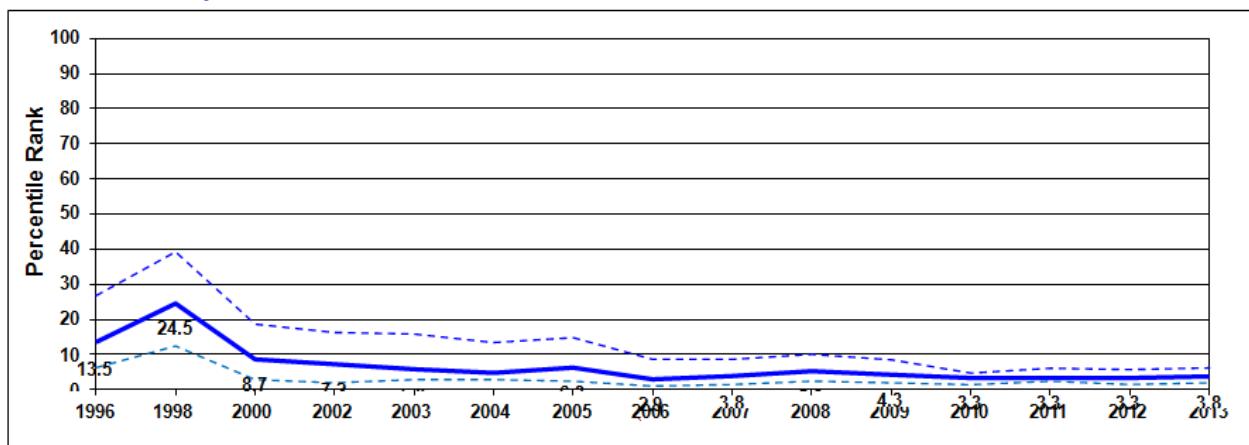
For this assessment, we rely on the country data for Nigeria on **Worldwide Governance Indicators** published by the World Bank. This data covered the period between **1996 and 2013**.

Voice and Accountability



From the chart above, it is obvious that accountability improved the moment Nigeria transitioned to democratic rule but succeeding civilian governments, through their widely reported disdain for due processes, exhibited widespread impunity, dashing Nigerians' expectation of democratic law and order.

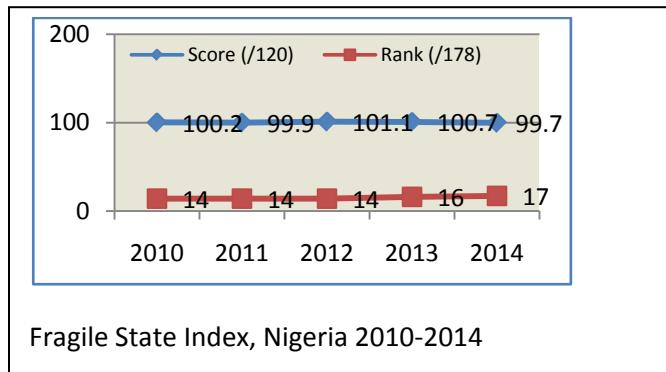
Political Stability and absence of violence



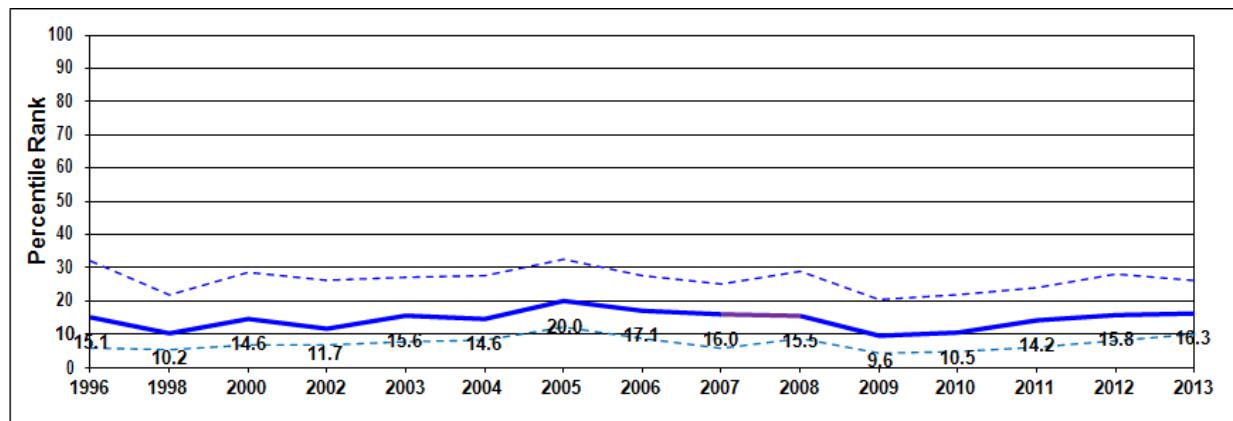
From the chart above, Nigeria has since 1999 enjoyed 15 years of uninterrupted democratic regime; however, stability has remained elusive. It has been on a decline, nearing zero level. **Nigerians must be alarmed by the political stability trend, more than other indicators. It may soon hit zero level!**

This indicator correlates also with the chart below representing five-year rating of Fragile States Index. In 2005 when the ranking debuted, Nigeria was ranked 54th under the “Warning” category. But in 2014, Nigeria was ranked 17th, under the “Red Alert”

category. This means that Nigeria is three times more fragile than it was barely ten years ago.

