Anti-Corruption in Nigeria: accepting the constraints, and moving forward

Key messages

• Buhari’s anti-corruption efforts should be lauded, but they also need to be more strategic and targeted. Centralising anti-corruption is unlikely to work given that much of Nigeria’s politics is regional and state-level.

• The best way to ensure the success of anti-corruption efforts is to identify opportunities for strategic and incremental changes that are supported by powerful players in particular sectors who view reforms as being in their own interest.

• Anti-corruption efforts that target redistributive violence need to consider the socio-cultural divisions that politicians frequently leverage to mobilise support.

What is ACE?

The Anti-Corruption Evidence (ACE) research programme takes an innovative approach to anti-corruption policy and practice. Working with a multi-country coalition of 12 partners over five years, ACE is responding to the serious challenges facing people and economies affected by corruption by generating evidence that makes anti-corruption real and using those findings to help policymakers, business and civil society adopt new, feasible, high-impact strategies to tackle corruption.

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Introduction

What is the ‘political settlement’ and why does it matter for anti-corruption efforts in Nigeria? The political settlement, as we use the term, describes the particular way that power is distributed between the different groups or organisations, usually political parties and the factions within them that make up a political state. Powerful groups use their power and access to distribute resources to their followers in return for their support, and this can provide political stability. However, the price for stability may be that resources are not used productively, and powerful groups may block changes to policies which could adversely affect their interests. Addressing political corruption in this context is a delicate balance between maintaining stability, seeking reform and easing development bottlenecks. Where informal processes and power relations prevent the implementation of formal rules, legislative or policy measures to address corruption may have little impact.

The ACE programme proposes a new approach to anti-corruption. While formal anti-corruption measures, such as legal frameworks and enforcement by state agencies, are vital ingredients, they must sit alongside more nuanced and pragmatic approaches that take the political settlement into account. ACE looks for feasible, incremental strategies that are embedded in specific economic sectors – such as the health sector, media, or extractives – and which engage with coalitions of people or organisations who can work together to further their interests and reduce corruption.

This briefing paper sets out the ACE analysis of the political settlement in Nigeria, and looks at how this situation both furthers and hinders efforts to tackle corruption. Based on our assessment of the context, we propose a set of research projects to explore new, high impact approaches to anti-corruption. This paper is based on Working Paper 002, “Anti-corruption in Nigeria: a political settlements analysis’ (Roy 2017) which explores the political and economic context in greater detail.

The political settlement today

The elections of 2015 marked a shift in the political settlement of Nigeria. The incumbent government was voted out for the first time since independence, and the People’s Democratic Party (PDP), which had been in power since the transition to democracy in 1999, was replaced by the All Progressives Congress (APC), formed by four regional parties. Since then, the PDP and the APC have become entrenched in a face-off.

The PDP and APC represent a broad mix of the constituencies around which Nigerian politics is organised – regional, ethnic and religious. In fact, each party is an amalgam of all three. The APC, for example, was formed with the merger of two Northern parties (the All Nigeria Peoples’ Party and the Congress for Progressive Change), a South Western party (Action Congress of Nigeria), and a faction of a South Eastern party (the All Progressives Grand Alliance). It incorporates both Yoruba and Hausa Fulani leadership, and both Muslims and Christians.

The PDP is not a strong opposition party, however. Since a string of high profile defections to the APC in 2015, it retains its relative strength only in the South East. But if the APC is not able to field a candidate who can draw on both Northern and at least South-Western support, the PDP could well see its fortunes change.

The current political settlement is characterised by significant corruption. Resources captured through corruption are often distributed through informal means. These could be as funds allocated through non-official channels to intra-party networks or funds diverted to particular groups owing allegiance to specific leaders.

Ironically, this achieves a measure of political stability through ‘live and let live’ arrangements, where different groups work out ways (not in the most transparent manner) on how to replace each other in and out of power, or how to continue having access to captured resources. Without such arrangements, including over the distribution of resources captured from the oil and gas sector, internal conflicts would pose existential threats to stability.

Since 2015, the political settlement seems to have entered a phase of ‘competitive clientelism,’ a configuration of political power where:

- The ruling coalition faces opposition from strong external coalitions.
The leadership has little control over its own lower-level members (because powerful excluded organisations can offer these members a better deal).

The ruling coalition has weak implementation capabilities, especially in sectors like oil, gas and electricity generation where the opportunities for political interference and resource capture are high.

The only viable system of government in such a situation tends to be some form of democracy, though it can be much contested, including violently. Contestation in Nigeria has recently taken the form of two especially strong political headwinds, which have started to gather momentum in the run-up to the 2019 elections. One is renewed demands for the ‘restructuring’ of Nigeria. Some discussions around the nature of federalism will always be part of the political churn in the country. However, the current demands have the potential to be dangerously exploited as populist politics, and the situation runs the risk of becoming violent.

