

# UNIVERSITY OF JOS



## EPISIOTOMY OF NIGERIA'S ECONOMIC MALADY: ITS DEPTH AND THE WAY OUT

### AN INAUGURAL LECTURE

BY

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## **INTRODUCTION**

In 2010, Nigeria ranked 134<sup>th</sup> in a survey of 178 countries, which means she has come down from her 2009 ranking of 130<sup>th</sup> out of 180 countries. Yet in 2008, the country had notched up her highest ranking of 121<sup>st</sup>. This is a long shot away from its status as the second and the third most corrupt nation-state in 2004 and 2005 respectively. If this modest achievement was credited to the EFCC, ICPC and related anti-corruption agencies and perhaps also government's political will, what has happened since then?

My purpose in this inaugural lecture, Mr. Vice-Chancellor, is to put forward and justify related arguments that may provide an insight into the possibilities for the Nigerian economy and indeed, the Nigerian state to decisively deal with this social malady of corruption that has plagued it over the years. First, as Garba (2012), puts it, "Unsound ideas and unsound economic interests breed unsound choices; Unsound choices produce unsound actions; Unsound actions produce unsound outputs; and Unsound outputs produce unsound outcomes. Therefore, unsound ideas and interests produce unsound outcomes".

## **EPISIOTOMY IN ECONOMICS?**

**Yes.** Episiotomy, also known as perineotomy, is a surgically planned incision on the perineum and the posterior vaginal wall during second stage labour to allow sufficient clearance for birth or to facilitate delivery during childbirth. This inaugural lecture, has found suitability in the medical sciences as a relevant discipline from where to borrow the word – 'Episiotomy', which rightly fits this lecture at hand. I dare not delve into attempting to cut deeply or extensively otherwise, whole cans of worms would be let loose. This lecture as medical doctors would do, is engaged in just a little incision into the subject matter at hand – Nigeria's Economic Malady.

In order to facilitate and appreciate the magnitude of Nigeria's economic malady, this lecture attempts only an incision into the Nigerian economy as an extensive cut would result in unmanageable disaster for us.

## **DEFINITIONS**

**Malady** – is any undesirable disorder or disease (condition) of the body, especially one that is chronic or deep-seated. The Nigerian economy, in the same

vein, is experiencing an age -long chronic cum deep-seated disease (disorder) called **corruption**. This is a hydra- headed monster that has pervaded the economy. It is almost always a subject of discussion at formal as well as informal settings, private as well as government functions.

**Corruption** - is a multi-faceted phenomenon. Its nature as Ogboru (2010) puts it, has both ethical and normative dimensions and is manifested in the difficulty in obtaining consensus as to what constitutes a corrupt behaviour. Corruption is the circumvention of laws and rules (codified or conventional) for the purpose of obtaining some advantage, privilege or gain to oneself or another person, and to the detriment and/or disadvantage of either the State or other individuals or both. Transparency International defines corruption as the abuse of entrusted power for private gain.

This definition therefore encompasses all sectors and covers a wide range of actions which include bribery, extortion, fraud, nepotism and money- laundering, as well as the less recognized ones, such as helping a friend's son get on the admission list without the requisite qualification, reducing one's age to be eligible for an office or admission, replacing the non- indigene with the indigene in order to ensure "we are properly represented " and of course tax evasion, refusing or neglecting to promptly and properly discharge one's tax obligations, amongst many others (Omoigui-Okauru, 2011).

