AP PHOTO/SUNDAY ALAMBA

Overshadowed by a billboard of the winning candidates for president and vice-president in last year's election, street vendors in Lagos sell food and CDs.

Nigeria's new leader promises to curb corruption, enhance services

Demands raised for fairer sharing of oil revenues and effective use of public funds

BY MARTINS OLOJA

One year after taking power, Nigeria's President Umaru Yar'Adua faces daunting problems. High on his list are the delivery of adequate services to Nigerians and the responsibility to ensure fiscal responsibility in government.

While such problems are common in any federal country, they are even more challenging in Nigeria because of its crippling corruption. Transparency International surveys indicate that corruption is rampant in Nigeria, and in a recent poll, more than 70 per cent of Nigerians said that corruption affects their personal and family lives to a large extent.

When President Yar'Adua began his term, he pledged zero tolerance for corruption. He arrived under a cloud but his authority was boosted last August by the dismissal of two electoral fraud charges against him. The acquittals are under appeal, however.

While corruption is rampant in Nigeria, so is poverty, and studies show that it is the poor who are the most victimized by corruption, having to pay large sums in bribes from their meagre resource to pay for what are meant to be governmental public services.

The previous president of Nigeria, Olusegun Obasanjo, began as a reformer who sought to improve government services. In 2003, he hired Wendy Thompson,

Martins Oloja is a public affairs journalist at Nigeria's *Guardian* newspaper who has covered politics and public policy in Nigeria's capital for almost two decades.

then British prime minister Tony Blair's special adviser on public service reform, to assist with a framework for public service reform in Nigeria.

Raised red flags

After a few months in Nigeria, Thompson reported in April 2004 that Nigeria's services "are not serving people well."

"Mainly they are inaccessible, (of) poor quality and indifferent to customer needs," Thompson said. "Despite their policy ambitions, ministers lack the levers to ensure delivery happens 'on the ground.' Central departments have little information with which to monitor performance or intervene to tackle failure. Unpredictable and uncertain funding often leaves services without any non-staffing revenue to maintain premises and systems, or to provide services. Support services are not designed to support front-line services, and are a major impediment to acquiring the staff, goods and information that are needed."

Her scathing report said reforms would be "executed on challenging terrain, the result of years of misrule, systematic corruption, and a failure to meet people's basic needs for public services. Public confidence is poor, inequalities high and institutional arrangements confusing and wasteful. What is required is a far-reaching transformation of Nigerian society that involves government and other stakeholders."

Notwithstanding murmurings about reforming Nigeria's public service, the response was largely uninspiring.

The Heritage Foundation/Wall Street Journal Index on Economic Freedom was just as scathing in its assessment.

"Despite stronger efforts to hold government officials accountable for illicit activities, corruption remains common at all levels of government and in the judiciary. Much of economic activity is carried on in the informal sector."

Besides 36 states and the federal capital territory, there are 776 local councils that depend mainly on money from the federation account. This account is mandated by the constitution to receive almost all the Nigerian government's revenue, to be shared among the three orders of government. The constitution makes the President responsible for reporting to the National Assembly periodically on the revenue allocation from this account. The federation account is funded mainly by the country's oil and gas revenue. Nigeria is ranked as the globe's tenth largest producer of oil. In 2003, it was reported that over the last 25 years, Nigeria had received US$300 billion in oil revenue after deducting payments to foreign companies.

AP PHOTO/SAURABH DAS

Singing and dancing their protest, Ijaw women demand jobs outside a Chevron Texaco fuel station near Abiteye village in Nigeria, in July 2007.

But despite revenues of that magnitude, services are not being delivered to the people, poverty is not being curbed and the economy is sickly.

For instance, the proportion of Nigerians living below the United Nations' US$1 per day absolute poverty line rose from 27 per cent in 1980 to 70 per cent in 2000. It has since declined to slightly more than 50 per cent. In 2006, Nigeria ranked 165th out of 179 countries in the International Monetary Fund's ranking of countries' GDP comparing the purchasing power of the same basket of goods.

With the funds available to all three orders of government, there should be adequate supplies of drinking water, electricity, health services, educational facilities and roads. But this is not the case. A dysfunctional federal system and the lack of a culture of public service have made democratic institutions unaccountable.

Alert never sounded

Nigerian federalism was not designed for effective service delivery, but rather to increase national unity among the diverse ethnic groups. With revenue allocation heavily in favour of the federal government, sub-national governments are reliant on the central government for the funding to meet their service obligations, which include public order, intra-state trade and commerce, education, state health policy, state highways and public transit.

While it is apparent to all that the funds earmarked for social services and capital improvements are leaking and not reaching their intended destination, alarm bells ought to be going off.

But the constitutional provision for audit alerts has remained largely unenforced. Under the 1999 constitution, the Auditor-General of the Federation and the Auditors-General of the 36 states are empowered to issue audit queries if appropriated funds are not satisfactorily accounted for.

While the president and the governors nominate auditors from a group of existing finance officers, once they are confirmed by national and state assemblies, they cease to be part of the executive arm. Instead, the auditors report to each legislature's public accounts committee. However, the auditors' reports are almost never ready on time and neither civil agencies nor the media are vigilant enough to use the audit system to track Nigeria's public funds and prevent them from being looted.

