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## The Impact Of Political Corruption On Social Welfare In The Federal Republic Of Nigeria

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THE IMPACT OF POLITICAL CORRUPTION ON  
SOCIAL WELFARE IN THE FEDERAL REPUBLIC OF NIGERIA

by

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B.A. University of South Florida, 2003

A thesis submitted in partial fulfillment of the requirements  
for the degree of Master of Arts  
in the Department of Political Science  
in the College of Sciences  
at the University of Central Florida  
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## **ABSTRACT**

The purpose of this study is to understand to what extent political corruption affects social welfare in Nigeria using a qualitative case study design. This thesis argues that political corruption leads to a concentration of wealth among a minority of elite government officials, resulting in extensive deficiency of social welfare. In addition, political corruption has secondary and tertiary effects throughout society that further exacerbate social welfare conditions. For this study, social welfare is measured by a comprehensive range of social indicators including but not limited to: level of poverty, income inequality, level of infrastructure, and health. Political corruption can only be measured by the sole available gauge of corruption to date: Transparency International's Corruption Perceptions Index. Research limitations regarding the conceptualization of corruption as well as complexities in defining and measuring social welfare are also addressed. This study concludes that political corruption is a significant factor contributing to poor social welfare in Nigeria, resulting in nothing short of a protracted human tragedy.

To God, for giving me strength.

## **ACKNOWLEDGMENTS**

Special thanks to Professor Waltraud Q. Morales, Professor Kurt Young, and Professor Ezekiel Walker who helped me to expand the scope of my research and provided much needed encouragement and interest in this project. And to my father, for making it all possible.

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## CHAPTER ONE: INTRODUCTION

Nigeria is the most populous country in Africa and the eighth most populous country in the world with more than 155 million people (World Bank Country Brief 2011). The United Nation's Department of Economic and Social Affairs projects Nigeria's population to reach 389 million by 2050 (U.N. Population Division 2011). Nigeria is larger territorially than the American states of Texas and Utah combined, with over 355,000 square miles. But Nigeria's unique legacy of British colonialism has left it with an overabundance of political, social and economic issues, including only relatively recently becoming a sovereign country. Most scholars associate Nigeria's contemporary problems with this aspect of its historical narrative. Nigeria consists of over 250 different ethnic groups, languages, and diverse cultures. Since nationhood in Nigeria is a recently contrived phenomenon, literature on Nigeria holds that many Nigerians still identify primarily by ethnicity instead of nationality. Loyalty is naturally to kin and community first, and to the nation thereafter. Disunity is common in countries that are constructed externally, by imperial powers, and can lead to disintegration, as occurred with the former Yugoslavia. This is because the forging of national unity is not typically a process that can successfully be imposed against one's will. Where it has occurred naturally, national unity has developed gradually over time. Although there are many negative modern effects associated with nationalism, it is commonly recognized as the element that creates cohesion within a society. The inability of Nigerian society to coalesce, caused in part by its postcolonial history, is a source of the worsening economic and social tragedy facing Nigeria over the last half a century (Adebanwi and Obadare 2010).

Another divisive facet of Nigerian society discussed in the literature pertains to religion.

Islam spread into Northern Nigeria in the mid-1500s. Europeans later brought Christianity to the South through religious missions, creating religious divisions within the country that persist to this day. Because of its massive population, Nigeria has more Muslims than any other country in Africa or the Arab world (Hoch 2003). Under colonial rule, Shari'a law was permitted, except for amputations and executions, but Shari'a was suspended after independence so as not to provoke religious tensions between the North and the South (Hoch 2003). In 2000 several predominantly Muslims states in Northern Nigeria re-implemented Shari'a law, prompting fear in the South that the law would eventually be forced upon them (though Islamic law is only applicable to Muslims). Religious tensions between Muslims and Christians have been increasing on an international scale since the terrorist attacks of September 11, 2001, and the ensuing wars in Iraq and Afghanistan, which may further exacerbate internal divisions between Muslims and Christians in Nigeria. Islamic fundamentalist groups have been proliferating in the last few decades, attempting to rally Muslims worldwide to their cause. Nigeria made headlines when one of its prominent young Muslim citizens from Kaduna State, Umar Farouk Abdulmutallab, attempted to detonate plastic explosives on Christmas day aboard a Northwest Airlines flight from Amsterdam to the United States in 2009. Some Nigerians claim the reemergence of Shari'a law is a response to corruption and crime; in particular, armed robbery caused by the increasing disparity between the rich and poor (Hoch 2003). Such trends demonstrate how the breakdown of certain aspects of society (income equality, in this case) can negatively influence other areas (equality's effect on crime). Inequality then becomes another divisive facet of Nigerian society, creating tensions between the haves and have nots, most of whom fall into the latter category.

Despite these many challenges, Nigeria has been blessed (or to some, cursed) with one of

the world's most in demand natural resources: oil. Nigeria is currently the fourteenth largest exporter of crude oil in the world and the largest in Africa, producing more than 2.2 million barrels of petroleum per day in 2009 (U.S. Energy Information Administration 2009). This combination of copious natural resources and population has earned it the nickname 'Africa's Giant'. Even though Nigeria has only a mono-economy (an economy based principally on one product, oil<sup>1</sup> in Nigeria's case), its abundant endowment of natural resources earned it 41<sup>st</sup> place out of 181 countries in a 2010 ranking of the world's highest Gross Domestic Product's (GDP) by country (IMF World Economic Database 2011).

Yet the citizens of Nigeria remain among the poorest in the world, with an estimated 64 percent living below the poverty line (\$1.25 per day) between 1994 and 2008 (UNICEF 2010). When viewing poverty data at the subnational level some measures were as high as 96 percent, as in Ekiti State in 2004 (Nigerian National Bureau of Statistics 2010). A World Bank report (2006) listed Nigeria as the second poorest country in the world (only Ethiopia was poorer) according to 2000 per capita wealth. While the data varies slightly depending on the source and date of measure, there is no question that the quality of life for the average Nigerian is far less than what it could be. Despite trillions in oil revenues received over even just the last two decades, Nigeria still remains a developing country. What is the explanation for this enormous discrepancy between national wealth and individual wealth in Nigeria? Public revenues intended for development and maintenance of national infrastructure have instead been used for private gain to the detriment of Nigerian society.

Over the last several hundred years, human society has made progress in a number of areas. We can travel faster, communicate instantly, live longer, and easily cure diseases (such as

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<sup>1</sup> Nigeria also has large reserves of natural gas that have yet to be fully harnessed. Their economy is still far more dependent on oil production.

the bubonic plague) that previously killed millions of people. More recently, with the controversial rise of the welfare state, the role of government in providing for the basic needs of its people has increased. In addition to national defense and the rule of law, many governments provide basic healthcare, low income housing, food programs, and set a minimum wage for labor, in addition to many other federal, state, county, and municipal services. However, some governments are falling far short of meeting even the most basic needs of their people, such as education, access to clean water, healthcare, and electricity. A government that has the ability to meet the needs of its people, but fails to do so compromises its legitimacy. Failure to provide basic services to such a massive population can lead to a humanitarian crisis, as can be argued in Nigeria's case. An inexperienced Western perspective may naively assume that most people have access to the same basic services that are available in an advanced industrialized society, but the social welfare of Nigerians has actually decreased despite the hundreds of billions in oil revenues that the Nigerian Government acquires each year. "The brazen display of wealth by public officials, which they are unable to explain the source, points to how bad corruption has reached in the society" (Uslaner 2008, 198). Nigeria's social welfare tragedy is due, in large part, to persistent political corruption within all levels of government. The purpose of this study is, therefore, to explore this tragedy, and how it has hampered Nigerian social welfare. A key argument is that endemic political corruption is largely at fault.

### Significance of Research

Research regarding the impact of political corruption on social welfare in Nigeria is significant primarily for three reasons. First, existing literature tends to focus on the causes of corruption rather than the effects. Although it is common practice to find solutions to problems

by locating their origins, focusing too heavily on the causes of political corruption in Nigeria can overshadow the real tragedy, which is its impact on the social welfare of Nigerians. Despite a brief overview of the causes of corruption, the focus of this study is on the consequences, for several reasons. Emphasizing the consequences of corruption helps circumvent, to some extent, disputes regarding causes of corruption, which often lose sight of the purpose of corruption research, which is to swiftly find solutions. The longer the crisis is allowed to persist, the more victims it claims. Existing studies also do not seem to differentiate between political corruption and other forms of corruption. Some forms of corruption may have more harmful effects on society than others. Political corruption involves far greater sums of money and is limited to high level officials, so focusing on this form of corruption first may be less challenging and provide greater benefits in the short term. Reducing political corruption first may also create more economic opportunities in society, reducing the overall need for corruption at lower levels. Some of the extant research on corruption does study its negative effect on economic development, but has yet to specifically relate corruption with exceedingly deficient social welfare, which is the purpose of this study. Thus, this study supplements the existing literature.

Addressing the link between corruption and social welfare is also a necessary and critical first step to resolving one of the many causes of global poverty, given that a key measure of social welfare is level of poverty. Despite the awareness of the previous associations between corruption and economic development, the ubiquitous studies of it over decades, the creation of international and domestic anti-corruption laws, and powerful international organizations to combat it, political corruption in Nigeria not only persists, but is perceived to be increasing according to Transparency International's most recent corruption data (Transparency.org 2011). Thus, the existing research on corruption and economic development has failed to be a sufficient

deterrent of political corruption. By accentuating the connection between political corruption and its dire consequences for social welfare, this study hopes to encourage a more urgent response to political corruption, both in Nigeria and the international community, foremost among political leaders, but also by Nigerian citizens, who often have more political power than they realize.

Second, by keeping corruption in the international discourse pressure is maintained on the Nigerian government to continue working towards a solution. Nigeria, like every country, values its reputation within the international community. International relations are critical for trade and security in the contemporary globalized environment. Nigeria is a member of the United Nations, the World Trade Organization, the International Monetary Fund, the World Bank, the African Development Bank, the Organization of Petroleum Exporting Countries, the African Union, the Economic Community of West African States, the Organization of the Islamic Conference, and the British Commonwealth. The more corrupt Nigeria is perceived to be, the less willing foreign investors and international donors are to invest or provide assistance. Smith cites the title of a 1995 television program, “Not in Our Character: Enough is Enough in this Calculated Attempt to Smear Our Image as a People and Nation”, aired by the Nigerian government in response to a *60 Minutes* broadcast entitled “Corruption, Inc.” earlier that year as evidence of the importance of Nigeria’s reputation within the international community (Smith 2007, 53). Although detailed information on the program could not be located, the title implies a public campaign by the government to challenge international misperceptions of Nigeria and its citizens.

Pressure on world governments since Nigeria’s democratization in 1999 has resulted in Nigeria’s first genuine anti-corruption efforts since independence. In 2002, then U.K. Prime

Minister Tony Blair called for an Extractive Industries Transparency Initiative (EITI) to promote more transparency in the extractive industries (specifically oil, gas, and mining) worldwide. The EITI Association operates under Norwegian law as a non-profit organization. The first conference was held in June 2003, with two Nigerian delegates in attendance: Ombu C. Harry, the Group Executive Director of Finance and Accounts for the Nigerian National Petroleum Company, and Dr. Christopher Kolade, the Nigeria High Commissioner for London. Overall, 140 delegates from 70 governments, companies, industry groups, international organizations, investors, and nongovernmental organizations (NGO) attended. Attendees committed to an action plan on fighting political corruption and increasing transparency.

On the basis that transparency inhibits corruption and promotes good governance, and that strengthened enforcement efforts against bribery and corruption will lead to integrity in government decision-making, some of the initiatives that EITI's action plan calls for include: improving public financial management and accountability, efforts for greater capacity building by developing countries, requiring fiduciary assessments prior to providing development assistance, making such assessments public, full disclosure of multilateral development bank performance allocation systems, implementation of existing commitments by countries worldwide in regional and international conventions on corruption through anti-corruption action plans, strengthened enforcement of anti-bribery laws, denying safe haven to public officials guilty of corruption, due diligence of financial institutions to establish procedures and controls for detecting and reporting transactions that may involve proceeds of foreign official corruption, reform banking sectors to comply with Financial Action Task Force recommendations, and full disclosure by government and companies involved in extractive sectors (oil, gas, and mining) of revenue flows, payments from the extractive sectors, expenditures, and procurement transactions

to a third party such as the IMF, World Bank, or Multilateral Development Bank (EITI 2003). In 2007, Nigeria passed NEITI, the Nigerian Extractive Industry Transparency Initiative, becoming one of only ten countries with a compliance status by 2009.

Thirdly, research on political corruption in Nigeria is significant because natural resources are finite. Nigeria has approximately 36 billion recoverable barrels of known oil reserves (U.S. Energy Information Association-Reserves 2009). At a daily production rate of 2.2 million barrels per day, Nigeria has 16,381 days (or 44 years) of oil remaining, if production continues at the current rate. Although that is still a substantial amount of incoming future oil revenue, it is possible for natural resources to eventually become exhausted. Not to mention ongoing efforts by the international community to reduce dependence on foreign oil and develop sustainable energy resources. The majority of Nigeria's oil is exported to Europe and the United States. If the price of oil should collapse (as it did in the 1980s depressing Nigeria's economy even further) or if Nigeria's natural resources run out, Nigeria will need a diversified, strong economy to fall back on. The sooner political corruption can be mitigated and the oil revenues used to strengthen the nonoil economic sectors and modernize infrastructure, the better Nigeria's future prospects will be. Nigeria's former Economic and Financial Crimes Commission (EFCC) Chairman, Nuhu Ribadu, notes that the known funds stolen from Nigeria due to corruption since 1960 exceed \$440 billion or "six times the Marshall Plan," which rebuilt nearly the entire war ravaged continent of Europe after World War II (Ribadu 2009, 4). Clearly the funds exist to drastically improve social welfare in Nigeria and time is a critical factor.

### Historical Context

While this thesis seeks to focus on the effects of political corruption rather than the

causes, as stated previously, political corruption cannot be understood in Nigeria without first placing it into the appropriate historical context. Historical context is essential because Nigeria's historical trajectory has significantly influenced the country that Nigeria has become today. This analysis of political corruption in Nigeria focuses on the postcolonial era, but emphasizes contemporary social welfare, drawing on historical periods since 1960 only for purposes of comparison.

### *Political History*

The roots of political corruption in Nigeria are generally agreed to have emanated from Nigeria's history of colonization. Prior to colonization, the territory that now comprises the state of Nigeria was made up of more than 250 different tribes, clans, and social groups (U.S. Department of State Bureau of Public Affairs 2011). These discrete entities had their own customs, organization, and social functioning. Europeans first came to Nigeria as slave traders. Eventually Britain outlawed the practice and companies began trading in agricultural goods. During the 19<sup>th</sup> century, the British government took control of relations between British trading companies and various ethnic groups in Nigeria, creating both a Northern and a Southern 'protectorate'. In 1914, Britain formally declared the territory a colony, naming it Nigeria and it remained so until October 1, 1960 (Figure 6). Shortly before regaining independence, the British government designed a federalist form of democratic government around ethnic territorial divisions, as the Hausa-Fulani ethnic group was dominant in the North, while the Igbo inhabited in the East, and the Yoruba resided in the West (Figure 5: Ethnic Regions of Nigeria). The federalist system was initially designed to give substantial autonomy to the South while retaining federal power in the North. Democratic institutional foundations did not have sufficient time to solidly develop in the four years between independence and Nigeria's first democratic elections.

The failure of this to occur in recent democracies has been found to have consequences for income inequality (Chang 2007). Under the strain of preexisting ethnic tensions, the South split into two regions (East and West) just prior to independence.

It was not long before further tensions arose over the power structure and the nation experienced its first military coups in 1966, three in just one year. Shortly thereafter, the oil-rich, Southeastern area of Biafra attempted to secede in 1967, resulting in a three year war and millions of casualties. The federal government slowly concentrated power in the North, creating more states in order to weaken the Eastern and Western regions. By the time the most recent democratic republic was established in 1999, Nigeria had gone from 3 semi-autonomous regions to 36 subnational states. Successive military coups took place in 1975, 1983 and 1985. A failed coup occurred in 1990, and in 1993 the much anticipated transition to a civilian government was unsuccessful. Nigeria's Third Republic was established in 1999, returning the country once more to democratic rule; however, thirty one years of the country's independence was spent under military rule (Table 1: Chronology of Regimes since Independence).

Structure of government is significant because military dictatorships are not as accountable (if at all) to their citizens since rulers cannot be voted out of office. Dictators either hand over power voluntarily or are forced out in coup by a more powerful group. Without accountability, governments have free reign to do as they please, and history proves that they will abuse their power if given the chance. The historian and moralist John Emerich Edward Dalberg Acton responded to Pope Pius IX's Doctrine of Papal Infallibility in an April 1887 letter to a church bishop stating: "all power tends to corrupt, and absolute power corrupts absolutely. Great men are almost always bad men even when they exercise influence and not authority: still more when you superadd the tendency or certainty of corruption by full authority. There is no

worse heresy than that the office sanctifies the holder of it" (Dalhberg-Acton 1949, 364). Military dictatorships have far more power than democracies, where there is a balance of power evenly distributed between branches of government for the explicit purpose of discouraging corrupt behavior. That is not to say political corruption does not exist in a democracy, only that it exists to a far less detrimental degree. In true democracies, citizens are given a voice through their ability to participate, if they so choose. Elections since Nigeria transitioned to democracy have lacked credibility, until the 2011 elections, which were monitored by international observers and have been hitherto deemed legitimate. The legitimacy of elections is critical since illegitimate elections in Nigeria have resulted in military coups, prolonging military rule.