It is easy to point fingers at public officers on trial for stealing but corruption also includes the lecturer who receives gratification to improve a student's marks or sells handouts with the subtle threat of ensuring that only those who buy them pass his/her course. The lecturer who writes a project for his/her student or gives a project to the student to simply copy verbatim and then scores him or her an 'A' grade in exchange for sex, money or some other forms of favour. Corruption includes the "please put my name" syndrome in an article / paper to a journal, book or review when one did not contribute in any way to the writing or research. In most cases, such a person agrees to or volunteers to pay all or part of the fee for the publication; this is academic corruption. Reporting to work late (9.00am) and signing (7.30am) on the duty register also constitutes corruption. Corruption includes the officer who either collects bribes from defaulting motorists to let them off or extorts money from non-defaulters by indirectly threatening to detain them for no just cause. It extends to the person who favours his kinsmen in a recruitment exercise simply because they are his kinsmen or part of his

inner circle and to the civil servant who “sits on” or “misplaces” a file until and unless those interested in it come and “settle” him or her. It equally covers those who jump queues in filling stations, and those who beat traffic; the young people involved in internet fraud and confidence scams (popularly called yahoo yahoo), the spare parts dealer who sells fake spares as “original from Japan”, the patent medicine store owner who sells fake or expired drugs, the market woman who indiscriminately increases prices and sells rotten tomatoes/potatoes hidden at the bottom of the basket, the tax payer who negotiates taxes to be paid for a fee to the tax officer, the traveller who procures a “yellow card” for a fee and has it stamped to show he has received a yellow fever vaccination when such never happened; and the petrol dealer who gives the motorist a blank receipt so that he can claim whatever he wants as fuel costs. All of these are guilty of corrupt actions.

For the purpose of this lecture, however, corruption becomes manifest through the use of the instrumentality of office by a government official for private gain. Corruption tends to flourish when standards are lax or poorly defined; regulatory institutions and enforcement practices weak, and government policies generate economic rent. The opportunity for corruption is a function of the size of the rents under the control of a public official, the discretion that official has in allocating those rents and the accountability that official faces for his/her decisions or actions.

### **Theoretical Leanings**

Two mutually exclusive hypotheses in contemporary corruption studies appear fascinating and relevant to this study. The first, *grease and wheels*, postulates that corruption may speed up a sluggish bureaucracy and raise efficiency. A neo-functional theory, argues that in countries with faulty institutions and absent public-enriching aspects of governance, corruption may help citizens to better take advantage of factor endowments. Its corollary and counter, *sand and the wheels* hypothesis, contends that in a context where corrupt public servants and elected officials can cause delays so they could get opportunities to extract bribes, individual bribers can improve their personal economic situations at the expense of the polity, which becomes a net loser. The hypothesis predicts, in the words of Guillaume (2010), that “an increase in corruption will reduce efficiency even in a deficient institutional context”. Against the backdrop of the endemic proportion and cancerous nature of corruption in Nigeria and its nefarious consequences all over, only the sand and the

wheels hypothesis is intelligible; the grease and wheels hypothesis is off the target in capturing and explicating the Nigerian social type.

A further and more profound theoretical explication of political corruption is essentially structural. Diamond (1988), has traced incipient corruption in the first republic to what he calls “the rapid expansion of the Nigerian state and its growing domination over the economy and society”. Similarly, Joseph (1987), evoked the use of the state as a personal resource by those who seek and hold public office. Amoral structures of governance tend to trump up norms and values that individuals bring to the public sector. Yet, they are infallible; they do not explain everything because they are not cast in stone. History is replete with political leaders and leaderships that were imbued with public-friendly values, vision, dexterity and dynamism that succeeded in circumscribing the import and impact of negative structures and re-cast same structures for efficient and effective public decision-making and public service delivery.

In the absence of a viable and strong state, as Alamu (2011), has argued, “there can be no real statesmen. A brigand state can only produce grandees of political brigandage”. No society can be reformed, let alone transformed, if law and order are brazenly short-circuited. Several years of mindless deregulation have further weakened the Nigerian state by retrenching and entrenching it into the hands of a ruling elite irreparably shorn of a class project and who care very little for the mass of Nigerians.