Centre gets lion's share

Despite protests about mismatched fiscal responsibilities and funding by states and municipalities, allocation of revenue between federal, state and local governments is still lopsided. Under the 1999 constitution, the federation account, into which oil revenues and other incomes are deposited, belongs to the three orders of government. But the 36 states' governors have alleged that with the co-operation of the accountant-general of the federation, the federation account "is often unilaterally, arbitrarily and illegally operated, appropriated and manipulated by the central authorities."

A study by G.D. Olowononi of Ahmadu Bello University in 2004 concluded the federal government spent more than 70 per cent of total public revenue between 1993 and 1998.

In 1981, the central government's share of the federation account was 55 per cent, states received 30 per cent and local governments obtained 10 per cent. But in 1992, when local governments received the additional responsibility of managing and funding primary education, the federal government reduced the states' share of the federation account from 30 per cent to 25 per cent.

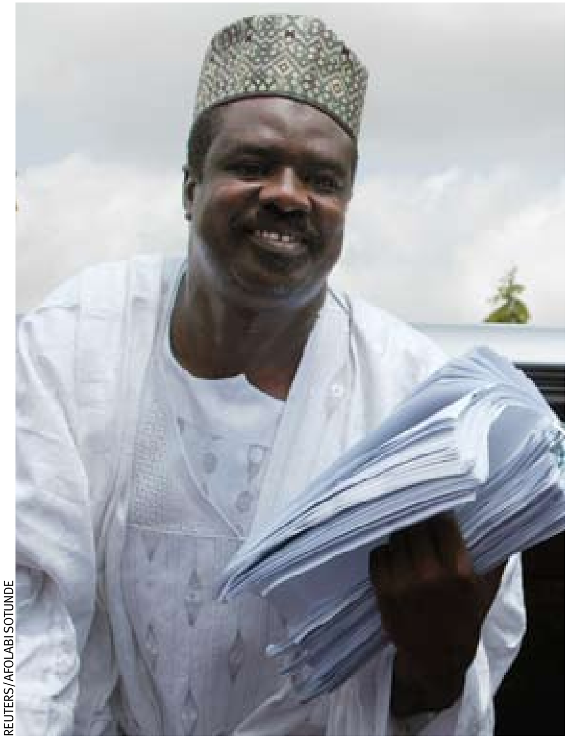
Even lobbying for the reduction of the federal share to 33 per cent or less of the federation account did not succeed as it only led to the allocating of 1.5 per cent in 1992 to special funds. Control over the special reserves such as the stabilization fund, the petroleum trust fund and the autonomous foreign exchange market intervention surplus gave central authorities a way to reduce revenue available to sub-national governments. The federal government has 48.5 per cent of the federation account, while the states and local councils share the balance.

Yar'Adua is haunted by the prospect of continued conflict in the Niger Delta Region, where the country's oil supplies are located, and to avert trouble, he has taken a step toward asymmetry that could backfire. In his proposed 2008 budget of 2.4 trillion naira (about US$20 billion), he set aside a whopping 444.6 billion naira – about US$3.7 billion – to security issues and the Niger Delta alone.

The Delta includes nine of Nigeria's 36 states, which already receive an additional 13 per cent of revenue from oil and gas from the federation account.

As a result, funds required for critical services for the entire country in the areas of education, health, water resources, poverty reduction and energy were eclipsed by Niger Delta expenditures in the Yar'Adua national budget.

Politics is a balancing act, though, and cheers broke out after the president announced he had signed the four-year-old Fiscal Responsibility Bill into law. The law would inculcate budgetary discipline in public servants and enhance transparency in fiscal activities. The president said he assented to the Bill after consultation with state governors who agreed to enact similar legislation.



REUTERS/AFOLABI SOTUNDE

Denying corruption charges, Saminu Turaki, former governor of Nigeria's Jigawa state, arrives at the federal high court in Abuja in July 2007.

Wanted: funding for infrastructure

But despite promises of greater transparency, it still remains to be seen where the funds to improve infrastructure will come from. There have been no budgetary provisions for the mega-city project for Lagos, initiated by the Obasanjo administration. Lagos, with its 14 million people, is the country's most populous city.

And more headaches could be on the way as the Lagos state government, now controlled by an opposition party, is expected to challenge the unprecedented budgetary allocation to the volatile Niger Delta area.

As anti-graft agencies await political support to prosecute former "execu-thieves," there is concern that the Yar'Adua administration is not fully committed to completing the comprehensive public service reform, begun under former president Obasanjo.

For example, the administration has sworn in nine federal permanent secretaries and recalled two others since Aug. 29, 2008. But senior bureaucrats, who are chief accounting officers in the ministries, agencies and departments, have yet to be assigned their responsibilities. In a system of checks and balances, financial integrity can only be attained with competent and honest accounting officials overseeing spending; otherwise funds go astray and unaccounted for.

Clearly, fiscal responsibility and service delivery will remain challenges for President Yar'Adua's administration.

To get there, the administration has relied thus far upon the mantra of its "commitment to the rule of law." It is unclear when the regime will shift from rhetoric to action.