For example, in 1964 Nigeria held its first federal elections since independence. The elections were perceived as rigged and boycotted by the major alliance of Southern parties (Anglin 1965). The existing Prime Minister (appointed in 1960), Abubakar Balewa, was nevertheless elected. Balewa, from Bauchi State in central Northern Nigeria, was assassinated only two years later during the country's first military coup. Political parties were then disbanded by governmental decree (Joseph 1987). General Aguiyi JT Ironsi from the Southeastern region became Head of State for the next six months, until his own assassination by opposition elements from the North. General Yakubu Gowon, a Northerner from Plateau State, became the next military Head of State and "the commitment to rid the nation of corrupt use of public office [by Gowon] gave way...to corruption on a grand scale in Nigeria" (Joseph 1987, 72). Gowon's "unwillingness to discipline his subordinates, to shuffle his cabinet,...and to respond positively to the charges and information with which he was inundated concerning the malfeasance and arbitrary conduct of his chief subalterns, the military governors in twelve states" signifies the weakness of leadership that allowed corruption to flourish during Gowon's nine year rule

(Joseph 1987, 72). President Shagari was elected after a transition back to democracy in 1979 and re-elected in 1983, but the vote was alleged to have been rigged (Hart 1993). After unsuccessful contestation in court, the military overthrew Shagari, beginning another long period of military rule in Nigeria. Although Nigeria is now a democracy, the presidential-style system is still imperialistic in that it lacks a system of checks and balances that leaves the president with the majority of power. There are corruption charges pending against government ministers and occasionally state governors, but a sitting Head of State has never been charged or accused of political corruption despite the almost certainty that political corruption still exists at this level. Although corruption is technically against Nigerian law, there is no enforcement at the highest government levels. A legislative and judicial branch both exist within the Nigerian Government, yet power checks against the executive branch rarely occur. The Nigerian Government still lacks full accountability at the highest levels. Thus, the colonization imposed on Nigeria resulted in a historical trajectory of ethnic rivalry, military rule, and political corruption that has implications for Nigeria's status today.

### *Economic History*

Prior to the discovery of oil in 1956 by Royal Dutch Shell (a merger between British based Shell Transport and Trading Company and Royal Dutch Petroleum Company in the East Indies in 1907), Nigeria was primarily an agriculturally based economy trading in palm oil, timber, and other commodities (U.S. Department of State Bureau of Public Affairs 2011). In 1960, agricultural products such as palm oil and cacao beans made up nearly all Nigeria's exports (O'Neil 2007). In 1965, shortly after independence but prior to the civil war, oil exportation in Nigeria was still in its infancy, accounting for only 5 percent of government revenues. The nationalization of the oil industry by the government in the 1970s steadily increased its

percentage of oil company shares to 35 percent in 1973, 55 percent in 1974, 60 percent in mid-1979, and 80 percent by August 1979 (Shell.com 2011). Today, Shell maintains that the Nigerian government receives 95 percent of the revenue (after costs) - nearly \$35 billion since 2006 - from the joint venture with Shell Petroleum Development Company of Nigeria, whose operations include 90 oil fields, 1,000 producing wells, 72 flow-stations, 10 gas plants and 2 major oil export terminals (Shell.com 2011).

Shell is only one of six oil companies contracting with the Nigerian government in joint ventures. The Shell Petroleum Development Corporation of Nigeria is a joint venture composed of the Nigerian National Petroleum Company (NNPC) (55 percent), Shell (30 percent), Elf Aquitaine (10 percent) and AGIP - General Italian Oil Company (5 percent). Elf and AGIP are French and Italian oil companies respectively. The Shell joint venture alone accounts for more than 40 percent of Nigeria's total oil production (Nigerian National Petroleum Company 2010) with a capacity to produce up to 1 million barrels of oil per day (Shell Petroleum Development Corporation 2010). The second largest producer, Mobil Producing Nigeria Unlimited, is the only major oil company operating completely offshore; with no onshore production. The company holds over 800,000 acres in shallow water offshore Southeastern Nigeria. Production comes from 90 offshore platforms, with 283 flowing completions in 353 wells with a production capacity of about 720,000 barrels of crude, condensate and natural gas liquid (NGL) per day (ExxonMobil 2010). Chevron Nigeria Limited, the third largest oil producer with approximately 400,000 barrels per day, is a joint venture between the NNPC (60 percent) and U.S. based oil corporation Chevron (40 percent) A fourth joint venture is operated by AGIP (20 percent), Phillips Petroleum (20 percent) and the NNPC (60 percent) and produces 150,000 barrels per day. Elf Petroleum Nigeria Limited is a joint venture between the NNPC (60 percent) and Elf (40

percent) only. In 2005, Elf's combined oil and gas production totaled 250,000 barrels per day (Total Nigeria 2010). And a final joint venture operated by Texaco and owned by NNPC (60 percent), Texaco (20 percent) and Chevron (20 percent) currently produces about 60,000 barrels per day from five offshore fields (Nigerian National Petroleum Company 2010).

Although oil revenues in Nigeria increased significantly after nationalization of the oil industry, disruptions in the international oil supply occurred due to political events, such as the Arab-Israeli War in 1973 and the Iranian Revolution in 1979, which created a global shortage of oil. Lack of supply as well as increased demand caused the price of oil to increase drastically. High prices led to a drop in demand and increased production creating a surplus of oil on the market. The price of oil peaked in April of 1980 at \$39.50 per barrel - \$108.32 adjusting for inflation (Mouwad 2008), but then fell below \$10 per barrel by the mid-1980s. The Nigerian government, heavily dependent on oil revenues for its income, incurred substantial financial losses.

By 1983, Nigeria had developed a N4 billion trade deficit and applied for a US\$2.3 billion loan from the International Monetary Fund (IMF) (Anyanwu 1992). In exchange for economic assistance, the IMF required seventeen conditions, known as a structural adjustment program (SAP), to be met that essentially mandated a 'structural adjustment' of the Nigerian political economy. Although it was intended to "promote economic efficiency and long-term growth" by "eliminating price distortions, heavy dependence on crude oil exports and imports of consumer and producer goods", the standardization of such a program instead resulted in severe inflation that caused many other economic and social problems (Anyanwu 1992, 6). The specific structural adjustment policies that Anyanwu is critical of include: external debt management strategies, foreign exchange market operations, removal of petroleum and fertilizer subsidies,

trade liberalization, and interest rate deregulation. These particular structural adjustment policies, Anyanwu argues, resulted in income redistribution further exacerbating income inequality, reduced demand for domestic products, and erosion of savings (1992). Therefore, political corruption as argued elsewhere in this thesis, is not solely responsible for all Nigeria's social and economic issues.

Nigeria's economic history has resulted in oil revenues that currently account for 95 percent of all government revenues. In 2009, Nigeria's GDP was US\$177 billion, three times its 1981 GDP<sup>2</sup> of US\$59 billion. GDP was even higher in 2008, at US\$219 billion (in current US\$), but likely decreased in part due to the global economic recession. Critics argue that the emphasis on oil production led to neglect by the government of the nonoil sectors, such as agriculture and manufacturing, effects of which are explained in chapter four. The agricultural sector has deteriorated to the point where Nigeria is now a net importer of food products instead of an exporter. Access to trillions in oil revenues combined with lack of political accountability has led to a legacy of political corruption in Nigeria, one which has had disastrous consequences for its people.

### Thesis Overview

This project was initiated with knowledge of only two traits about Nigeria: that it was located in Africa and that many of its citizens were very poor. The point being that there were no preconceived notions of corruption in Nigeria. Nigeria was not chosen based on any awareness that it was a corrupt nation or a corrupt culture, as is argued in some of the literature, (both assumptions this thesis firmly rejects). Initial interest in this project originated with the paradox

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<sup>2</sup> GDP prior to 1981 could not be located.

between Nigeria's natural resource wealth and the poverty of its citizens. It was a result of the literature review that a negative overtone between Nigeria and corruption was noticed. Unfortunately, due to limited opportunity for cultural immersion in this study, the information contained herein is the sole result of eleven months worth of researching a wide variety of secondary source material.

This thesis proceeds in the following manner: chapter one has provided the introduction, discussing first the situation in Nigeria, and then presented the political and economic histories, followed by the thesis overview. Chapter two addresses research limitations within the study including data scarcity and reliability, difficulties with the conceptualization and measurement of political corruption, in addition to defining and operationalizing social welfare. Chapter three will present a literature review attempting to focus more on contemporary political corruption in Nigeria since its transition from decades of military rule. The fourth chapter deals with the findings of the research, which is the impact of political corruption on the different aspects of social welfare, categorized according to the impact of each component of social welfare, to include poverty, inequality, infrastructure, and revenue allocation. The section on infrastructure encompasses electricity, education, environment, crime, and economic sectors of societal infrastructure. Chapter five entails the conclusion, including the failure of anti-corruption efforts to date, the international aspects of political corruption, and suggestions for future research.

## CHAPTER TWO: RESEARCH DESIGN AND LIMITATIONS

Qualitative studies are often more difficult to perform than quantitative studies due to the inherent bias of researcher perspective, especially when researchers attempt to study a culture that is not their own. Education is designed to limit such factors; however, unless complete immersion in a culture is attained, perspective will be more influenced by one's own historical narrative. Qualitative studies are open to interpretation, where disputes can occur in the literature regarding how concepts are defined, measured, and compared. Despite some limitations, case study research designs can also be beneficial. They often entail a more intensive study of the subject matter due to their small sample size. Gerring (2007) argues that using a case study research design is advantageous for generating new hypotheses, explaining causal mechanisms, providing a deep scope of proposition, overcoming heterogeneity in population samples, when studying outcomes that occur rarely and when data availability is concentrated. Case study research designs also provide strong internal validity and causal strength (Gerring 2007). This study recognizes the fact that its arguments, while solidly supported, are one interpretation of its conclusions. In studying the impact of political corruption on social welfare, the following section addresses limitations of the research, including how the two variables of political corruption and social welfare are correlated, in that the absence of social welfare caused by political corruption may make other forms of social corruption more necessary for survival.

### Corruption: A Conceptual Framework

The concept of corruption is a difficult one. There is no official definition that separates *political* corruption from other forms of corruption. The *Merriam-Webster Dictionary* (2011)

offers a general definition of corruption in four parts: 1) impairment of integrity, virtue, or moral principle, 2) decay, decomposition, 3) inducement to wrong by improper or unlawful means, and 4) a departure from the original or from what is pure or correct. The term corruption, however, is most often used when referring to matters of politics. Transparency International, the leading international anti-corruption organization, defines corruption as abuse of entrusted power for private gain (Transparency.org 2011). The term entrusted power illustrates the political primacy in theories of corruption.

However, there are several problems with these definitions, one of which is that they are from a Western perspective, not necessarily consistent with the situation in Nigeria. Both definitions are also too broad and vague. Nwabuzor (2005) accepts multiple definitions of corruption in the *Journal of Business Ethics* to include: the abuse of public trust for private gain also put forth by Todaro and Smith in 2003, a violation of established rules and ways of doing things with the aim of obtaining private gain or profit by Sen in 1999, a form of unethical behavior or wrongdoing by Eiras in 2003. Nwabuzor also adds to these by incorporating “the outright diversion and conversion of public funds to private use by public officials; the bribery of public officials by multinationals or other private sector entities as inducements to obtain government patronage and contracts; and the extortion of money and other consideration by public officials as a condition for awarding the same patronage” (2005, 122). Goldsmith defines political corruption similarly “as the abuse of public positions of trust for private gain, including theft of public funds (embezzlement) extortion and bribery, and nepotism” (1999, 867).

Because the concept of corruption is interpreted so diversely, it is often unclear what is meant when the term corruption is used. For example, references to corruption in Nigeria could range from simply paying local police for passage on a roadway to the embezzlement of billions

of dollars by high level political leaders. Actions that are perceived to be corrupt likely vary from country to country and culture to culture. That is not to say that any one country or culture is inclined to corruption. Political corruption will exist in any government to the extent it is not prevented by (or able to circumvent) the law. The view in this thesis is that Nigeria is no more prone to political corruption than any other country; it simply lacks sufficient institutional mechanisms to inhibit political corruption.

Other terms such as graft and neopatrimonialism have also entered scholarly discourse over time. Graft is defined as bribery and other corrupt practices used to secure illicit advantages or gains in politics or business (Oxford English Dictionary 2011). The definition of graft, however, does not specify it only to the political domain. Prebendalism, a form of neopatrimonialism specific to Nigeria, was coined by Richard Joseph in 1987. Prebendalism in Nigeria entails a relationship between a government representative (the patron) and a private citizen (the client) in which the patron rewards the client in exchange for political support. The literature review section will discuss Joseph's book in greater detail, but for definitional purposes, Joseph defines a prebend as a state office obtained through examinations or as a reward for loyal service to a ruler (Joseph 1987). Although Prebendalism may be considered a form of corruption, it is slightly different from other forms of corruption such as political corruption, which may require no client, only a patron who loots the treasury directly.

Corruption also exists in nonpolitical areas of Nigerian society, such as the private sector and everyday life; however, there are alternative views on this kind of corruption. Discourse on corruption often carries with it a moral undertone. The very definition mentioned above implies that a lack of 'moral principle' accompanies corruption. However, Daniel Jordan Smith and other scholars distinguish between perceptions of legitimate and illegitimate corruption in

Nigeria:

Some forms of corruption are almost always less legitimate than others. For example, the tolls collected by police at checkpoints are widely resented, whereas string pulling by a patron to assist a friend or relative is often seen as highly legitimate and even morally honorable... Whether a particular behavior is perceived as corrupt and how corrupt a behavior is judged depend on where the behavior falls along a number of intersecting continuums...including legality and illegality, legitimacy and illegitimacy, and scale [that is, petty and massive] as well as whether one is a beneficiary or a victim (Smith 2007, 18).

Alternative views of corruption rightfully posit that corruption can be legitimate depending on the circumstances and that certain forms of corruption are, in fact, even necessary for survival in Nigeria due to the absence of social welfare provided by the government. “The ordinary Nigerians who participate in corruption often feel compelled to do so in the context of political and moral economies that seem to leave them little choice” (Smith 2007, 56). While the thirty corruption charges against former Afribank Chairman Osa Osunde in April 2010 involving N55 billion (EFCC Nigeria 2011) is unlikely perceived as necessary for his survival by average Nigerians, corruption committed by any of the approximately 70 percent of Nigerians that live below the poverty threshold is justifiably either considered legitimate or at the very least tolerated. Specific details of the case are scant, but Osunde was arrested on charges of granting credit facilities and misappropriating depositor’s funds (Alaneme 2010). Osunde has pled not guilty and his trial is still pending. The main distinction that makes grand corruption (political corruption) so much more intolerable than petty corruption is the sum involved. Grand level corruption often entails high level politicians, such as Presidents and Governors, who steal much

larger sums of money. The higher the official is on the political ladder, the more power he or she has, along with greater access to state funds. Jean Francois Bayart coined the phrase “the politics of the belly” in the first edition of *L’Etat en Afrique: Le Politique du Ventre (The State in Africa: The Politics of the Belly)* in 1989. Bayart (1989) argues that Nigeria’s history of colonialism has resulted in Nigeria’s present disastrous situation, which has made corruption necessary for survival in many cases. Thus, corruption is a complex, multifaceted, contentious concept with various definitions and interpretations.

The concept of the nation-state is traced to the 1648 Treaty of Westphalia in Europe. Throughout history wars have been fought for territorial acquisition. The rise of modern nation states began the process of defining territorial boundaries in a fixed manner, giving sovereignty to each state within its borders. Although borders sometimes still change today, more often from state disintegration than conquest, international borders are generally static. Forms of social organization were historically smaller in scale and more local as people gathered together in small groups and tribes. The state is both a relatively modern and Western phenomenon that imposes expectations on government to meet the basic needs of its people. This model was developed over centuries (and is still a work in progress), spurred by the gradual processes of industrialization and technological modernization. The Western concept of the state was a foreign one in Nigeria, however, introduced by English colonizers in the early 1900s. Colonization forcefully integrated all of the separate ethnic entities in Nigeria into one state over decades instead of centuries. This can create ethnic tensions if one ethnic group is perceived to be favored over another or given more power than others, as occurred in Nigeria. Colonialism also brought with it the centralization of power and the creation of a modern military, who used the centralization of power as a tool to control the country and its natural resources. The Nigerian

Army can be traced to 1863 when the Imperial Governor of Lagos began using Nigerians to protect trade routes (Nigerian Army 2011). By independence, Nigeria had developed a modernized military. Six years later the country experienced its first military coup and has been since ruled mostly by military dictatorships unaccountable to Nigerian citizens. The successive policies of these governments, (some of which were imposed on them by international institutions in exchange for foreign economic assistance, known as structural adjustment programs), in addition to political corruption over time, have created the tragic situation in Nigeria today regarding its social welfare.