In addition, corruption presents itself in two major forms: state capture and administrative corruption. The World Bank (2000), defined state capture corruption as the “actions of individuals, groups or firms in both the public and private sectors to influence the formation of laws, regulations, decrees and other government policies (that is, the basic rules of the game) to their own advantage by means of the illicit and non-transparent provision of private benefits to public officials”. The Bank also explicates administrative corruption as consisting of modifying the implementation of existing laws, rules or regulations to “provide advantages to either state or non-state actors as a result of the illicit and non-transparent provision of private gain to public officials”. What transpires at this level is that state officials purely and “simply misdirect public funds under their control for their own or their family’s direct financial benefit” (ibid.)

In Nigeria, state capture (or what can also be called political or state corruption) and administrative corruption are mutually reinforcing, even though the former, not the latter, gets prominent media attention, perhaps on account of the sums involved and the entrenched impunity. Mr Vice Chancellor sir, permit me in this inaugural lecture to describe corruption as a **tripartite function** encompassing the low, the middle as well as the upper class strata of society. It is only in this light, that corruption can therefore be essentially classified into three. These, (Kpundeh 1997, Karklins 2005, and Vargas-Hernández 2009), stated as petty, grand and political corruption. To this, Ohiorhenuan (2013), lend credence by the assertion that:

Petty corruption consists of small-scale embezzlement and misappropriation - bribery demanded by or offered to low level officials in order to bend rules; use of licensing and inspection powers for extortion, and perpetrating minor acts of favouritism. The typical incident of petty corruption involves a private citizen dealing with a low-level government bureaucrat in a straight forward transaction such as goods clearance or issuance of driver's licence or passport. These acts of corruption can be subtle – a mere gesture or hint that a small consideration is expected. It can also be more direct, an explicit demand or a threat that the file could stop “moving” if a gift was not offered.

Grand corruption, on the other hand, involves the misuse of public office at higher levels within the state (Rose-Ackerman 1999). It includes large-scale embezzlement and misappropriation via public procurement; payment for non-existent goods or services; contrived losses in public sector entities; large kickbacks in government purchases and contracts; employment of “ghost workers” on the government payroll and extending economic privileges to special interests. The extreme example of grand corruption is “state capture”, which is when top politicians and bureaucrats collude with private actors to turn the state into a private money making machine.

Political corruption includes gross abuse of the country’s mechanisms of restraint: legislative and judicial processes, as well as auditing, investigatory, and oversight powers; subversion of electoral processes through vote-buying and bribery of accountable officials; large-scale assignment of public property to privileged

interests; politically motivated loans by banks and financial institutions; large contributions from public coffers to private causes and large political donations and bribes to parties and party officials.

### **Nigeria's Prime Economic Malady is Corruption.**

Nigeria is a rich nation (rich in oil and other minerals as well as agricultural resources). Ironically, Nigeria is a rich nation with a vast majority of her people being poor and living in abject poverty of below \$1.50 per day, being the United Nation's minimum income for basic standard of living. This is because, corruption, Nigeria's prime economic malady, siphons her resources and wealth. This is a major cause of underdevelopment and poverty in the country in the midst of plenty.

### **Corruption in Nigeria and Its Effects on Economic Development**

Corruption has severely undermined national, social and economic development and often leads to national collapse, as witnessed in Zaire, Somalia, the Philippines, Albania and Pakistan, to mention a few examples.

Simply put, corruption is a major underlying factor manifested in the form of bad roads, decaying infrastructures, inadequate medical services, poor schools, falling educational standards and the disappearance of foreign aid as well as foreign loans. Corruption distorts the economy through wastage, misallocation and misappropriation of resources, thereby contributing to the debt problem in Nigeria.

With the huge external loans injected as funds into the country to fill the domestic resource gap, Nigeria ought to have attained a higher level of employment, industrial, technological and infrastructural development than where she is presently.