The second is a violent demand for redistribution by the secessionist movement, the Indigenous People of Biafra (IPOB). This movement is gaining strength at a time when the mainstream political leadership of the South East is losing credibility, and there is a risk that the Federal government’s repressive measures could backfire.

**Exchanging goods and services for political support – an enabling federal structure**

Due in large part to Nigeria’s federal structure, the scope for ‘clientelist politics’ – the trading of goods and services for political support – is high. The country comprises 36 states and 774 local government councils. Local governments (through state governments) control primary and vocational education and primary health care, and, among other areas, have joint authority over roads and transportation along with states. Local government expenditure as proportion of total government expenditure is 20.6%. Funds are deposited in each State Joint Local Government account, which is under the state’s control, and the state governor decides when and how much the local governments receive.

The derivative principle that governs the percentage of oil revenues that go back to the oil producing states (currently 13%) also creates tensions between the federal and state/local governments. In addition, the Nigerian budget is extremely opaque (ranking a very low 24 out of 100 on the Open Budget Index); the management of the budget process and the impact it has on monthly federal allocations to states remain contested issues.

**Violence as a feature of Nigerian politics**

Another feature of Nigerian politics is ethnic and religious violence. This violence results not only from ideological divides, but also from competition for resources and relative power between the main ethnic and religious groups. Frequent violence in Plateau State and in some northern states, for example, has more to do with a clash between ‘indigene’ and ‘settler’ rights, than an ideological battle between Muslims and Christians. The risk of more destabilising violence cannot be completely ruled out, and a lot will depend on the outcome of the elections in 2019.

**Possible futures for Nigeria’s political settlement**

The upcoming elections are expected to be even more keenly contested than those in 2015. What are the likely outcomes?

**Scenario 1**

Incumbent presidents in Nigeria get nominated for a second term by their party and tend not to lose. President Muhammadu Buhari has returned from his six-month long absence for treatment for a mystery illness, but there is no firm indication yet on his willingness to contest another election. If he does, he will most certainly gain the support of the North. If he is also able to secure a coalition with the South West as he did in 2014, he is most likely to win.

**Scenario 2**

If Buhari decides not to contest, the chances are that the politicians who make the first move to create
coalitions (between the North and South West or North and South East) will retain a first mover’s advantage. The current front runners are Atiku Abubakar, a former vice president with the PDP, now with the APC, and Nasir Ahmed el-Rufai, a powerful governor of Kaduna State in the North, also with the APC. In the absence of Buhari, the probability of either of these two leaders becoming president is as high as 80%.

**Scenario 3**

A return to authoritarianism is unlikely, as low as 10%. For one, the military no longer plays as important a role in domestic politics as a few decades earlier. Additionally, given that the opportunities for political representation have now reached fairly deep into Nigerian society, usurping power through repressive violence is likely to prove difficult. The established power blocks of the military and police now seem firmly on the side of the executive.

**Corruption – political, policy-distorting, and endemic**

Political corruption in Nigeria is pervasive. It creates economic benefits, or ‘rents,’ for those within political organisations, including their supporters, through targeted, legal programmatic spending, informal modifications of legal programmes, or entirely informal transfers. ‘Political entrepreneurs’ decide how to channel resources as a means to create and maintain political power. The allocations are not always damaging, as they may redistribute wealth or support stability. However, they can also create tension and conflict and reduce redistribution if the benefits largely reach the powerful and rich.

These ‘political entrepreneurs’ also sometimes allocate resources in the form of policy support or subsidies to emerging businesses. These allocations may have positive outcomes for welfare and can induce productivity growth by helping firms to become more competitive. But if the allocations, incentives and management of the benefits are inappropriate, such ‘policy-distorting corruption’, also common in Nigeria, can reduce social welfare.

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**Corruption in the oil sector**

The most damaging instances of corruption in Nigeria are to be found in the oil sector. The leakages operate through multiple mechanisms and are deeply entrenched in society. This corruption amounts to billions of dollars every year, but the effects are not just computable in terms of financial value. The mostly illegal flaming of gas, for example, causes acid rain, with grave health consequences for the local population. Corruption in the sector can be directly linked to how subsidies have been mismanaged, and even more egregiously, to how ministers have exercised their discretionary powers to capture resources from the sector.

**Recent anti-corruption efforts in Nigeria**

The developing political settlement has had a range of implications for efforts to curb corruption in Nigeria, from high-level governance reforms, such as those under President Olusegun Obasanjo, to recent high-profile prosecutions under President Muhammadu Buhari. An overview of these formal anti-corruption measures helps to situate the ACE approach to feasible, high-impact anti-corruption strategies involving broad, sector-based coalitions.