### Measuring Corruption

Transparency International (TI) is an international governmental organization that began measuring corruption in the mid-1990s. Because data on corruption is scarce, especially in countries with less transparency and oversight, TI measures the perception of corruption through surveys of populations within the countries analyzed. Part of the survey includes questions such as how many times a citizen has paid a bribe to a government official within the last year. For this reason, the measure of perceived corruption is more representative of petty corruption than grand level corruption. Because this study focuses on grand corruption, Transparency International's corruption data is not an entirely accurate representation of political corruption in Nigeria.

Moreover, annual surveys are done, but the questions asked and people surveyed may change on an annual basis, making comparing their corruption reports over time unfeasible. For example, Nigeria's rank (Figure 4) in the corruption index (1 as least corrupt) decreased from 50<sup>th</sup> in 1996 and 134<sup>th</sup> in 2010, suggesting corruption increased; however, Nigeria's corruption

score (10 least corrupt, 0 most corrupt) improved from a 0.69 to a 2.4. Nigeria's rank decreased because the number of countries included in the survey increased from only 50 in 1996 to 178 in 2010. Another weakness of using TI's corruption data is that it does not differentiate between accepted forms of corruption and illegitimate corruption. Since the concept of corruption is so subjective, as stated earlier, what one person considers to be a bribe may be seen as a gift by another. Therefore, the actual incidents of bribery may be overreported or underreported. Despite these weaknesses, Transparency International is the only international organization that publically measures corruption to date. Because corruption data is limited to only one source, which has not been consistent annually, the data produced in attempts to measure corruption perception over time may not be accurate. However, the consensus in the literature that political corruption exists in Nigeria allows for this study to concentrate more on social welfare than proving political corruption.

Systematic methods of measuring grand level corruption have yet to emerge. Corruption at this level is arduous to measure because it involves fewer individuals and is performed surreptitiously. Since the creation of the Economic and Financial Crimes Commission (EFCC) in Nigeria, grand level corruption is increasingly being exposed. The first EFCC Chairman, Nuhu Ribadu, reported that more than \$440 billion in national revenues had been stolen since 1960 (Ribadu 2009). The EFCC has its own website where it publishes reports for public consumption, as well as pending cases against defendants charged with corruption. Until charges are filed though, grand level corruption remains a covert phenomenon. Grand level corruption can then only be measured by the known instances and the financial amounts they involve. Nevertheless, in the short amount of time that the EFCC has been operating, it has uncovered a substantial amount of grand level corruption that has helped explain why Nigerian society suffers

from such inadequate social welfare. Modernization of government processes, such as record keeping, makes grand corruption more difficult to hide. The more data that becomes available on grand level corruption, the easier it will become to derive a systematic methodology of measurement.

Corruption between the private and public sectors are frequently connected. The government awards contracts to private companies for infrastructure construction and maintenance. It is often through this procurement process that corruption between the public and private sectors converge. This aspect of corruption transfers wealth from the state treasury to the business elite as well as political officials. Creating transparency in the procurement process should moderate corruption in this area and create more equitable competition in the private sector. Good governance in the public sector would set a good example for corporate ethics policy in the private sector. EITI, as discussed previously, encourages the same diligence in the private sector as governments are committing to in the public sector. Corruption within the private sector, society, and between the private sector and society, however, is beyond the scope of this study, but may be an important area of study for future research in measuring the impact, either positive or negative, that forms of corruption have on each other.

As a result of such conceptual complexities, this thesis strives to isolate political corruption from private sector forms of corruption in an attempt to avoid complications surrounding the operationalization of corruption. For purposes of this research, political corruption will be limited to corruption by high-level government officials including, but not limited to, presidents, state governors, and former military rulers. “Nigerians largely...view that corruption...emanates from bad leadership” (Smith 2007, 55). Furthermore, this thesis also distinguishes between grand corruption (which involves larger sums of money) and petty

corruption because instances of grand corruption are more often documented by the EFCC.

### Social Welfare: A Conceptual Framework

Defining social welfare raises questions about what aspects of life should be considered basic human rights. Social welfare can be described simply as the general well-being of a society. The well-being of a society can be considered to be acceptable when the well-being of the majority of its citizens is acceptable. What does it mean to be 'well' and what is an acceptable level of well-being? Like corruption, these concepts can be defined differently depending on individual interpretation. However, there have been internationally developed standards to deal with the variation of these definitions. The answer to such questions lie in the contemporary international agreed upon norms that nearly all countries have agreed to as members of international organizations and through international treaties, such as human rights. The welfare of a society can be measured by the extent of its political and economic rights. While political rights have become more common with the spread of democracy, economic rights have not always ensued. Nigeria became a democracy for the third time in 1999; however, Nigerians still suffer from lack of some economic rights, most importantly the right to be free from poverty. In 2007, Oxford University Press published a book entitled *Freedom from Poverty as a Human Right* demonstrating the emerging trend of freedom from poverty as a fundamental human right (Pogge et al).

As human society as a whole has progressed, the range of human rights that international society considers to be basic has expanded. During the age of monarchs, the general public had very few rights, if any. There was no right to vote, no right to own property, and even no right of freedom. The only people considered to have value were royalty. Political rights were gained

with the idea of democracy centuries ago, whereas economic rights have been a central principle of capitalism. Part of the push for global democracy has been based on the assumption that economic liberalization follows political liberalization, leading to increases in economic growth and wealth, yet that is not always the case. In the event wealth is created following democratic transition, it may not be equitable or even significant.<sup>3</sup> The concept of environmental rights, the most recent to enter the forum as part of what constitutes basic human rights, is also applicable to social welfare in Nigeria because of the degradation that oil production has inflicted on the environment and its effect on the people.

In 1946 the United Nations set up its Commission on Human Rights to promote human rights universally, citing in the preamble the “freedom from want” (among others) as the “highest aspiration of the common people” (United Nations 2011). Government is principally responsible for being the guarantor and provider of these basic human rights. In December 1948 the General Assembly of the United Nations adopted and proclaimed the Universal Declaration of Human Rights (UDHR) (United Nations 2011). Nigeria, not yet an independent nation in 1948, became a member of the United Nations on July 10, 1960. Six years later the United Nations created the International Covenant on Economic, Social and Cultural Rights, which was acceded to by Nigeria on July 29, 1993. This covenant includes under Article 11, Part 1: recognition by member states of the right of everyone to an adequate standard of living for himself and his family, including adequate food, clothing, and housing, and to the continuous improvement of living conditions; Article 11, Part 2: the fundamental right of everyone to be free from hunger; Article 12 Part 1: the right of everyone to the enjoyment of the highest attainable standard of physical and mental health (including prevention, treatment and control of epidemic, endemic, occupational and other diseases); and Article 13: the right of everyone to education

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<sup>3</sup> See chapter four for further discussion on how democratization can lead to income inequality.

(U.N. Human Rights Commission 2011).

The concept of certain economic rights is also included in the UDHR. Article 22 of the UDHR states that everyone is entitled to the realization of economic rights indispensable to his or her dignity. Under Article 25, everyone has the “right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care, and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control” (United Nations 2011). All members of these organizations and signatories to these international treaties, including Nigeria, have a duty to abide by and uphold them, despite the lack of forces to compel compliance. International institutions are responsible for monitoring governments to ensure there are no violations of these rights and hold governments accountable, given that the international system is one of anarchy. Social welfare, then, can be considered the well-being of a country’s society as a whole, in addition to the sum of basic human rights of the citizens of a country. A society can be considered to have ample social welfare when the majority of its citizens consider themselves to have a decent quality of life, meaning that their basic rights are met. Nigerians are fully cognizant of their social welfare situation and hold government corruption and the entities that enable it liable.

### Measuring Social Welfare

Social welfare can be a difficult concept to measure because the criteria used to measure social welfare can vary as well as perspectives on what constitutes a ‘sufficient’ or ‘insufficient’ level of welfare. The level of basic social welfare in a country often determines its citizen’s quality of life. The lower the level of social welfare, the less access a citizen has to those basic

goods and services that facilitates existence with dignity. The ideal social welfare structure has yet to be perfected in any country; however, some have successful programs that provide food, shelter, and even job training for people unable to provide for themselves or their families. In order to function properly, however, social welfare requires a healthy economic sector. Services that are free or low-cost to the public can become overburdened when the entire population needs to use them.

In addition to difficulties measuring social welfare, the accuracy of data is not always reliable and the availability of data can be scarce. The federal government of Nigeria is even critical of itself in this area, stating on their National Bureau of Statistics (NBS) website that:

The NBS has failed to meet its mandate of producing adequate, accurate and timely data needed for decision making...among the reasons for this appalling state were the poor attention from Government, bad management, a bloated and low quality workforce, preponderance of non-professional staff (particularly administrative and accounting personnel), archaic data production and management technologies, and low morale and productivity of workers. All these manifested in non-production of relevant statistics for planning and evidence-based policy formulation, implementation, monitoring and evaluation, or, at best, the production of data that were untimely and often without any iota of integrity. This situation necessitated the current process of reforms in the NBS (2010).

Since Nigeria's Statistical Master Plan program (funded by the World Bank) was implemented in 2003, data collection in Nigeria has improved significantly in the extent and

variety of information collected and available for public use. Data prior to 2003 is found primarily in international governmental organizations and is critical for analyzing data over time, however there is much less available for comparison. As a whole, data collection has improved internationally with the advent of computer technology.

Measures of social welfare consist of a combination of data acquired from government sources, international governmental sources, and nongovernmental sources. Government sources include mainly Nigeria and the United States. International Governmental sources include, but may not be limited to, the World Bank, UNICEF, the United Nations, Transparency International, and the African Union. Data is also acquired at times through books, scholarly articles in academic journals, and international periodicals. The data used encompass economic, social, and environmental information. Economic data used to measure social welfare consists of national, sub-national, and individual level figures such as Gross Domestic Product, Gross National Income, the Gini Index, and Gross National Income Per Capita. This data may be compared with other countries and with historical Nigerian measures for purposes of contextualization. Comparing GNI across countries is difficult because one must take into account the cost of living adjustment. A higher GNI indicates a higher standard of living, but higher cost of living often requires a certain level of GNI. GNI per capita is also highly variable by population. The 2009 GNI per capita in the United States was around \$46,000 whereas the 2009 GNI per capita of Monaco was \$195,000 – both in current U.S. dollars. The population of Monaco was less than 33,000 at the time compared with a UNITED STATES population of 300 million.

Social indicators used to measure social welfare include various data such as level of infrastructure, level of national and sub-national poverty, unemployment rates, the percent of

households with access to mosquito netting, clean drinking water, sanitation facilities, number of orphans, instances of diseases, mortality rate and others. Poverty level is one of the most significant representations of social welfare. The greater a nation's poverty level, the lower the welfare of its people. People who are economically destitute have a lower quality of life because they lack the basic goods and services necessary for survival with dignity. Those suffering from poverty may be homeless and unable to afford food, or medical care. Homelessness may increase a person's chances of crime victimization. Chronic hunger leads to malnutrition and eventually to famine. Disease can lead to death, creating orphans, who become part of the indigent group. Poor people are also less able to afford basic necessities like clothing, education, and even mosquito netting that protects children from malaria-ridden mosquitoes during sleep. When large portions of the population lack such basic needs, their individual welfare is diminished and social welfare as a whole is also diminished.

The United Nations developed a single indicator in 1990 called the Human Development Index (HDI) to measure both social and economic development. To clarify, the use of development in this sense signifies more of an individual level human development, not national economic development. Based on the data it uses, HDI can also be a measure of social welfare. It combines three dimensions: health, education, and living standards. The health dimension uses life expectancy at birth, the education dimension uses two indicators, mean years of schooling and expected years of schooling, and the living standards dimension uses gross national income per capita. The 2010 HDI methodology has been revised making comparisons with previous HDI scores complicated. The UN claims that the revised methodology is a more accurate representation of HDI. Under the previous HDI formula, health was also measured by life expectancy at birth; but education was measured by a combination of the adult literacy rate and

school enrolment rates (for primary through university years); and income or standard of living was measured by GDP per capita adjusted for purchasing-power parity (PPP US\$) instead of GNI per capita. GNI per capita is a more accurate representation of income per capita than GDP because it excludes income generated in the country by foreign investment that does not stay in the country. HDI can be a more comprehensive measure of welfare than measuring GNI per capita alone because even a country with a high GNI per capita may still not have a high level of overall social welfare if health and education are lagging.

Using HDI as a measure of social welfare in Nigeria has several other challenges in addition to its recent change in methodology. While the individual indicators used by the UN to calculate HDI may be available prior to 1990, the HDI did not exist prior to 1990. The earliest year of HDI data for Nigeria is 2005. The lack of data on Nigeria makes comparing the progress of HDI over long periods of time unfeasible. In terms of its accuracy in measuring social welfare, HDI uses only several indicators. Longer life expectancy, more years of schooling and higher GNI per capita indicate a greater well-being of society overall, but it does omit other variables that are part of social welfare, most importantly level of infrastructure. Health, education, and income are all affected by the level of a nation's infrastructure.

In terms of the measurement of infrastructure, there is no standard international measure. If infrastructure is defined as the system of public works of a country including the resources (personnel, buildings, or equipment) required for an activity (Merriam Webster 2011), then this study will attempt to measure level of infrastructure by measuring public works such as education, electricity, plumbing, and transportation. Education is measured in the HDI, but can also be measured separately by data from the World Bank, NBS, and UNICEF. The NBS has published literacy rates, number of schools, and attendance statistics. The World Bank has

literacy rates as well, while UNICEF measures percent of governmental expenditure on education.

Analysis of these measures of social welfare over time in subsequent chapters demonstrates in that despite the massive inflow of oil revenues to the Nigerian government over decades, the social welfare of Nigerians has not only failed to benefit from them, but has even declined at times. At the very least, oil profits at present still enrich a small portion of the population at the expense of hundreds of millions. That number is much higher when considering the total number of people who have suffered since the 1960s.

#### Data Scarcity and Reliability

Direct evidence between political corruption and social welfare in Nigeria is difficult to establish because corruption has only begun to be genuinely confronted by the government within the last decade or so. The first governmental anti-corruption commission was not created until 2003. Prior to that, Pius Okigbo became the first political appointee to investigate corruption in Nigeria during the 1990s. Ironically, Okigbo was appointed by one of Nigeria's most corrupt leaders, General Sani Abacha, later believed to have looted as much as N6 billion from government revenues. It is not surprising, however, that a corrupt leader would appear to combat corruption since, as established earlier in the section on political history, military coups in Nigeria were often justified in the name of ending corruption. Okigbo found that US\$12.2 billion in oil revenues had been 'lost' between 1990 and 1994 (Rupert 1998). Subsequently, few comprehensive investigations against corruption took place until the creation of the Nigerian EFCC in 2003. The chairman of the EFCC revealed the most damning evidence of corruption in Nigeria in 2006, reporting that an estimated \$440 billion had been "stolen or wasted" between

1960 and 1999, (Ribadu 2009, 4). Ribadu was later dismissed from his post and alleged that two attempts on his life compelled him to leave the country. Accusations against him suggested he used his post for political purposes, to discredit political rivals. However, it is entirely possible that such allegations against Ribadu have been made as a reprisal for his investigation of corrupt politicians.

Although Nigeria has begun to fight corruption more genuinely, considerable resistance among the elite remains, affecting transparency. The NEITI Act passed by the Nigerian legislature in 2007 helped facilitate transparency, but governmental transition is often a process that takes time and the initiative is still fairly new. NEITI defines itself as national version of a global movement aimed at ensuring that revenues from oil, gas and mining sectors aid economic growth and reduce poverty (NEITI.org 2010). The primary mechanism through which NEITI executes its transparency mandate is through annual audits of payments made by extractive companies and revenues received from them by government. After completion, the audit report is shared with the National Assembly and the Auditor-General of the Federation, members of the public, the media and civil society. NEITI's first report covered the period from 1999 to 2004 and was conducted by a consulting company based in the United Kingdom. NEITI does not actually conduct the audits itself. The board of NEITI is composed of government, civil society, and extractive industry experts. The report discovered discrepancies between payments by companies and receipts by government agencies and also identified lapses in extractive sector governance. NEITI claims to have "reconciled most of the discrepancies in payments and is leading the effort to remedy the identified lapses" (NEITI.org 2010). NEITI also maintains it conducted a "study" that has saved the Nigerian government over \$1 billion in three years; however, the statement was not elaborated on any further and no such study was available on its

website (NEITI.org 2010). Two more audit reports were conducted: one in 2005, and one covering 2006 through 2008. Overall, it is difficult to say yet if NEITI has made any significant impact on creating transparency in Nigeria's oil industry because the process is so new. The 2004 report included a list of recommendations, only some of which were still listed in the 2006-2008 report released in February of 2011. This suggests the industry has implemented some of the recommendations, but still has much work to do.