Furthermore, in Nigeria, it apparent that the adoption of administrative fiat and the culture of impunity in governance, in place of objectivity, rule of law and due process among others, have become deeply entrenched. Unfortunately, as Olaniyi (2013) put it, the economy has weakened and competition for access to revenue from oil and gas resources became more intense; not only were other mineral and arable land resources neglected, human factor characteristics were also eroded. This sorry state of affairs has led to weak institutions, ineffective and inefficient public administration. And as public administration became inefficient, social optimization

mechanisms failed. Consequently, many individuals adopted private optimization techniques or coping strategies which were mainly sharp practices that short-circuited the economic system and compounded developmental problems. Ndiese Essien, Chairman of the House of Representatives Committee on Anti-Corruption, National Ethics and Values lends credence to this when he declared in his opening speech that;

*Corruption is the biggest and the fastest growing industry in Nigeria. While petroleum is the largest revenue earner (accounting for between 90 – 95% of National wealth, corruption is the largest consumer of the revenue. Unfortunately its consumption is into the accounts of a few individuals and corporate persons while the nation wallops in abject poverty, hunger, disease and debt ... corruption should be attacked with the same velocity with which HIV/AIDS has been tackled” (Ndiese, 2003: 4).*

### **Corruption in Nigeria: How Deep?**

Available statistics show that since 1999, the country has earned over \$230 billion from oil and other sources, but with very little to show for it. The statistics are appalling: between 1960 and 1999, the Nigerian ruling elite could not account for about \$400 billion of national revenues (Human Rights Watch, 2007). During Obasanjo’s presidency, spanning 1999-2007, Nigeria is estimated to have lost a minimum annual average of between \$4 and \$8 billion to corrupt activities.

The extent of the decay has grown in intensity since the Obasanjo years. Impunity is *writ large*. Witness:

- When in late May 2011, it was apparaent that Dimeji Bankole, the outgoing Speaker of the House of Representatives, would be arrested and charged to court for abuse of office, a group of former law-makers urged the Senate President, David Mark, to avert what they perceived as a plot to humiliate Bankole by asserting the independence of the legislature;
- Relying on provisions of the Legislative Houses (Powers and Privileges) Act and the National Assembly Service Commission Act, Bankole declared before an Abuja High Court that no court in the country had the power to try him over any action he performed while exercising his powers as Speaker;



- Unfazed by the extent of James Ibori, former Delta state governor's alleged misdemeanour (about \$35 million in money laundering alone), the Niger Delta Liberty Initiative (NDLI), a self-styled 'coalition of activists and professionals' demanded for his release on 'humanitarian grounds';
- Moral outrage about the extent of corruption has all but fizzled out. Supporters of indicted politicians celebrate them during court appearances. A ranking PDP politician and former military governor, Bode George, was given a hero's welcome by Obasanjo and the ruling party on his release from a two-year jail sentence in early 2011;
- Impunity has gone as far as elected office holders including in their assets declaration forms what they plan to steal in office! They declare property in the US, Western Europe and the Caribbean yet to be acquired through future stealing. They also use their spouses and children's names to acquire assets and property;
- Administration of things, that is, recurrent expenditure in the form of salaries, allowances, pocket money, foreign trips, duty tour and security vote, has become the norm; thereby dwarfing capital expenditure. Lagos state is one of the very few exceptions to this rule. The Federal Government has been borrowing for recurrent consumption, not to invest in infrastructure and development. Governments at all levels have collectively spent over \$300 billion (N45 trillion) since 1999. The name of the game is spending, importing and looting;
- Not even funds for the Universal Basic Education Scheme (UBE) have been spared. The scheme has been turned into another drain pipe by which state officials make quick money at the expense of the future of the country's children.
- Bankole's predecessor, Patricia Etteh, was removed from office over charges related to an inflated N628 million contract for the renovation of her official residence and that of her deputy;
- Each new House of Representatives member spends huge sums of money on operational vehicles and personal vehicles for the honourables. In 2008, N2.3 billion was spent to procure 380 operational vehicles for 89 standing committees. In addition, Peugeot 407 cars were supplied to the lawmakers at the rate of N6.1 million each for individual use. At the expiration of their tenure in