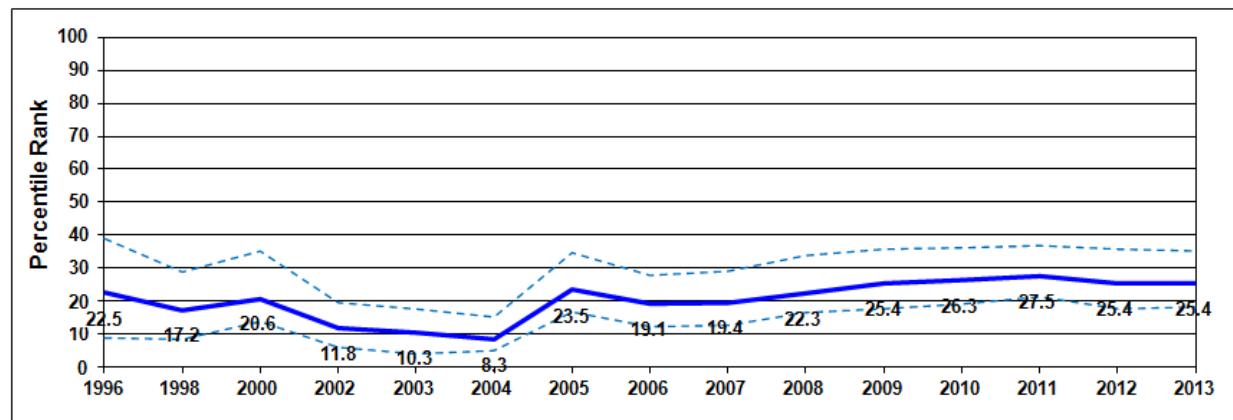


Government Effectiveness



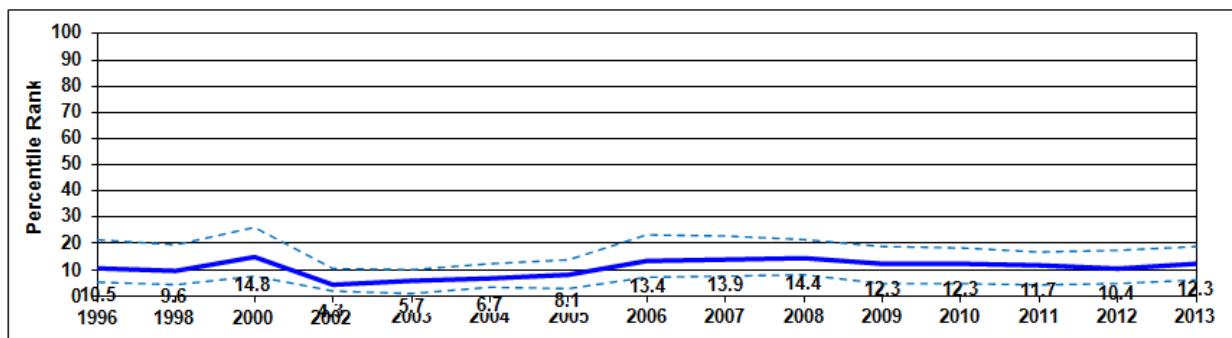
The chart above showed that government's effectiveness is the same both under the military and democratic dispensations.

Regulatory Quality



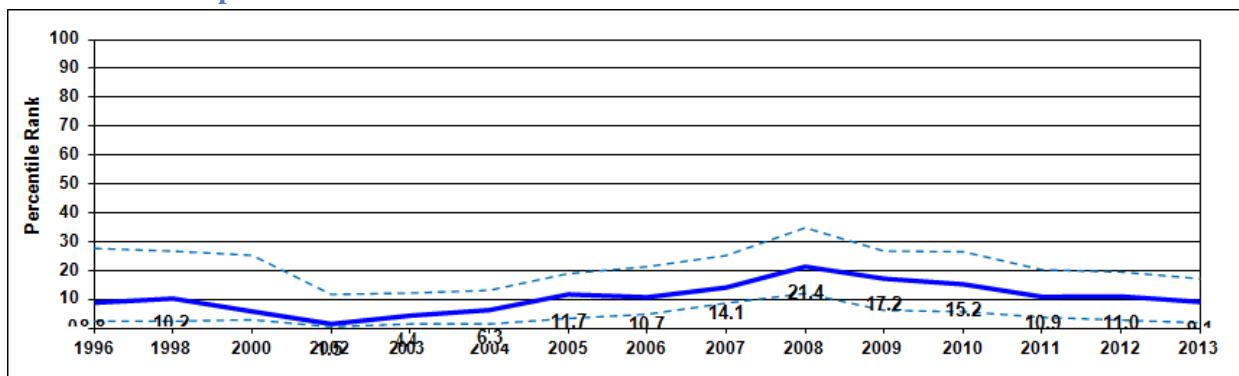
Regulatory quality has not exceeded the standard that existed under the military administration.