In addition to scarce data on corruption figures, not a single prosecution of corruption occurred in Nigeria prior to 2003, leaving little historical evidence of the crime. Likewise, not a single prosecution occurred under the 1977 U.S. Foreign Corrupt Practices Act until 2003 when James Giffen, a wealthy American merchant banker, was accused of paying \$78 million in bribes to top Kazakhstan officials in exchange for ownership of the country's oil reserves (Stodhill 2006). U.S. authorities discovered the corruption only after being tipped off by Switzerland, whose banks were holding the embezzled funds. In his defense, Giffen alleged that the U.S. government not only was aware of his actions but was actually a party to them. After a seven year battle against the U.S. government, Giffen's charges were reduced in 2010 to misdemeanor tax fraud punishable by a maximum of six months in jail and miscellaneous fines (Glovin 2010). Governments, especially those that profit from corruption, have little incentive to combat it. Although anti-corruption is beneficial for the greater good, the temptation to enrich oneself at the expense of others appears to overcome rational judgment more often than not.

To date, only US\$5 billion of Nigeria's plundered assets have been recovered (mostly from Swiss bank accounts). The U.K.'s Commission for Africa estimates \$93 billion in stolen assets are still held in foreign bank accounts (Ribadu 2009). The EFCC has published a current list of 55 ongoing high profile cases that (the majority of which involve state governors and

federal ministers) specifies the name of the accused, which trial court the case is being prosecuted in, the amount involved (a total of N236 billion), and the status of the suspect, whether on bail, in jail, or acquitted (EFCC Nigeria 2011). The most egregious case entails the Chieftain of the ruling People's Democratic Party, Bode George, who was convicted in 2009 of corruption involving N100 billion, but sentenced to only two years in jail. George is a more current example of the direct link between political corruption and the effect on social welfare in Nigeria. It is but one of many high profile cases ongoing against various government officials. N100 billion could have provided 5.37 billion vaccinations for children against yellow fever at a cost of 12 cents per vaccination in 2002 (World Health Organization 2002). N100 billion is also enough to vaccinate nearly 203 million children with seven different vaccinations including tuberculosis, pertussis, hepatitis B, measles, meningitis, polio, tetanus, and yellow fever (World Health Organization 2002). Many more social services could have been provided with the \$400 billion stolen since 1960 and N236 billion (EFCC Nigeria 2011) that is only a portion of the EFCC's current list of high profile cases.

Details such as these confirm the existence of massive political corruption in Nigeria, but the full extent and details are difficult to quantify due to the secrecy of the act, and lack of transparency and accountability in the government. For example, although corruption is illegal according to Nigeria's constitution, it is still not included by the NBS in the data on prison admission by type of offense since improved record keeping began in 2003 (Nigerian National Bureau of Statistics 2010). Corruption initiatives by the government have often targeted corruption in society, low-level petty corruption instead of political corruption, which occurs less often, but has a much greater impact (per instance) on society. Furthermore, it is likely that corruption in society as a whole will decrease once the effects of its mitigation at the top level

are felt. In other words, stemming the political corruption at the highest levels, combined with efficient governance and sound policies, may make it unnecessary for average Nigerians to turn to corruption for survival. Although the elimination of corruption entirely is a goal worthy of aspiration, it is just as unlikely as the complete eradication of other global social problems like crime or theft, but it is possible to control such issues through laws, education, and transparency.

### CHAPTER THREE: LITERATURE REVIEW

Scholars have taken various approaches when writing on political corruption and social welfare in Nigeria. The focus may be on causes, effects, democracy, history, colonialism, or revenue allocation to name a few; however, all of these variables affect each other in some way. The main portion of the literature views the issue from the perspective of ethnicity. Ethnicity is such a significant issue in Nigeria because it is how most people define their identity. Increasing globalization has perpetuated a revival of ethnic identity worldwide as borders become more fluid and national identity becomes less meaningful. Threats against one's ethnicity can mean a threat to one's identity and very survival. Each ethnic group naturally attempts to assure its self-preservation by gaining an advantage over others. This fight for supremacy can be seen in every corner of the globe, both within countries and among countries. Rational choice theory states that a person will always seek to do what is in his or her own best interest. Thus, people inherently seek to enhance their chances of survival by gaining an advantage wherever possible. Those at the top seek to maintain the status quo, while those at the bottom naturally seek a better position.

In Nigeria, the forced unification of the state through colonization not only failed to create national unity, but led to its reverse - an *unimagined community* – the deconstruction of a national community (Adebanwi and Obadare 2010). The British strategically allied themselves with the Fulani ethnic group in Northern Nigeria to create an Anglo-Fulani power bastion of political and economic domination that led to a legacy of “divide and rule” tactics (Adebanwi and Obadare 2010, 389). Ethnic tensions created by colonization translated into ethnic struggle for state resources when oil turned Nigeria into a petrol-state. Adebanwi and Obadare conclude by summarizing solutions to Nigeria's problems by others within the literature, but their own

recommendation only notes that “Nigeria still contains within her the transformational possibilities and human potentialities which can be mobilised, harnessed, and leveraged by a new kind of leadership working in consonance with social forces and the mass of the people, to forge a workable, liveable, polity that would be the pride of the continent” (Adebanwi and Obadare 2010, 399). Thus, two central themes of this study are echoed in Adebanwi and Obadare’s article as well: the responsibility of substandard leadership in causing what the authors call the Nigerian crisis and the role of Nigerian citizens in realizing its potential. Adebanwi and Obadare focus more on ethnicity and government, only hinting at the impact of political corruption on social welfare, noting that Nigeria is at risk of “imploding or exploding” which would be the “bloodiest of all human tragedies the world has witnessed in modern times...[with] 150 million souls searching for a straw to life” (Adebanwi and Obadare 2010, 399). Others argue though that the crisis has already reached such a magnitude, alleging that political “corruption [is] responsible for as many deaths as the combined results of conflicts and HIV/AIDS on the African continent” (Ribadu 2009, 4).

Similar to Adebanwi and Obadare, Ejobowah argues that conflicts are ethnically based, between the politically powerless minority groups and the government (Ejobowah 2000). Like this study, Ejobowah unapologetically takes a normative approach, raising the question of who *should* own the oil resources of Nigeria, calling it the Niger Delta Question. The answer to this question has been a source of conflict throughout Nigerian postcolonial history and is the cause of renewed ethnic uprisings in the late 1990s in the Niger Delta. Ejobowah ultimately argues that “the national level ought not to have absolute ownership right to mineral resources...the subnational political level ought not to have them all, but to share either equally or near equally” (Ejobowah 2000, 43). In Nigeria, there are competing views of political membership, those who

feel that all individuals (on the national level) have equal moral worth deserving equal respect by government, he calls liberals, and others who view political membership (on the subnational level), by birth into a family known to share in the community's culture and history, he calls pluralists. Like much of the literature, Ejobowah attributes tension between national and subnational views of political membership to the country's colonial roots, more specifically, that ethnic minorities felt they would be excluded from the benefits of political membership by the three major ethnic groups and the emergence of oil exacerbated these tensions (Ejobowah 2000).

Ejobowah does not focus specifically on social welfare, but briefly incorporates aspects of it in terms of the causes of militant uprisings in the Niger Delta. Widespread poverty, total absence of basic utilities and social infrastructure, unemployment, fear of oil depletion, unfair revenue allocation, and environmental degradation are listed by Ejobowah as grievances of Nigerian citizens against their government, supporting much of the same findings reached in this study. Ejobowah cites a document produced by the Urhobo oil communities stating that disease patterns in the Urhobo population have changed from traditional (malaria and pneumonia) diseases to diseases of the respiratory tract, central nervous system (brain and spinal cord), and blood system resulting in cancer of the various organs of the body (Ejobowah 2000). The change in disease patterns is ascribed by the Urhobo to: environmental degradation of air, soil and water caused by increased levels of chromium, mercury, copper, cobalt, cadmium, nickel, vanadium, and lead as a consequence of oil production and natural gas flaring.

The revenue allocation formula is how oil revenues are distributed among levels of government and the Nigerian population, with the derivation principle representing the amount of revenues sent back to the communities from which they were derived. It has simultaneously become a symbol of the pluralist view of subnational ethnic struggle for resource control.

According to Ejobowah, in 1953, the Louis Chick Commission set the derivation principle at 100 percent, only 40 years later it had been practically eliminated with only 3 percent of revenues remitted to the communities from which they were derived. This struggle over resource control is perpetuated by the absence of the idea of resource ownership on a national level (Ejobowah 2000).

Emmanuel Ojo also approaches the issue from the perspective of revenue allocation and resource control, but in terms of federal stability. Revenue allocation is connected to corruption because funds stolen via corruption results in less revenues to be allocated to state and local governments. This translates into less money in capital budgets to spend on infrastructure projects. Revenue allocation has been a contentious subject throughout decades of Nigerian independence. Ojo's analysis ties in with others in the literature in that he sees revenue allocation disputes as a main barrier to national integration (Ojo 2010). Revenue allocation is a critical matter because the federal government is dependent on the oil industry for the majority of its revenues. In a market economy where the government derives revenues from the economy, federal income and businesses taxes, the government has incentive to ensure that the economy performs well. The government in Nigeria has little such incentive since the majority of its revenues are guaranteed by its natural resource base, which the government possesses and controls. Revenues are then distributed in a top down manner.

In *Democracy and prebendal politics in Nigeria: the rise and fall of the Second Republic*, Richard Joseph discusses the underlying causes of corruption and the impact on democracy formation in Nigeria. As the title suggests, the book is specifically concerned with the rise and fall of the Second Republic. The Second Republic began with democratic elections in 1979 and ended with another military coup in 1985. At the time Joseph wrote the book, published in 1987,

Nigeria was once again under military rule; thus his main objective is analyzing the relationship between democracy and prebendal politics rather than the impact on social welfare. In fact, poverty is not mentioned once in the book. Joseph does present, however, a thorough examination into the social dynamics of prebendal politics that is beneficial for understanding the causes of corruption. Since the book's publication, Nigeria has become an arguably successful democracy, but prebendal politics still persist. Joseph (1987) argues that the success of any political system in Nigeria is its capacity to control prebendal politics, which is the pursuit of self and group interests over society, without regulation, by using the state. Like much of the literature on corruption in Nigeria, Joseph (1987) attributes lack of national unity to a legacy of colonialism that forced democratization, a process which occurs naturally over centuries to produce distinctive sets of self regulating norms, on a heterogeneous society.

Also, while colonial legacy exacerbated ethnic rivalry, Joseph does not discount deep roots of prebendalism in Nigerian society traced back to the 1800s when the Yoruba imposed levies on trade routes that generated revenues to tribal leaders, which were then redistributed in exchange for loyalty among group members. He differentiates between patrimonialism and prebendalism in that the former implies an inherited right to the state in terms of land granted by occupiers, while the latter entails the right of a state official to "attach a certain portion of the tribute due to the state and use it for his or her own purposes" (Joseph 1987, 189). A prerequisite of this system is that the state must be the main reservoir of financial reserves and controlled by an elite group to the exclusion and subordination of others. An important theme of this study that Joseph also recognizes is how "interpretive disagreements...have stymied rather than aided the discipline in recent decades" (1987, 192). Joseph praises Frank Parkin's circumvention of interpretation issues by using the concept of social closure rather than ethnic and class based

models of social analysis. Social closure is described as a process by which social collectivities try to maximize self interest by restricting access to resources and opportunities to a limited circle of eligibles (Joseph 1987). A solution, according to Joseph, lies in the modernization of economic and political processes from the bottom up instead of imposed from the top down. This logic makes sense considering that those at the top have a vested interest in the structure remaining the way it is, whereas those at the bottom have the most to gain from rectifying it.

However, a more recent article in *International Social Work* entitled “Poverty and its alleviation: The Nigerian experience” by Christian Ewhrudjakpor (2008), advocates for a top down solution: legislation. In contrast to Joseph, Ewhrudjakpor’s focus is on poverty, including corruption only as one of its causes. Ewhrudjakpor rejects the idea that poverty is a consequence of a capitalist system and calls for the government to legislate against bad governance, corruption, and incompetent politicians. He examines the failure of twenty-six government poverty alleviation policies since 1975, concluding that the programs were ineffective due to inept administration and failed implementation. Ewhrudjakpor (2008) found that poverty increased from 1980 to 1999 from 28 percent to 70 percent, and overall physical, economic, social and psychological well-being fell below universally accepted levels. Corruption is cited as a factor preventing the reduction of poverty, creating a systemic reinforcement of poverty because inputs into the system from external sources that would have changed the cyclical nature of poverty are either blocked or diverted for personal use by government officials. He includes a list of the twenty-six programs, but fails to mention which ones might be structural adjustment programs required by international organizations, if any, or the possible role of structural adjustment programs in the failure to alleviate poverty in Nigeria. Ewhrudjakpor (2008) also recognizes that poverty leads to other social problems, including prostitution, armed robbery,

family breakdown, divorce, school dropouts, homelessness/vagrancy, malnutrition and deadly disease; noting that the World Health Organization ranked Nigeria's health system at the time 187<sup>th</sup> among 191 member states.

Daniel Jordan Smith approaches the issue from the perspective of culture in his 2007 book *A culture of corruption: Everyday deception and popular discontent in Nigeria*. The title may be somewhat misleading in that he is arguing against the stereotype of corruption as an aspect of Nigerian culture. Smith's book is more about corruption in society than political corruption, but it is important for understanding how the average Nigerian citizen perceives corruption in Nigeria. In other words, it offers a local perspective of corruption. A critical premise of Smith's book is the distinction between different forms of corruption, the alternative views of corruption in Nigerian society. Whereas corruption within society is often not viewed as corruption, or is seen as legitimate by society, grand level political corruption is reviled and seen as the reason for many of Nigeria's problems (Smith 2007). Corruption is so common in Nigeria that it is often referred to by the section number of the Nigerian penal code 419. Under Part VI Offenses Relating to Property and Contracts, Chapter 38 Obtaining Property by False Pretenses it states:

Any person who by any false pretence, and with intent to defraud, obtains from any other person anything capable of being stolen, or induces any other person to deliver to any person anything capable of being stolen, is guilty of a felony, and is liable to imprisonment for three years. If the thing is of the value of one thousand naira or upwards, he is liable to imprisonment for seven years. It is immaterial that the thing is obtained or its delivery is induced through the medium of a contract induced by the false pretence. The offender cannot be arrested without

warrant unless found committing the offence (Nigerian Criminal Code 2009).

In interviewing Nigerians that had participated in Nigerian e-mail scamming, Smith writes that “each said they would prefer gainful employment to sending 419 letters. Each blamed the larger system of corruption in Nigeria for leaving them with no choice but to find any means to survive” (Smith 2007, 37). Smith sees the patron-client system of prebendalism described by Joseph in a far less negative way than most scholars. To Smith, prebendalism is “a buffer against the capriciousness of the state by providing access to resources through familiar mechanisms of reciprocity. This system is widely perceived by ordinary Nigerians to have given way to a much more individualistic pursuit of wealth and power” (Smith 2007, 19). Thus, where prebendalism spread national wealth at least within the upper echelons of the elite, it is increasingly used for private self-enrichment. The basis of a patron-client relationship is that both benefit in some way. The patron may provide money in exchange for political support or the client may provide money in exchange for a political favor. When the patron simply siphons money directly from the treasury, it eliminates the need for a client and further widens the wealth gap. Smith’s contribution to the literature is critical in highlighting the difference between political corruption that is condemned within Nigerian society and other forms of corruption within society that are an effect of political corruption itself. The international community has been complicit in Nigerian political corruption, first through colonial history and still today through multinational corporations that bribe Nigerian officials, international banking systems that house stolen funds, the exploitation of natural resources, and even donor assistance programs that are intended to help but end up being improperly managed.

While a good portion of this study reflects information acquired from books and scholarly articles, significant information is also acquired directly from data on social and

economic indicators. Inferences have been drawn from data provided by the Nigerian government, the United States government, as well as reports from studies conducted by international organizations. One such report by the World Bank, conducted with the collaboration of Nigerian officials, provided an informative look on state and local governance in Nigeria. The study's main weakness is that it is already more than ten years old. At the time of the study in 2000, the transition to democracy had just taken place, not allowing adequate time for the transition of political practices to occur. Another weakness is that only five of Nigeria's thirty six states were included in the study. Its strength is that it provides a direct perspective based on surveys by 150 Nigerian state and local officials on some reasons for the limited capacity of the state to provide services to Nigerian citizens. The first part of the study accentuates the importance of Nigeria's historical narrative that we see in much of the literature, such as its colonial history and the significance of military rule. Since the subject of the report is about increasing the capacity of state and local governance, corruption is rarely mentioned except for a brief commentary in the section on local governance that states "many LGA [local government authority] chairmen also appear to regard the local government budget as their own personal fief" (Barkan, Gboyega and Stevens 2001, 37).