**Reforms during the transition to democracy**

President Obasanjo introduced a broad set of institutional, governance and macroeconomic reforms. These included the creation of two anti-corruption bodies: the Independent Corrupt Practices and Other Related Offenses Commission (ICPC), which is charged with prosecuting offenders in relation to corruption crimes; and the Economic and Financial Crimes Commission (EFCC), which had a more specific mandate of charging those involved in financial crimes, like fraud, financing for terror, and corruption involving oil related payments and activities. While perceptions of corruption in the country did not improve as a result of these changes, the ICPC and the EFCC continue to operate.
Goodluck Jonathan’s patchy anti-corruption record

Obasanjo’s successor, Goodluck Jonathan, oversaw some reforms, such as the introduction of biometric identity cards, which help reduce electoral fraud, and the implementation of the Treasury Single Account. However, Jonathan was not seen to take sufficient measures to address fraud, and perceptions of high corruption during his tenure contributed to his election loss to Muhammadu Buhari in 2015.

Muhammadu Buhari and the anti-corruption platform

Under the Buhari administration’s anti-corruption programme, the EFCC was given a new lease of life and is prosecuting some high-profile cases. The Buhari government has also implemented or carried through a number of other reforms, including the Bank Verification Number, a biometric identification system to reduce illegal banking transactions; the publishing of monthly accounts by the Nigerian National Petroleum Corporation; the establishment of the Presidential Advisory Committee Against Corruption; and efforts to combat smuggling. Another feature of the anti-corruption plank is the whistle-blower policy, which entitles whistle-blowers to between 2.5 and 5 percent of the amount recovered.

One of the most significant recent anti-corruption efforts has been the bill to privatise and unbundle the Nigerian National Petroleum Corporation, essentially the one organisation controlling the entire Nigerian oil industry. The Petroleum Investment Bill, which had been in the Nigerian Senate for over ten years, was passed in May 2017. It envisages breaking up the corporation into one regulating and two marketing companies, or into one regulator, one marketing and one production company. However, opposition has already surfaced from various quarters, making the bill’s implementation a fraught process.

Beyond the executive

The National Assembly and the judiciary have recently started exercising greater power. As a result, the role of both these important arms of the government will also have to be factored in when analysing the success or failure of anti-corruption policies.

Conclusion

The anti-corruption efforts of the Buhari administration should be lauded, but they should also be made more strategic and targeted. Anti-corruption reforms that do not take into account the political settlement are likely to be met with resistance and failure. For example, expecting reforms in sectors with deeply vested political interests, like oil and gas, to succeed quickly would be overly optimistic. Centralising anti-corruption efforts is also unlikely to work given that much of Nigeria’s politics is regional and state-level. Indeed, centralising could actually rebound as powerful state governors push back. Most anti-corruption efforts, therefore, have to be focused at the state-level or lower. Additionally, anti-corruption efforts that target redistributive violence need to consider the socio-cultural divisions that politicians frequently leverage to mobilise support.

The best way to ensure policy success is to identify opportunities for strategic and incremental changes that are supported by powerful players in particular sectors who view reforms as being in their own interest.

Importantly, reforms should contribute to productivity growth, which by definition reduces corruption by increasing development outcomes. Every country has sectors and pockets of productivity where entrepreneurs will welcome reform because reducing corruption will help them be more profitable. This is particularly likely if they are already close to achieving competitiveness. In turn, activities resulting in greater productivity shift the power balance in favour of these productive groups, who may then create pressure for more systematic anti-corruption efforts. And this can be the basis for creating sectoral anti-corruption policies.

The ACE programme has identified sectors and opportunities for anti-corruption efforts in Nigeria based on two criteria – feasibility and impact. Efforts are feasible where there are powerful actors who will support anti-corruption, and impactful where there is the potential to boost productivity for these actors. ACE is working with research partners in Nigeria to generate evidence-based research on anti-corruption strategies. Find out more about our strategies and the sectors where we are engaging by visiting www.ace.soas.ac.uk
About the Anti-Corruption Evidence (ACE) Research Consortium:

ACE takes an innovative approach to anti-corruption policy and practice. Funded by UK aid, ACE is responding to the serious challenges facing people and economies affected by corruption by generating evidence that makes anti-corruption real, and using those findings to help policymakers, business and civil society adopt new, feasible, high-impact strategies to tackle corruption.

ACE is a partnership of highly experienced research and policy institutes based in Bangladesh, Nigeria, Tanzania, the United Kingdom and the USA. The lead institution is SOAS, University of London. Other consortium partners are:

- London School of Hygiene and Tropical Medicine (LSHTM)
- Palladium, London
- University of Birmingham
- University of Columbia, New York
- BRAC Institute of Governance and Development (BIGD), Dhaka
- Transparency International Bangladesh (TIB), Dhaka
- James P. Grant School of Public Health BRAC University (JPGSPH), Dhaka
- Research on Poverty Alleviation (REPOA), Dar es Salaam
- Economic and Social Research Foundation (ESRF), Dar es Salaam
- Ifakara Health Institute (IHI), Dar es Salaam
- Nigerian Institute of Social and Economic Research (NISER), Lagos
- Centre for Democracy and Development (CDD), Abuja
- Health Policy Research Group, University of Nigeria

ACE also has a well-established network of leading research collaborators and policy/uptake experts.

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