Rule of Law



Even Rule of Law has not fared better under democracy and Nigerians are yet to believe they are under democratic regime. This much is evident in the inherent behaviours of those in government and even the citizens.

Control of Corruption



The control of corruption chart presents a funny but instructive dimension in that it ended exactly on the same spot where it started – meaning that whatever little gains that were made in between have been reversed.

Conclusion

In the last 15 years, presidency has rotated between from the South-West to the North-West and to the South-South but one thing remains the same as it was under the military regime – the unitary governance structure that ties the entire country to the president's apron strings.

Against dictates of common sense, this unwieldy structure reinforces the stubborn reluctance to devolve power and responsibilities to the most effective tier of government, which are the federating units. It breeds the large scale impunity and abuse that often characterises the presidency, irrespective of the occupant. For instance, six lawmakers in a 24-man House of Assembly impeached Plateau State Governor during President Olusegun Obasanjo's regime, few persons famously dubbed "The Cabal" held tenaciously and unconstitutionally to presidential power during President Umaru Musa Yar'Adua's tenure and under President Goodluck Jonathan, 16 votes supersede 19 votes in the Nigeria Governor Forum's chairmanship election while seven lawmakers were deemed enough to impeach the Speaker of a 26-man House of Assembly.

Chapter 5: A sustainable Nigeria: what must be done

For the past few years, the Afenifere Renewal Group has been standing on the sentry, warning Nigeria and her allies and proferring solutions that could guarantee a true transition to peace, prosperity, and progress. Below is a summary of these recommendations.

1. Nigeria is over-governed with a bloated Federal Government, 36 state government bureaucracies, 1 FCT administration, and 774 Local Government Areas. When budgets of all these government tiers are collated, more than 60% of all public expenditure in Nigeria goes to service these bureaucracies that consist of less than 3% of Nigeria's population^{[37](#)}. This high cost of governance is the reason we cannot fund the delivery of critical infrastructure and social programmes. High cost of governance contributes to high cost of doing business, which in turn reduces Nigeria's competitiveness in the global market.
Unfortunately, current economic realities show that Nigeria can no longer fund these bureaucracies as some states now owe workers as much as four months' wages, with no respite in sight. One would not be a Prophet of Doom to say there is a high probability that two-third of states in Nigeria might not be able to pay salaries in 2015. This is another threat to political stability as social vices and malfeasances would increase.
Nigeria must be restructured, which is why ARG advocates a return to First Republic's regional structure or adoption of the six zones as federating units.
2. The uncontrollable wastage and rapacious corruption in Federal Government necessitates the reduction of Federal Government's share in Revenue Allocation Formula to 35 percent, with maximum devolution of powers to the federating units. We must warn here, for the umpteenth time, that granting autonomy to local government administrations is counter-productive in a federal state. Remove LGA from revenue sharing and let each federating unit manage as many LGA as it could. These are recommendation presented by the ARG to the Revenue Mobilisation Allocation and Fiscal Commission (RMAFC) during its 2013 consultative meeting.
3. Nigeria does not take good care of the geese that lay its golden eggs. It is better, then, to allow each federating unit to manage its resources and pay a commensurate percentage into the federation account. Another agreed percentage could be contributed into a special development fund that will be accessible to less endowed/economically ill fortuned federating units.
4. Budget implementation must be anchored on accountability and transparency, two critical elements lacking in Nigeria's budget process. There is no public-compliant mechanism to monitor execution of contracts, which has become a 'legal' avenue for corruption because the NASS, in addition to proving inept in its oversight function, is also a willing collaborator.
5. The pressure on Naira must be relieved as urgently as possible by reducing useless imports. Ensuring that refineries operate at a level that meets local needs is a critical project that must be pursued by an incoming administration. Also, current import and waiver policies are the single biggest threat to local SMEs and must be reviewed.
6. The Excess Crude Account and other special accounts/funds should be abolished.

³⁷ <http://el-rufai.org/reforming-our-dysfunctional-public-service/>

7. Once again, this report is the voice of reason, a cry from the wilderness. Will Nigeria listen and be saved? Political stability indicators are almost at zero levels and 2015 General Elections, especially the presidential election, is already laden with potential threats of violence that may be unprecedented in Nigeria's history. Our advice is for the presidency, NASS, and all political parties to meet and agree to an exit strategy that embodies peace and upholds democracy.
8. However, whether this advice is heeded or not, the ARG is conscious of the need to initiatives geared towards protecting the Yoruba people and their interest, as other nationality groups in the country are presently doing. Yoruba political and business leaders must now realise that they are more endangered than their counterparts in other nationalities, if the present trend continues.