Although corruption is not the focus, the World Bank study is important because it shows how improper governance affects the capacity of government to provide services in the form of infrastructure to the citizens of Nigeria. The World Bank found a structural imbalance between mandates and resources, necessitating a greater share of government revenues for state and local governments to adequately fund capital budgets. The majority of budget revenues were allocated to recurrent budgets to pay official salaries, while capital budgets responsible for infrastructure maintenance ran dry (Barkan, Gboyega and Stevens 2001). Because the focus of the study is not

on political corruption, it also discusses other reasons for lack of state capacity, which are essential for obtaining a more comprehensive understanding. As argued elsewhere in this analysis, political corruption is not the sole cause of poor social welfare, but a significant contributing factor. Other factors that lead to mismanagement noted in the World Bank study include lack of training and experience, overstaffing of the civil service, federal centralization of power, and other structural issues (Barkan, Gboyega and Stevens 2001).

This section has briefly discussed some of the approaches in the literature to studying political corruption and social welfare in Nigeria. It is a subject of study by academics, governments, and international organizations and as such, has been viewed from various perspectives depending upon the hypothesis being tested. This study attempts to include elements of political structure, historical narrative, culture, ethnicity, and ethics to allow for a more thorough analysis of political corruption's impact on social welfare in Nigeria.

## CHAPTER FOUR: FINDINGS

Previous studies have confirmed a causal relationship between corruption and economic development (Nwabuzor 2005), but have yet to explore the impact on social welfare. However, close examination of the data implies a correlation between political corruption and social welfare. Infrastructure as a measure of social welfare is provided for through capital budgets of local governments, which are comprised of mostly oil revenues. Oil revenues currently account for up to 90 percent of national, state, and local government income, whereas in the 1960s oil revenues comprised less than 5 percent. Nationalization of the petroleum industry in the 1970s coincided with the oil boom, which saw significant increases of both the price of, and demand for, oil. However, the standard of living and development index for Nigerians remain low. From 1970 to 2000 the government of Nigeria grossed over US\$300 billion in revenue from oil sales, yet the percent of citizens living in extreme poverty (less than US\$1 per day) increased from 36 percent to approximately 70 percent (Global Corruption Report 2009). Unlike some countries that must rely on human capital due to lack of natural resources, Nigeria has a plentiful supply of oil and natural gas. However, as the government of Nigeria increased in wealth from the oil industry, the citizens of Nigeria became poorer.

### Impact on Social Welfare

The impact of political corruption on the social welfare of Nigerians continues to be devastating. Political corruption “misallocates social welfare and education program spending by redirecting that spending from those who are truly in need to those who are inside the patronage network (Chang 2007, 2). The following sections analyze the impact of political corruption on

poverty, income inequality, infrastructure, health, and revenue allocation. While political corruption affects many economic and environmental aspects of welfare in society, the strongest evidence of its impact on social welfare is the overwhelming majority of Nigerians that live in poverty.

### *On Poverty*

There are various definitions of poverty. Like many social and political issues, there are disputes about what poverty is and how it should be defined and measured. The World Bank defines poverty as “pronounced deprivation in wellbeing...including low income and the inability to acquire the basic goods and services necessary for survival with dignity” (World Bank - Poverty 2010). Poverty is thus deeply interconnected with level of infrastructure because it is the infrastructure that allows for and provides many of those basic goods and services necessary for survival. Poverty is also measured by a person’s income relative to their cost of living. A family with an income of US\$20,000 per year would be considered poor in the United States but wealthy in Nigeria, because the costs of living, as well as the living standards, differ. Individual income, referred to as per capita income is usually measured by the national GDP or GNI divided by the population. The measures may differ slightly since GDP includes the total foreign and domestic product of a country within its borders whereas GNI is the total of a country’s domestic product plus its investments in other countries, less foreign investment within its borders by other countries. Cost of living varies by country and even within countries so there are different thresholds of poverty depending on where one lives. Cost of living is also generally higher in urban areas.

Poverty exists in every country but is far less common in some countries than it was centuries ago. “In 1820, about 75 percent of humanity lived on less than a dollar per day; today

about 20 percent live under that amount” (Vasquez 2001). According to economist Ian Vasquez (2001), living standards tripled in Europe and quadrupled in the United States once Western countries discovered that higher economic growth would advance material well-being. Perhaps it was the realization that mass poverty could be eliminated that has led us to the current global war on poverty to eliminate the rest of it. Substantial progress has been achieved in the eradication of poverty; however, twenty percent of a global population of 6 billion still equates to 1.2 billion people living in poverty and over 100 million of them reside in Nigeria. Africa is considered to be the poorest continent in the world and, as stated earlier, Nigeria was considered the second poorest country in Africa when measuring by year 2000 wealth per capita.

According to the World Bank’s analysis on poverty, the global poverty rate fell from 1.9 billion in 1981 to 1.4 billion in 2008; however, in Sub-Saharan Africa, “the \$1.25 a day poverty rate has shown no sustained decline over the whole period since 1981, starting and ending at around 50 percent. In absolute terms, the number of poor people has nearly doubled, from 200 million in 1981 to 380 million in 2005” (World Bank - Poverty 2010). So while the rate of poverty remained constant in Sub-Saharan Africa, the population increased, which subsequently resulted in an increase in the number of poor people. Failure to account for the population increase made the initial statistics on poverty misleading. Statistical data from the Nigerian NBS also shows that the poverty rate in Nigeria doubled from 1980 to 2004, increasing from 27 to 54 percent. Considering the increase in population over this time period as well, the increase in the number of poor people would be even higher. Poverty in Nigeria varies by state, region, and zone. Poverty data indicates that it is about one and a half times more prevalent in rural areas than urban areas and over the last twenty years, poverty has risen at a faster rate in rural areas. Unemployment is related to poverty in that the unemployed are more likely to be poor.

Unemployment is about 4 percent higher in rural areas and 15 percent higher among young people ages 15 – 24.

Poverty in Nigeria is not a new phenomenon, yet the evidence of political corruption lies in the failure of poverty alleviation. Even at the time of its independence from colonization in 1960, wealth in Nigeria was limited. According to data from the World Bank, GNI per capita in 1962 was a mere US\$100. In 2009, that number had only risen to US\$1,190, about US\$3.26 per day. Since GNI per capita is calculated using GNI divided by population, it is an average, meaning that many Nigerians live below that average based on the poverty level and income inequality index. The majority of the increase in GNI per capita has occurred since the start of the Third Republic in 1999. GNI per capita at that time was still only US\$270, just \$170 more than in 1962 - a span of thirty seven years. From 1999 to 2009, GNI per capita increased more than 440 percent from US\$270 to US\$1,190. This result is likely due to several factors, including increased accountability from transition to democracy as well as increased GNI from increasing oil prices and production.

However, comparing the GNI per capita in 1962 to 1999 is somewhat misleading because GNI per capita during this time period did peak much higher than the 1999 figure. During the early 1980s GNI per capita had risen to US\$710 by 1982, but fell sharply again throughout the 1980s and 1990s, dropping to only US\$210 in 1995. During this time period several important factors influenced the drop in GNI per capita. First, the price of oil collapsed. In 1986 oil prices had fallen by more than 50 percent and OPEC output was at a 20 year low (U.S. Energy Information Agency, Oil Market Chronology 2008). Second, structural adjustment programs were put into place by the Nigerian government, compelled by international financial organizations in exchange for economic assistance. And third, political corruption reached its

peak under military rule in 1980s and 1990s. Therefore, to say that there is one cause of poverty would be erroneous. There are simply too many factors that contribute to poverty to single out only one, nonetheless, as demonstrated earlier, significant poverty reduction is possible and the factors that contribute significantly to poverty, such as corruption, are manageable. And although GNI per capita increased after 1960 and has quadrupled since the return of democracy in 1999, it is still minimal when compared to the rest of the world and, more importantly, to what it could be considering its natural resource wealth. So while political corruption did not necessarily create poverty in Nigeria, it prevented poverty reduction by inhibiting economic growth.

### *On Income Inequality*

Income inequality is associated with poverty given that poverty is measured (in part) by level of income, and income inequality involves a ratio of low income population percent to high income population percent. Income inequality is the measure of the difference in incomes within a country and between countries. As a measure of social welfare, this study looks only at income inequality within the country of Nigeria. A country with a high percentage of poor people but substantial national wealth and corruption is likely to have high income inequality. For example, since 2000 Nigeria has averaged a much higher economic growth rate (6 percent), than ever before, but has yet to experience any significant reduction in its poverty level, while income inequality has increased (U.N. Human Development Report 2008/2009).

The Gini index measures the extent to which the distribution of income among individuals or households within an economy deviates from a perfectly equal distribution. The Gini coefficient ranges from perfect equality represented by the number 0 and perfect inequality represented by the number 1. The closer a country's Gini index is to zero, the more equal its distribution of income. The Gini index is derived from a statistical calculation involving income

and population, the details of which are too complex and irrelevant for the scope of this thesis. The Gini index is, however, the most widely used inequality indicator and is generally an accepted measure of income inequality. The Gini index, released by the World Bank, is not available for every country every year, but as the science of data collection progresses more data becomes available every year. The earliest Gini index was published by the World Bank for Nigeria in 1986 with subsequent indices only in 1993, 1994, 1996, and 2004, therefore comparing inequality over time is challenging. Per the U.N. Human Development Program's report in 2008, inequality in Nigeria worsened between 1985 and 2004, based on its Gini coefficient's increase from 0.43 to 0.49 (2008). To provide a frame of reference, the country with the most equality of income in 2009 – Denmark - had a score of .24 and the most unequal and the country with the least equality of income, .74, was Namibia. So according to the Gini index, inequality in Nigeria falls in the middle range.

Inequality can also be seen when measuring poverty levels by state. In 2004, Ekiti state in Southwest Nigeria had the highest poverty headcount at 96 percent, while Jigawa state in the North Central part of Nigeria had the lowest with only 59 percent. Of the six political zones (South-South, South-East, South-West, North Central, North-East, and North-West), poverty levels were highest in the North-East and North-West at 72 and 71 percent respectively. The lowest poverty levels were in the South-South and South-East, with 35 percent and 26 percent, which not coincidentally corresponds with the location of oil resources. The disparity in poverty levels shows inequality among the political zones, with much higher levels of poverty in the North than in the South. This may be due in part to the derivation formula (discussed later in the chapter) which allocates a higher percentage of oil revenues to the oil producing states. In addition, the lack of a nonoil economic sector would account for higher poverty levels in the

North because oil production is confined to the South.

As far as the impact of political corruption on income inequality, a 2007 article published by the Council on Foreign relations maintains that according to the World Bank, “80 percent of oil monies are accrued by 1 percent of the population” (Hanson 2007). Considering that the majority of revenue in Nigeria comes from oil, this figure confirms that substantial inequality persists. The following year, a United Nations Human Development report declared that 20 percent of the population owned 65 percent of Nigeria’s national assets (Achieving Growth with Equity 2009).

A recent study (Chang 2007) by the Afrobarometer found that ‘third wave’ democracies were experiencing rising income inequality due to a failure to develop solid institutional foundations prior to introducing elections. The lack of developed institutional foundations neglected to hold political elites accountable and has led to “rampant” corruption (Chang 2007, 2); thus, correlating corruption and rising income inequality. In 1997, Transparency International began including Nigeria in the Corruption Perceptions Index Report. Between 1997 and 2005 Nigeria consistently scored among the most corrupt countries included in the study, often as the most corrupt.

### *On Infrastructure*

A country’s infrastructure is composed of basic physical structures that are required for it to function as a society. Infrastructure plays a critical role in the facilitation of growth in a country. The less adequate infrastructure is, the more it can slow the rate of growth, contributing to the poverty crisis. For example, lack of roads or roads that are unpaved can slow transportation of commerce, unclean drinking water can spread disease and increase death rates, lack of basic healthcare facilities means that people are sick longer, lowering productivity, and

electricity and fuel shortages inhibit production output by businesses, telephone and internet usage, and ability to drive. Adequate infrastructure is necessary for economic growth to reduce poverty and as part of basic human rights for survival with dignity.

Electricity is a critical part of a nation's infrastructure. Most modern day technologies that make our lives easier and more comfortable require it. Electricity heats and cools our homes, heats our water, facilitates night activity by illuminating the dark, and aids economic activity by increasing production, including the machines that drill and refine oil. Power is also necessary for our communications networks, hospital facilities, traffic lights, and numerous other every day activities for businesses, the government, and society. Constant power outages in Nigeria can also deter foreign investment. Nigeria's electrical production is run by the government and has been plagued by power outages for decades. To put it in perspective, Nigeria has only about half the population of the United States, but consumed 202 times less the amount of electricity per year in kilowatt hours in 2008 (CIA World Factbook Energy Consumption 2011). World Bank country director, Onno Ruh, attributes Nigeria's power problems to chronic mismanagement of state-run utilities and powerful vested interests such as billionaire tycoons who import diesel and generators, but noticed that the issue of corruption was absent in the government officials' explanation of challenges to reforming the power sector (Nwachukwu and Adeoye 2010).

In 2010, Nigerian President Goodluck Jonathan unveiled an ambitious plan to privatize the nation's power sector with the aim of ending power outages by 2012 (Nwachukwu and Adeoye 2010). A critical aspect of reform is privatization of generation and distribution in the industry. Reform of the electrical infrastructure has been attempted by past presidents without success. Government contracts are notorious for being the primary form of political corruption in Nigeria. Often times such contracts for modernizing and maintaining the nation's infrastructure,

such as the power infrastructure, are awarded at inflated prices for which the work is never completed, partially completed, or shoddily constructed. The planned \$3.5 billion transmission supergrid, \$10 billion towards generation, transmission and distribution of power is expected to generate an extra 5,000 mega watts from new and existing independent power plants (Nwachukwu and Adeoye 2010). Only time will tell if the intended plan comes to fruition. If electricity can be provided throughout Nigeria on a continuous basis, it will likely stimulate other intertwined aspects of infrastructure and the economy, such as manufacturing, which require electricity.

According to data acquired from the NBS, aspects of infrastructure in Nigeria have deteriorated, even over the last decade since democracy took hold and oil revenues increased. This suggests a direct link between corruption and infrastructure deterioration because fewer revenues are available for infrastructure maintenance and development through capital state and local budgets when high-level government officials steal them. In 2007, only one in ten households had access to pipe-born water (down from 15 percent in 2003), while one fourth of households relied on streams and ponds for water and one third got water from wells. Using water from ponds can cause disease unless it is boiled prior to drinking. Correspondingly, incidents of the water-borne disease cholera increased over 469 percent during the same time frame. In fact, data from the National Ministry of Health shows substantial increases in numerous diseases during this period, such as AIDS (248 percent), malaria (170 percent) and tuberculosis (109 percent). The number of deaths resulting from incidents of malaria also increased from 4,057 in 2003 to 10,506 in 2007. When figured as a percentage though, the increase seems less significant, rising from 15 deaths per 100 cases of malaria in 2003 to 23 deaths per 100 cases of malaria in 2007. Malaria is not a waterborne disease, but is transmitted

by infected mosquitoes that breed in water. Incidents of malaria can be mitigated by using ITN's, or insecticide treated nets; however, UNICEF reports that only 8 percent of households in Nigeria owned one (UNICEF 2010). Disease is often spread through water when it is contaminated with human waste. In terms of sanitation facilities, more than half (59 percent) of all households still used a pit as a toilet facility in 2007, less than one-fifth having access to a toilet with plumbing.

Educational infrastructure has decreased as well. Education is an important component of social welfare, especially in Nigeria, because there is a high correlation between asset ownership and educational attainment (U.N. Human Development Report 2008/2009). This correlation can be seen when examining illiteracy rates together with levels of poverty by state. States in Northern Nigeria have both higher illiteracy rates and higher rates of poverty, adding to the inequality between North and South (U.N. Human Development Report 2008/2009). However, illiteracy may not be the sole explanation, considering oil reserves are only in Southern Nigeria. The derivation formula requires at least 13 percent of oil revenues to be reallocated back to oil producing states.

Unfortunately, some of the data from the Nigerian Federal Ministry of Education is only available since 2002, making it difficult for comparison since independence. But the data that exists shows deterioration of the educational sector with fewer schools, lower enrollment, less graduates, and declining literacy rates. There were 4,697 fewer primary schools in 2007 than there were in 2003 – a decline of around 8 percent. Total enrollment in primary school during this same time period also fell by 2.7 million children. The number of post primary schools and universities increased between 2002 and 2007; however, the number students participating in higher education during that same time period declined. Students graduating with Bachelor's

degrees dropped by more than half, from 58,305 in 2002 to 26,042 in 2005, while graduate turnout of students with Master's degrees fell 45 percent and Doctorate's 41 percent, according to the Nigerian University Commission in Nigeria. By 2006, the enrollment of adult mass literacy had fallen more than half, from 934,000 in 2004 to 491,000. In 1980, less than 1/3 of head of households had no education. But by 2004, nearly three quarters of household heads were listed as having no education per the NBS. Population growth would assume these numbers to be increasing, not decreasing if education is mandatory and the rate of education remains constant.

The World Bank has earlier data on education in Nigeria, but information is sporadic. World Bank data records indicate primary school enrollment has increased in Nigeria from only 40 percent in 1970 to over 90 percent in 2009, yet the rate of mass literacy has only risen from 55 percent in 1991 to 61 percent in 2009 (World Bank Indicators by Country 2011). Overall, the educational infrastructure, both the physical structures (schools) and nonphysical (literacy rates, enrollment) components, have not only failed to progress, but has actually deteriorated despite consistent increases in GDP over the last decade. The Nigerian government allotted an average of only 3 percent of its GDP to education between 1998 and 2008 (UNICEF 2010), with state and local governments responsible for 100 percent of the funding. The discussion later in the chapter on revenue allocation explains how education is affected by revenue allocation through capital budgets; nevertheless, education in Nigeria is correlated with poverty, income inequality, development and as such, is an important measure of social welfare.

The environmental infrastructure has also been affected by political corruption and the oil industry. Although the oil industry is responsible for the degradation, government is responsible for ensuring environmental protection through regulation. No environmental protection agency

existed in Nigeria until 1988 and it did not make environmental impact assessments mandatory until 1992. According to a United Nation's report, "the degree and rate of degradation in Nigeria are pushing the delta region towards ecological disaster" (O'Neil 2007). Because the oil is in Southern Nigeria, that is where most environmental degradation is occurring. Between 1976 and 2001 the government documented 6,817 oil spills. Acid rain caused by natural gas flaring, and oil spills have devastating effects on the environmental infrastructure. They destroy agricultural crops, pollute the air, soil and water, and kill the marine life.

Desertification is another sign of the deterioration of Nigeria's environmental infrastructure. Desertification is not caused by the oil industry, but by a combination of natural factors, such as climate change and drought, and human activities like poor land management. A report by the Federal Ministry of Environment says that Nigeria plunders its forests by more than 30 million tons annually due to pressure on the urban poor, who resort to the cheapest means of firewood for cooking (Medugu 2009); which is another example of the many ways in which poverty affects other factors in society. Nigeria loses over 350,000 hectares (1,351 sq. mi. – a little larger than the state of Rhode Island) per year to advancing desert; noticeable by the gradual shift in vegetation from grasses, bushes and occasional trees, to grass and bushes; and ultimately, expansive areas of desert-like sand (Medugu 2009). According to the UN Convention to Combat Desertification (which Nigeria ratified in July 1997), desertification is directly correlated with human well-being and therefore, social welfare. "The poorest and most marginalized people...may be the most severely affected by desertification...in general, human well-being of dryland peoples is lower than that of people in other ecological systems...for example, compared to other ecosystems, infant mortality rates are highest in drylands and gross national product (GNP) per capita lowest....this implies that drylands are home to populations

with comparatively low levels of well-being” (U.N. Convention to Combat Desertification 2011). Desertification is a process that can be reversed, but past attempts globally have often failed and international desertification continues to worsen (U.N. Convention to Combat Desertification 2011).

### *On Health*

The Nigerian Federal Ministry of Health acknowledged in an April 2010 report that Nigeria’s health indices are among the worst in the world and the key reason for the gap between government policy on health and its implementation is lack of resources (2010). The report also goes on to state that evidence has shown that health promotion has the capacity to contribute greatly to tackling development and equity challenges and to the realization of human rights. A person’s health is one of the most important measures of his or her quality of life. Naturally, a person who is free from illness enjoys life more and can be more productive. When quality of life is poor and living standards are low, longevity of life is adversely affected.

According to the United Nations Children’s Fund (UNICEF), Nigeria averaged only 1 percent of its GDP on healthcare between 1998 and 2008. Diseases such as meningococcal meningitis, hepatitis A and E, malaria, yellow fever, typhoid fever and AIDS are only some of the many consequences of the government’s failure to provide basic public health services because political corruption has undermined the societal infrastructure. Improper waste disposal and contaminated water leads to the uncontrolled spread of disease, for which the degree of risk is considered very high (CIA World Factbook). Nigeria is ranked third in the world for HIV/AIDS death rate with an average estimate 170,000 deaths per year or 465 people every day in 2007, according to the United Nations (Table 6: Annual Estimated Deaths from AIDS since 1990). Data from the NBS was radically different; however, listing only 740 ‘reported’ deaths in

2007. This further underscores the complexity mentioned earlier surrounding the reliability of data sources. Nigeria ranks second in people living with HIV/AIDS - an estimated 2.6 million - second only to South Africa (CIA WorldFactbook). Cases of malaria nearly doubled from 2003 to 2007, to an estimated 4.5 million per year, with 10,500 of the cases fatal. Nigeria's total death rate in comparison to the world is ninth, with an estimated 16 deaths per 1,000 people each year. When multiplied by its population, the death rate becomes 2.4 million per year.

The millions of people that die in Nigeria each year because the government fails to provide adequate public services results in the average life expectancy of just 47 years old. Life expectancy varies, but the latest average global life expectancy figure, as measured by the United Nations, is 67 years (World Population Prospects 2007). Among least developed countries, average life expectancy is 55 years (World Population Prospects 2007). Of course some people die from natural causes, but we do know at least 170,000 of these deaths per year are due to HIV/AIDS. Just last year the Chairman of the National Committee on Food and Nutrition (NCFN), National Planning Commission, Abuja, Paul Odiachi stated that over 10 million children in Nigeria suffer from chronic malnourishment (Bamidele 2010). Furthermore, Odiachi acknowledged that "malnutrition is recognized by government as one of the most important factors in development, welfare, social and health challenges being faced in Nigeria especially by infants, children, women and the elderly as well as one of the leading cause of death among children under age five....It is equally recognized as both the cause and consequence of poverty, disease and mortality. In Nigeria, 41 percent of under-five year old children are chronically malnourished, making Nigeria the leading country in Africa and third globally.... (Bamidele 2010). Poor people suffer more from malnutrition and often have less access to medical care. In Nigeria, access to health services is lower for rural households and for poor households in both

urban and rural areas (U.N. Human Development Report 2008/2009).

Environmental degradation caused by the oil industry has adverse affects on health in Nigeria in addition to eroding the environmental infrastructure. A report released in 2009 by Amnesty International, a global human rights organization, examined the impact of the oil industry on the environment in Nigeria. Frequent oil spills, gas flaring, and waste dumping lead to widespread pollution of waterways, land and air. The Nigerian people, who rely on the environment for survival, inhale toxins in the air which can lead to respiratory problems and eat contaminated fish from the water and food from the land. Audrey Gaughran, co-author of the report, blames the Nigerian government stating in a press conference in Abuja the day the report was released that:

The Nigerian government is aware of the risks that oil-related pollution poses for human rights, but has failed to take measures to ensure those rights are not harmed. Despite the widespread pollution of the Niger Delta's land, rivers and creeks - and the many complaints from people living in the region - we could find almost no government data on the impact on humans of any aspect of oil pollution in the Niger Delta...people living in the Niger Delta have to drink, cook with and wash in polluted water. They eat fish contaminated with oil and other toxins - if they are lucky enough to be able to still find fish. The land they farm on is being destroyed. After oil spills the air they breathe smells of oil, gas and other pollutants. People complain of breathing problems and skin lesions - and yet neither the government nor the oil companies monitor the human impacts of oil pollution (Pollution Has Created Human Rights Tragedy in the Niger Delta 2009).

In Port Harcourt, decades of oil spills, acid rain from gas flares, and stripping away of mangroves have killed the fish (O'Neil 2007). The death rate from disease, malnutrition, and environmental pollution on health would surely benefit if funds stolen by corrupt politicians went towards improving government services such as providing vaccines, clean water, sanitation, and government healthcare.

### *On Revenue Allocation*

Data from social indicators also demonstrate the lack of equal distribution of revenue allocation among levels of government. Figure 3: Revenue Allocation Formula 1958 – Present shows the allocation of oil revenues according to level of government. Although the most recent years are not available, the trend shows that despite the anti-corruption reforms since 1999, income inequality has remained constant while the percent of the population living in poverty has increased more than 10 percent. The percentage of the population with access to clean water and sanitation facilities has steadily decreased since 1989 (World Bank). Thus, despite increasing oil revenues, foreign investment, and GDP, the standard of living for Nigerians has steadily declined and continues to do so regardless of recent anti-corruption reforms and transition to democracy in 1999.

Revenue allocation at the government level affects citizens through the quality and level (or lack of) societal infrastructure. For example, Bayelsa State in Southern Nigeria accounts for a large portion of Nigeria's oil wealth but receives little revenue from the federal government, leading to insufficient transportation infrastructure, electricity, and communication systems. Aside from massive poverty, the inequitable distribution of oil revenue due to corruption is evident in the lack of social infrastructure. Government is responsible for maintaining adequate social welfare. A 2001 World Bank report concluded that local and state governments lack

capacity to maintain infrastructure due to deficiency of revenues (Barkan, Gboyega and Stevens 2001). According to the most recent revenue allocation formula, 13 percent of oil revenues are remitted directly to the oil producing communities, the remaining 87 percent is allocated to the federal government (Barkan, Gboyega and Stevens 2001). The federal government retains 48.5 percent and redistributes 24 percent to the state governments, 20 percent to the local governments, and 7.5 percent for special projects (Barkan, Gboyega and Stevens 2001).

Essentially, over 800 local and state governments together receive less than the single federal government's allocation of oil revenues. Moreover, the state and local governments bear the majority of the cost of infrastructure maintenance, despite receiving the minority portion of the wealth. Therefore, the distribution of oil wealth among government remains largely concentrated in the federal government and as such, has been a source of conflict for decades. The most recent details available on the Federal Government of Nigeria's website for the distribution of revenue to local and state governments were for May of 2004. Using Ekiti State as an example, the total federal allocation of revenues to Ekiti State show N811 million for the Month of May 2004 (Federal Ministry of Finance 2011). The Ministry of Finance, Budget, and Economic Development for Ekiti State only had data for the current year available; however incorporated into a downloadable analysis of the 2011 budget was a summary for the prior year of 2010. Looking at the data from Ekiti State directly shows Ekiti State's 2010 approved budget totaled over N66 billion, but only 60.72% of it was actually spent. Annual actual expenditure in 2010 totaled N40.1 billion. N29.68 billion was spent on recurrent budgets, but only a quarter of the total budget - N10.42 billion - was spent on capital budgets. Capital expenditures are divided into four sectors: N6.2 billion was spent on the Economic Sector, N1.6 billion was spent on the Social Service sector, N583 million was spent on the environmental sector, and N2 billion for the

Administration sector. A more detailed description of exactly how the funds were allocated beyond these sectors was not available, showing again how transparency in the revenue allocation process would help hold government accountable. Nonetheless, the financial data demonstrates the portion that is spent on infrastructure maintenance in relation to the remaining budget. No data could be found on any Local Government Councils (LGC); however a 2000 World Bank report estimated the local civil service work force at approximately 500,000 nationwide (Barkan, Gboyega and Stevens 2001). Among the recommendations for strengthening governance capacity was to reduce the workforce in areas where duplication was found among federal, state and local positions (Barkan, Gboyega and Stevens 2001). The government (federal, state and local) is a primary employer in Nigeria. Because of the prebendalist character of the state, the government is seen by prospective civil service employees as well as those seeking higher offices as a path to their portion of the national wealth.

A substantial amount of Nigeria's oil wealth is also distributed unevenly to private corporations through corrupt contract procurement processes. Many of the contracts for infrastructure development either never begin, or remain unfinished (Barkan, Gboyega and Stevens 2001). Companies awarded million dollar contracts to build infrastructure simply walk away with government money, creating a small elite class that benefits from corruption in government but leaves the majority of Nigerians in poverty. For example, in 2007 Aliko Dangote, founder of Dangote Group, became the first ever Nigerian billionaire, but allegations of corruption surround his success (Tycoon Exits Nigerian Oil Deals 2007). Dangote is an example of the many Nigerians that become rich through government contracts and skew the distribution of wealth, resulting in a minority of very rich elite and a majority of citizens relegated to poverty. Although Nigeria has four oil refineries, due to lack of maintenance, the refineries are unable to

maximize output, requiring massive importation of refined oil. Importation of refined oil only benefits the government, which charges import fees on refined oil, another area that allows for corruption. Oil is often diverted to the black market and sold at higher prices, causing shortages for the average citizen. Investing oil revenues into refinery maintenance and expansion would eliminate the need to import and subsidize refined oil, which costs the government \$3 - \$4 billion dollars per year (U.S. Energy Information Administration).

### Secondary and Tertiary Impacts of Political Corruption

As if the direct consequences of political corruption on social welfare in Nigeria are not tragic enough, these consequences have secondary and tertiary effects due to the interconnectedness of society. For example, “inequality in Nigeria means that opportunities for upward mobility are very limited, it means few decent jobs, poor income and low purchasing power for the unemployed, it also means poor infrastructure and institutional failure in key sectors, including education, health and transportation” (2008/2009, 47). With poverty comes numerous other social issues. People who are poor are more likely to be malnourished. Malnourishment can weaken the immune system, leaving people more susceptible to disease, thereby increasing mortality rate. In turn, a high mortality rate means more children become orphans. In 2009, UNICEF estimated the number of orphans aged 0-17 years in Nigeria at 12 million (2010). There are more orphans in Nigeria than the entire population of Chad. Orphans are less likely to receive an education, reinforcing the cycle of poverty and inequality.

Poor children who are not orphans are also less likely to receive an education because of factors such as inability to afford schooling, books, supplies, or transportation to and from school. Children of poor families may be used to contribute to the household income instead of

receiving an education, mutually reinforcing the poverty-education correlation. Education not only teaches children basic knowledge, but can provide them with a specific tradecraft that students can use to gain employment after finishing school. So while political corruption increases poverty, in turn poverty influences nutrition, mortality rates, number of orphans and education.

Poverty is also correlated with crime. Crime rates are typically higher in ghettos. People who are poor and have little economic opportunity must often choose between survival and illegal activities. Certainly not every criminal act is committed in the name of survival, but when poor economic circumstances pervade an entire country it can cause masses of people to take drastic measures. Economic conditions, political repression and corruption, are responsible for causing widespread protests across North Africa and the Middle East in 2011, where unarmed protestors marched in the streets, risking their lives for greater political freedom and economic opportunity. The April 6<sup>th</sup> movement in Egypt planned protests to begin specifically on Police Day to highlight police corruption. An example of such drastic measures in Nigeria is pipeline vandalization. Pipeline vandalization increased seven-fold, from 516 occurrences in 2002 to 3,683 in 2006, costing both lives and unspecified economic loss to the country (Nigerian National Bureau of Statistics 2010). Pipeline vandalization is often blamed on militant groups; however, a recent U.S. diplomatic cable exposed by Wikileaks quoted Tony Uranta, a member of a Nigerian government panel fighting oil theft in the Niger Delta, in 2009 as stating that militants accounted for only 15 percent of oil thefts, while politicians and the military accounted for the rest (Businessweek 2011).

In the early 1990s militant groups began to proliferate in Nigeria, beginning with the Movement for the Survival of the Ogoni People (MOSOP) led by Ken Saro-Wiwa (Hanson

2007). In 2004, the Niger Delta People's Volunteer Force (NDPVF), an Ijaw militant group led by Alhaji Mujahid Dokubo-Asari threatened war against the Nigerian Government. The Movement for the Emancipation of the Niger Delta (MEND) is the most recent and sophisticated group to emerge, demanding a greater share of oil revenues and condemning environmental degradation, underdevelopment, and lack of benefits. Militants from MEND and other groups have killed soldiers and security guards, kidnapped foreign oil workers, set off car bombs in the delta city of Warri to protest the visit of Chinese oil executives, and, to show off their reach, overrun an oil rig 40 miles (64 kilometers) offshore in the Gulf of Guinea (O'Neil 2007). The attacks have shut down the daily flow of more than 500,000 barrels of oil, leading the country to tap offshore reserves to make up for lost revenue (O'Neil 2007).

Responses by the Nigerian military to attacks by militant groups contribute further to the degradation of social welfare. A reporter for National Geographic – Tom O'Neil – tells the story of Aker Base, a small neighborhood in Port Harcourt where 3,000 people lost their homes after the military burned everything to the ground except a bank in retaliation for the kidnapping of an Italian construction worker by a militant group (O'Neil 2007). Incidents such as these only add to the problems of poverty, income inequality, and unemployment in the country. As stated earlier, the resurgence of Shari'a law in Northern Muslims states is due in part to high crime rates and frustration with corruption. The Nigerian Police Force data by the NBS shows 172,326 criminal offenses reported in 2006 and a prison population of 127,051 for the same year. These figures do not seem terribly large considering Nigeria's population; however, these numbers only include the reported offenses. The actual number of crimes could be much larger. The police force is known for being corrupt in many parts of Nigeria, and offenses may go unreported for fear of reprisals.

Secondary and tertiary effects caused by political corruption's impact on the infrastructure are far reaching. For instance, deterioration of Nigeria's four oil refineries has diminished their ability to refine the oil that they export. On March 29, 2011, the executive director in charge of refining for the NNPC, Philip Chukwu, told reporters at an African Refiners Association conference in Cape Town, South Africa that Nigeria's refineries were still currently operating at only 30 percent of installed capacity (Cohen 2011). Chukwu blamed the shortage on "problems with the lines," stating that the refineries, which he claimed should be operating at 60 percent capacity, should operate at that capacity by next year after routine and "extraordinary" maintenance is complete (Cohen 2011). Nigeria must then import much of its refined oil for electricity and fuel consumption. This forces the government to subsidize oil imports, costing the government billions of naira and creates more opportunity for corruption through import delays and tariffs. It also causes shortages of fuel and electricity, which impedes economic activity. Businesses that require electricity for production can only operate when electricity is available, including the actual process of refining the crude oil. Electrical shortages are so common that many people have generators; however, without fuel generators are useless. Generators are also dangerous if used improperly because they emit vapors from the fuel that can be fatal if inhaled. Moreover, shortages in fuel cause inflation, another factor that exacerbates poverty. The annual rate of inflation in Nigeria between 1990 and 2009 averaged 21 percent. Inflation at such a high rate has grave effects on living standards and social welfare. It causes the price of commodities to rise so that people must either pay more for the same products or buy less of the product. Inflation diminishes the value of national currency, eroding savings and actually results in increased poverty as people become unable to afford food, rent, and other necessities. Hence, the impact of political corruption ultimately extends far beyond inadequate social welfare. It has

indirect consequences which further degenerate social welfare, thereby creating unnecessary suffering for millions of people in Nigeria.

## CHAPTER FIVE: CONCLUSIONS

In sum, there is widespread consensus in the literature that political corruption is a principle cause of deficient social welfare in Nigeria. Chinua Achebe first put forth the argument that Nigeria's 'troubles' were caused by bad leadership almost 30 years ago in his 1983 book *The Trouble with Nigeria*. "The significant truth is that bad government is the single biggest reason for poverty in Nigeria" (Dibie 2003, 338). Political corruption substantially hinders social welfare in Nigeria, causing an array of social problems such as poverty, disease due to inadequate healthcare, lack of clean drinking water, inadequate sanitation, a high mortality rate, crime, ethnic violence and environmental degradation. This has resulted in a decrease in the standard of living for Nigerians, despite long-term surging oil wealth.

The solution lies in the political will of government officials to implement anti-corruption legislation and enforce laws by incarcerating violators for significant periods to deter such crimes. With political leaders who are committed to reforming government and prosecuting violators, it is possible that corruption in Nigeria might actually start to recede. There must be a concerted effort since one individual is insufficient to reform an entire government and its society. Control of political corruption will not inherently result in reduced poverty. It will likely take years to reverse the effects of political corruption on Nigeria's economy and social welfare; however, a significant reduction of political corruption would be a positive first step. The Nigerian government can start reform in the country by first setting a good example. Progress has been slow, but the government's website has furthered transparency somewhat by publishing financial and historical data.

## The Failure of Anti-Corruption Reforms

Anti-corruption reforms have thus far failed to moderate political corruption in Nigeria if the perception of corruption can be used as a measure of its extent. Transparency International's 2010 Corruption Perceptions Index shows that corruption is perceived to be increasing. However, this may be as a result of increased awareness of political corruption due to the rise in efforts to combat it. Now more than ever political corruption is in the public eye in Nigeria, as prosecutions against former Governors, member of Congress, and Federal Ministers began in 2003.

Anti-corruption reforms will only succeed if the anti-corruption agency is itself incorruptible. Former EFCC chairman Ribadu was offered a \$15 million bribe by a Delta state governor to cease corruption investigations against him (Ribadu 2009). Ribadu claims he did not take the bribe and charged the governor with attempted bribery in addition to the existing charges. According to Transparency International, "the use of the funds needs to be monitored not only at the disbursement stage, but also throughout the project implementation process since case studies show that lack of safeguards can lead to funds being misappropriated again" (Zawaz 2010). Moreover, Zawaz (2010, 2) maintains that "successful implementation of mechanisms, such as disclosure of financial information, ensures better prosecution of the corrupt and therefore deters future corrupt behavior by the political elite."

Suggestions have also been made for the multinational corporations that have joint trade ventures with Nigeria to publish the exact payments publically so that corrupt Nigerian officials are less able to hide where the money goes. However, this would assume that such corporations are themselves not corrupt, which is often not the case. Houston, Texas-based engineering firm KBR pled guilty in 2009 to U.S. charges under the Foreign Corrupt Practices Act that it paid

\$180 million in bribes to Nigerian officials between 1994 and 2004 to secure \$6 billion worth of contracts for the Bonny Island liquefied natural gas (LNG) project in the Niger Delta. KBR reached a \$579 million settlement in the United States, but they still gained the \$6 billion in contracts for their efforts. This example reinforces the international aspects of political corruption and the international cooperation that is required for victory.

### International Aspects

Political corruption is not confined to one country or one continent. Political corruption is in part facilitated by globalization, in the ability to amass stolen assets in foreign bank accounts or hide it through foreign direct investment. It is also partially a product of the international oil trade. Many Nigerians, especially the ones who suffer most from the oil export industry, feel that Nigeria would have been better off if oil had never been discovered there. Many scholars agree, beginning with Richard Auty's Resource Curse Theory in 1993, which argues natural resources can distort the economy to the extent that the resource actually becomes a curse. Would Nigeria be as politically corrupt today if oil had never been discovered there? And if Nigeria were not as politically corrupt, would social welfare be in the same condition that it is today? Such a counterfactual is difficult to prove; however, based on the fact that the level of social welfare decreased after the 1970s oil boom when political corruption was at its peak during the 1980's and 1990s seems to suggest this conclusion. If the international community is partly responsible for the damaging effects to Nigerian society, should it not be part of the solution? Thus far, attempts by the international community to alleviate the problem of corruption through foreign economic aid has been unsuccessful, and as discussed earlier, it is argued to have worsened the situation through structural adjustment programs.

Efforts to combat political corruption require collaboration from the entire international community, both governmental and commercial. The issue seems to be gaining more international recognition. On May 19, 2011 corruption was a brief but integrated portion of U.S. President Barack Obama's speech on the Middle East, stating:

Prosperity also requires tearing down walls that stand in the way of progress – the corruption of elites who steal from their people; the red tape that stops an idea from becoming a business; the patronage that distributes wealth based on tribe or sect. We will help governments meet international obligations, and invest efforts in anti-corruption; by working with parliamentarians who are developing reforms, and activists who use technology to hold government accountable.

The Arab Spring raises questions about the role of citizens in anti-corruption efforts. The Arab Spring began in North Africa, in Sidi Bouzid, Tunisia during January 2011. It was triggered by the self-immolation of Mohamed Bouazizi, a street vendor who was forced to close his produce stand by police for not having a permit. Frustrated with national economic hardship and left without hope, Mohamed Bouazizi, only one of many Tunisians, lit himself on fire and later died. Uprisings soon spread throughout the Middle East and North Africa, and continue to this day, taking the world by surprise as countries where political activism is illegal began overthrowing longstanding heads of state. Shortly after Tunisia's Jasmine revolution, the April 6<sup>th</sup> movement in Egypt scheduled protests to begin on January 25<sup>th</sup> - National Police Day in Egypt – as a statement initially against police corruption, but overall against corruption in the Egyptian government. The citizens of Egypt and across Africa and the Middle East are seeking governments free of political corruption that will provide them with economic opportunities; and they are willing to risk their lives and wage war.

In some cases, such as Egypt, citizens have been successful in forcing out corrupt leaders, but the country's future is still uncertain. There is no guarantee that the next leader will not be corrupt. Nigeria has a long history of military coups and corrupt leaders; however, its citizens have yet to rise up in such a manner, despite overwhelming poverty, low living standards, and inadequate social welfare. Social networking sites such as Facebook and Twitter are largely credited with helping facilitate the uprisings in Tunisia as well as in Egypt. Facebook was not included in Tunisia's online censorship and therefore government censorship of the media was unsuccessful in preventing the self immolation of Mohamed Bouazizi from igniting a national revolution. The citizens of Sidi Bouzid felt neglected by former Tunisian president Ben Ali, who focused attention on developing the Northern, tourist-rich regions of the country (Ryan 2011).

There are similar tensions in Nigeria between the Northern and Southern regions. Political corruption is rampant and economic opportunity is scarce in Nigeria. Perhaps because internet usage is not as widespread in Nigeria, many of the country's citizens are unaware of their power as demonstrated by the popular protests and social movements of the recent Arab Spring. The simultaneous uprisings accompanied by 24-hour per day worldwide media coverage are unprecedented and have initiated reactions of fear by governments that are not yet fully accountable to their citizens. Such delinquent governments have long enjoyed a monopoly of violence over their populations and with today's military technology, that gap between the citizens' rights of protest and states' repressive power is even wider. However, the current political environment, where rules of war and human rights legislation restrict government's ability to maintain the monopoly of force, somewhat levels the playing field. Libyan leader Muammar Qaddafi retaliated against protestors by using force and as a result became the target of an international bombing campaign, first designed to aid resistance fighters, but has since

progressed to include his removal from power, and even to alleged overt assassination attempts. Given this context elsewhere in Africa, it is therefore perplexing why the citizens of Nigeria do not rise up like the citizens of other countries have done recently against their politically corrupt leaders to demand good governance. Of course revolution is not an easy task or even necessarily a recommendation of this thesis, but the Arab Spring is proof that it is possible, even in non-democracies to hold corrupt governments accountable. Smith implies that many Nigerians have become cynical and have resigned themselves to the fact that political corruption is impossible to overcome (Smith 2007). If part of Nigeria's political corruption stems from the lack of national unity, then perhaps that is also a factor inhibiting the ability of the population to coalesce even temporarily against the government. One of the remarkable features of the popular uprising in Egypt was the unification of an otherwise highly fragmented society. Nigeria is a highly fragmented ethnic society which may conceivably hamper grass roots level efforts to impose change from the bottom up.

#### Future Research

There is still much room for future research. A comparative analysis of Nigeria with other similar countries that have been successful in reducing political corruption may lead to more effective solutions for anti-corruption policy. Continued research on political corruption will keep the issue in the public eye as will its connection to the numerous other critical social issues it causes. A great deal of money and effort is expended on social development and well-being that could be far more effective if not for the impediments of political corruption. This study suggests that attempting to fix these global social problems while not first addressing the role of political corruption may be a terrible waste of resources. The lack of progress over the

last half a century to resolve endemic social problems often caused and aggravated by gross political corruption is evidence that strategies thus far have failed. Good governance is mandatory for the proper functioning of a society. If potentially effective solutions can be developed to resolve the political corruption dilemma in Nigeria, then those solutions may serve as a framework for resolving political corruption worldwide. In turn, stemming the tide of political corruption worldwide may result in better living conditions for billions of people who deserve, at the very least, the opportunity to live with dignity.

## APPENDIX A: TABLES

**Table 1: Chronology of Regimes since Independence**

Abubakar Balewa	October 1, 1960 – January 15, 1966	Elected
General Aguiyi JT Ironsi	January 15, 1966 – July 29, 1966	Military
General Yakubu Gowon	July 29, 1966 – July 29, 1975	Military
General Murtala Muhammed	July 1975 – February 13, 1976	Military
General Olusegun Obasanjo	February 13, 1976 – October 1, 1979	Military
Shehu Usman Aliya Shagari	October 1, 1979 – December 1983	Elected Civilian
General Muhammadu Buhari	December 31, 1983 – August 27,	Military
General Ibrahima Babangida	August 27, 1985 – August 27, 1993	Military
Ernest Oladeinde Shonekan	August 27, 1993 – November 17,	Unelected
General Sani Abacha	November 17, 1993 – June 8, 1998	Military
General Abdulsalam Abubakar	June 8, 1998 – May 29, 1999	Military
Olusegun Obasanjo	May 29, 1999 – May 29, 2007	Elected Civilian
Umaru Musa Yar' Adua	May 29, 2007 – May 5, 2010	Elected Civilian
Goodluck Ebele Jonathan	May 5, 2010 – Present	Elected Civilian

Source: National Bureau of Statistics Nigeria

**Table 2: Poverty Level since 1980**

Levels	1980	1985	1992	1996	2004
<b>NATIONAL</b>	27.2	46.3	42.7	65.6	54.4
<b>Urban</b>	17.2	37.8	37.5	58.2	43.2
<b>Rural</b>	28.3	51.4	46	69.3	63.3
<b>ZONE</b>					
<b>South- South</b>	13.2	45.7	40.8	58.2	35.1
<b>South East</b>	12.9	30.4	41	53.5	26.7
<b>South West</b>	13.4	38.6	43.1	60.9	43
<b>North Central</b>	32.2	50.8	46	64.7	67
<b>North East</b>	35.6	54.9	54	70.1	72.2
<b>North West</b>	37.7	52.1	36.5	77.2	71.2
<b>SIZE OF HOUSEHOLD</b>					
<b>0-1</b>	0.2	9.7	2.9	13.1	12.6
<b>2 – 4</b>	8.8	19.3	19.5	51.5	39.3
<b>5 – 9</b>	30	50.5	45.4	74.8	57.9
<b>10 – 20</b>	51	71.3	66.1	88.5	73.3
<b>20+</b>	80.9	74.9	93.3	93.6	90.7
<b>EDUCATION LEVEL OF HH HEAD</b>					
<b>No Education</b>	30.2	51.3	46.4	72.6	68.7
<b>Primary</b>	21.3	40.6	43.3	54.4	48.7
<b>Secondary</b>	7.6	27.2	30.3	52	44.3
<b>Higher than Secondary</b>	24.3	24.2	25.8	49.2	26.3

Source: National Bureau of Statistics Nigeria

**Table 3: Poverty Level by State 2004**

State	Poor	Non - Poor	State	Poor	Non - Poor
Abia	82.46	17.54	Katsina	76.03	23.97
Adamawa	76.18	23.82	Kebbi	73.55	26.45
Akwa Ibom	65.36	34.64	Kogi	82.12	17.88
Anambra	71.07	28.93	Kwara	88.68	11.32
Bauchi	88.3	11.7	Lagos	70.24	29.76
Bayelsa	95.57	4.43	Nassarawa	77.48	22.52
Benue	80.85	19.15	Niger	75.28	24.72
Borno	87.81	12.19	Ogun	81.25	18.75
Cross River	81.16	18.84	Ondo	80.13	19.87
Delta	84.25	15.75	Osun	65.1	34.9
Ebonyi	87.22	12.78	Oyo	62.53	37.47
Edo	83.09	16.66	Plateau	81.42	18.58
Ekiti	96.53	3.47	Rivers	72.6	27.4
Enugu	80.77	19.23	Sokoto	75.66	24.34
Gombe	73.2	26.8	Taraba	80.47	19.53
Imo	77.78	22.22	Yobe	87.36	12.64
Jigawa	59.44	40.56	Zamfara	76.47	23.53
Kaduna	74.77	25.23	FCT/Abuja	82.32	17.68
Kano	73.11	26.89	<b>Total</b>	<b>78.3</b>	<b>21.7</b>

Source: National Bureau of Statistics Nigeria

**Table 4: Percent of Households with Sanitation Facility**

Type of Toilet	2003	2004	2005	2006	2007
Pit	45.20	56.30	34.10	45.20	59.30
Pail	1.10	0.40	1.80	1.10	0.20
Water Closet	16.90	9.30	24.50	16.90	17.70
Others	36.80	34.00	39.60	36.80	22.80
Total	100.00	100.00	100.00	100.00	100.00

Source: National Bureau of Statistics Nigeria

**Table 5: Percent of Households by Type of Water Supply**

Type of Water	2003	2004	2005	2006	2007
Pipe borne Water	15.78	14.50	16.20	15.35	10.4
Borehold Water	22.04	17.60	24.00	20.80	26.8
Well Water	27.83	36.00	25.10	30.55	33.3
Streams/Pond	33.00	31.50	33.50	32.50	24.5
Tanker/truck/Van	1.35	0.40	1.20	0.80	4.1
Others	-	-	-	-	0.9
Total	100.00	100.00	100.00	100.00	100.00

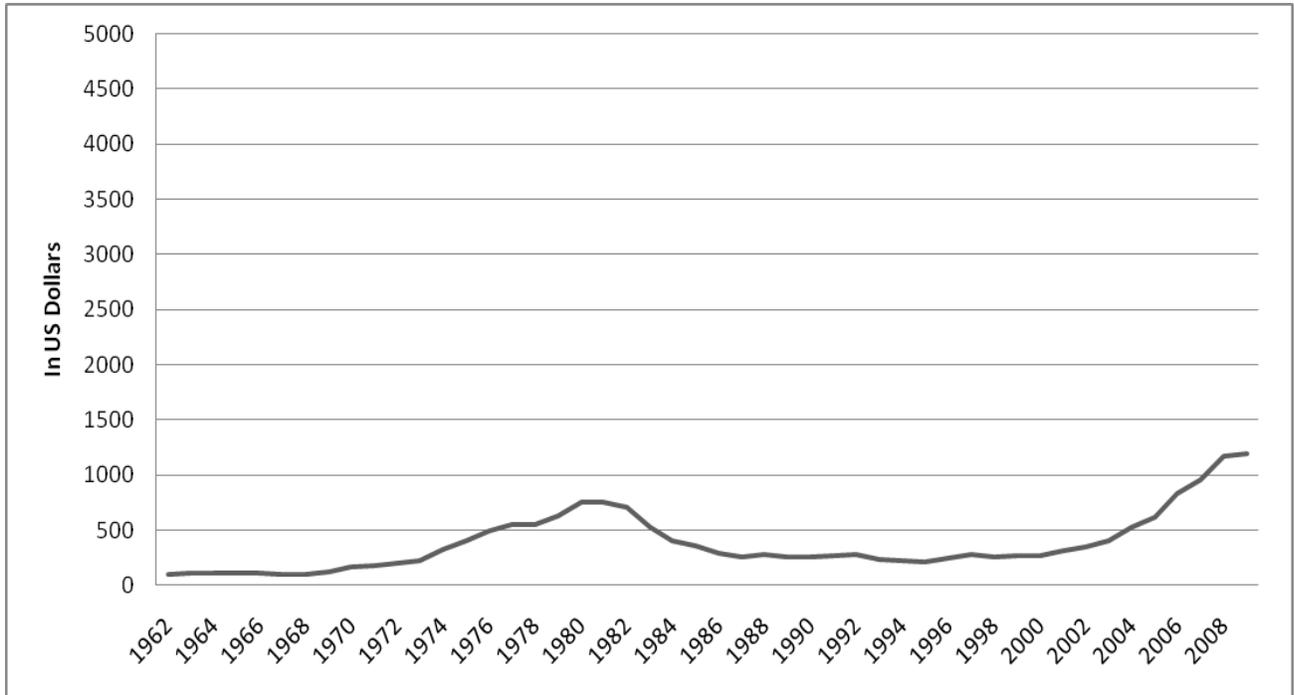
Source: National Bureau of Statistics Nigeria

**Table 6: Annual Estimated Deaths from AIDS since 1990**

Year	Average AIDS deaths	Low Estimate	High Estimate
1990	9600	<1000	280 000
1991	13 000	1200	320 000
1992	18 000	2100	390 000
1993	25 000	3400	400 000
1994	33 000	5300	440 000
1995	42 000	8500	480 000
1996	54 000	13 000	520 000
1997	67 000	19 000	550 000
1998	82 000	28 000	570 000
1999	97 000	40 000	580 000
2000	110 000	52 000	570 000
2001	130 000	67 000	540 000
2002	150 000	83 000	500 000
2003	160 000	98 000	470 000
2004	170 000	120 000	430 000
2005	180 000	130 000	390 000
2006	180 000	130 000	340 000
2007	170 000	130 000	270 000

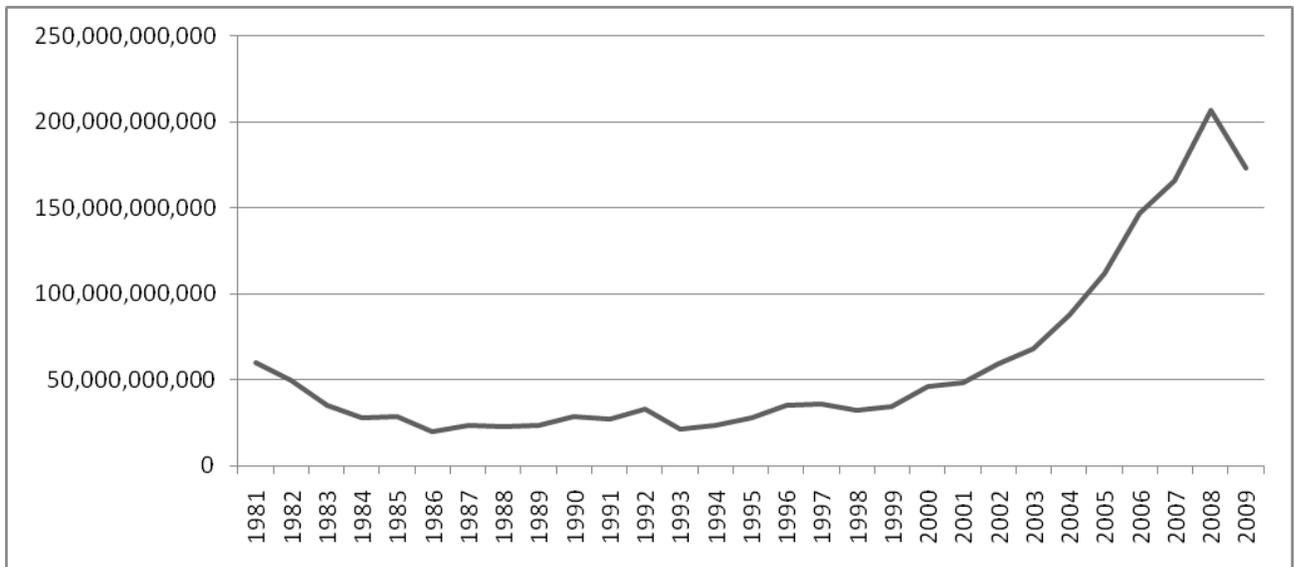
Source: UNAids.org, data.unaids.org/pub/.../20080818\_gr08\_deaths\_1990\_2007\_en.xls

## **APPENDIX B: FIGURES**



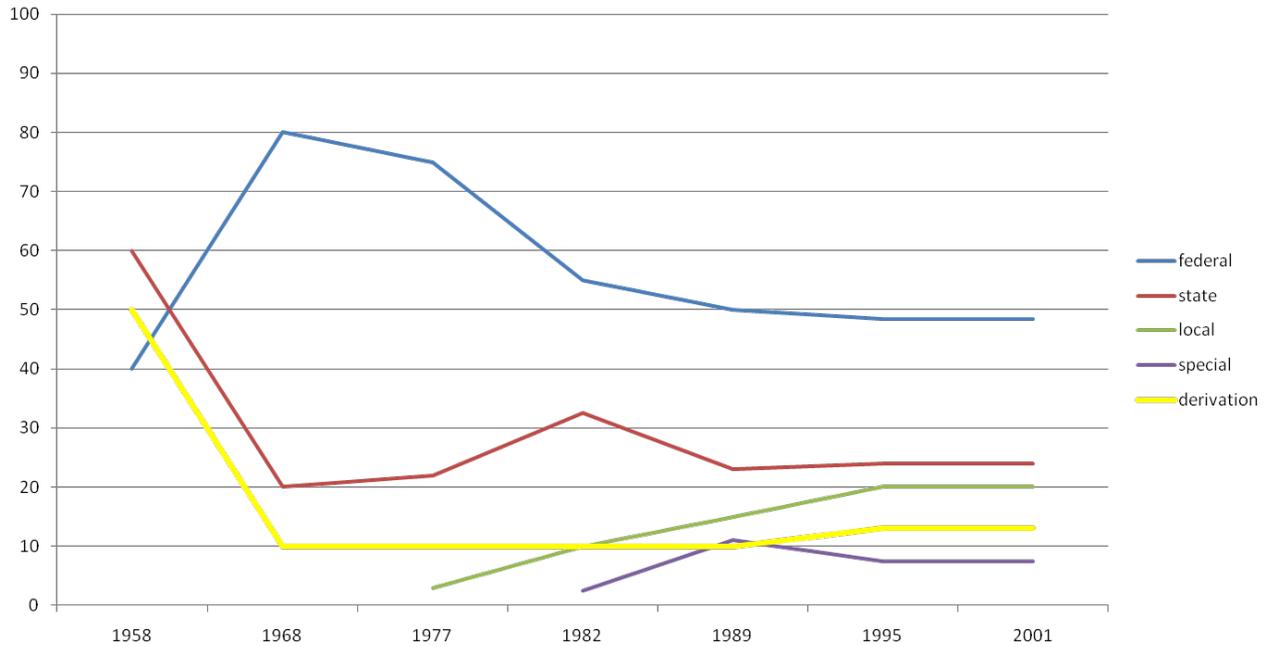
Data Source: World Bank. <http://data.worldbank.org/country/nigeria>

**Figure 1: Gross National Income Per Capita Since 1962**



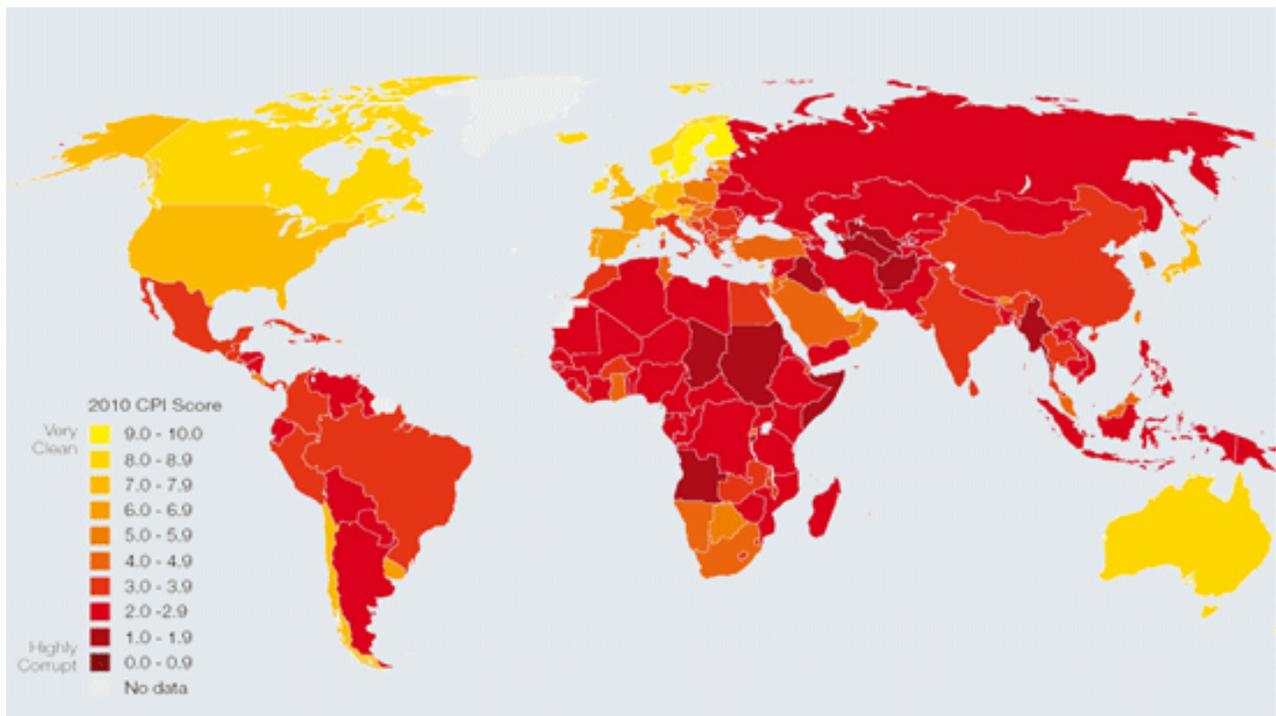
Data Source: World Bank. <http://data.worldbank.org/country/nigeria>

**Figure 2: Gross Domestic Product of Nigeria Since 1981 (in current US\$)**



Data source: World Bank. [http://info.worldbank.org/etools/docs/library/5783/State\\_and\\_Governance\\_Nigeria.htm](http://info.worldbank.org/etools/docs/library/5783/State_and_Governance_Nigeria.htm)

**Figure 3: Revenue Allocation Formula 1958 – Present**



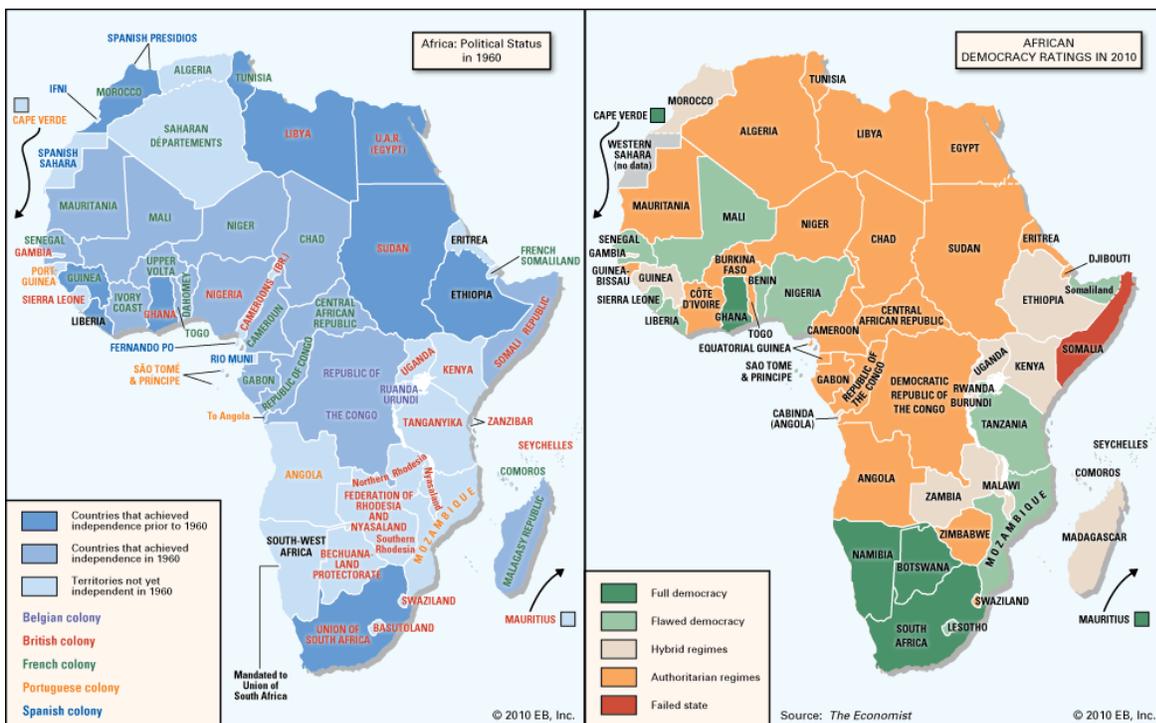
Source: Transparency International. <http://transparency.am/cpi.php>

**Figure 4: Transparency International 2010 Corruption Perception Index Score Map**



Source: Le Monde 1999. <http://mondediplo.com/maps/africanigeria.mdv51>

**Figure 5: Ethnic Regions of Nigeria**



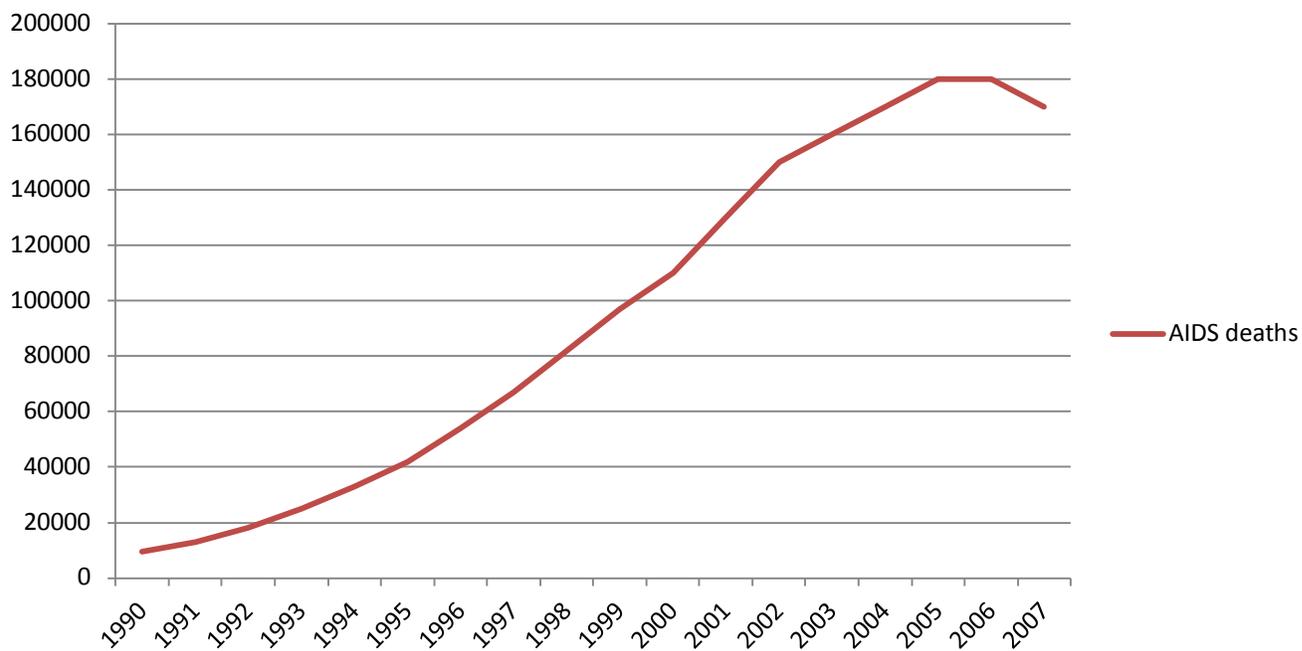
Source: The Economist.

**Figure 6: Africa: Political Status**



Source: National Geographic <http://ngm.nationalgeographic.com/2007/02/nigerian-oil/oneill-text> Photo by Ed Kashi

**Figure 7: Port Harcourt, Nigeria**



Source: UNAids.org, data.unaids.org/pub/.../20080818\_gr08\_deaths\_1990\_2007\_en.xls

**Figure 8: Annual Estimated Deaths from AIDS since 1990**

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