June 2011, legislators paid a paltry sum of N800,000 each and took the cars away;

- Central or Federal Government is blighted by a sea of corruption. Not only was the Obasanjo government enmeshed in “largely unsubstantiated allegations of massive graft”, the president himself was “constantly at the centre of a slew of corruption allegations”. Critics pointed to his famous Ota farms which had suddenly come alive after having laid in ruins for much of the 1990s. Obasanjo, his deputy - Atiku Abubakar and high ranking ruling PDP members allegedly mobilized a slush fund for the massively flawed 2003 elections (Adebanwi and Obadare, 2011; Amuwo, 2009); he also allegedly signed off several companies for privatization agreement;
- Aids of an Inspector-General of Police were caught, shortly after their principal had vacated office, as they attempted to spirit away about N21 million (\$161,000) in stolen money out of the Police Headquarters (Human Rights Watch, 2007b: 44);
- N12 billion was traced to the personal bank accounts of two former directors of the Pension Board. Secret accounts were reportedly used into which an average monthly sum of N1 billion was allegedly diverted;
- In October 2011, criminal charges were filed against Fin Bank Plc (former Inland Bank) because its former managing director and other senior bankers were alleged to have misappropriated the sum of N670 million belonging to a company. This amount is nothing compared to the billions of naira allegedly embezzled by ousted chieftains of some merchant banks, several of whom have been put on trial for financial mismanagement;
- In June 2011, the Managing Director of the Niger Delta Development Commission (NDDC) was detained by the ICPC on account of an alleged \$20 million scam. Six other top management staff of the Commission were also interrogated on the same matter;
- Between 2010 and 2011, some trans-national corporations (TNCs) paid a total fine of \$3.2 billion to the US government and the EFCC for committing foreign bribery in Nigeria. The indicted corporations included Siemens, Halliburton, Snamprogetti, Royal Dutch-Shell and Technicap;

- Concerning the Halliburton bribery scandals, the Federal Government collected at least N25 billion as fines from the above-mentioned indicted multinational firms. A total of \$182 million was reportedly paid out in bribes to top Nigerian officials in order to influence contract awards in Liquefied Natural Gas (NLG) project in Bony, Rivers state.
- In the Maina Abdulrashid's pension scheme scam of N195 billion for which the court fined him a paltry sum of N750,000. Of course, before one could say Jack Robinson, he pulled out N750,000 on the spot, paid the fine and walked out of the court a free man.
- In May 2011 the EFCC arrested a former minister of works and housing on 24 counts of fraudulently awarding contracts, money laundering, and embezzlement of N75 billion (\$480 million). In June 2011 the EFCC arrested a former Speaker and Deputy Speaker of the House of Representatives, for the alleged misappropriation of one billion naira (\$6.4 million) and N40 billion (\$256 million) respectively. In October 2011 the EFCC arrested four former governors who vacated office earlier in the year. The four allegedly misappropriated or stole N58 billion (\$372 million), N25 billion (\$160 million), N18 billion (\$115 million), and N12.8 billion (\$82 million), respectively. On February 27 2012, a former Delta State governor pleaded guilty to charges in the Southwark Crown Court in London to charges of money laundering and other financial crimes totaling N12.4 billion (\$79 million) he had committed during his eight years in office and was sentenced to 13 years in prison.

- **Governors**

There is a discernible pattern of how state governors have operated since 1999: they not only divert billions of naira (or hundreds of millions of dollars) for self-serving purposes, they also bequeath to their successors huge domestic and international debt portfolios. Security vote is the governor's play thing; it is the most bastardized and abused budget item because, as already indicated, there is no oversight whatsoever on this budget line. Elected governors have almost in all material particular, used the vote with as much reckless abandon as their military principals. Security vote has been defined as a "budget line that is meant to act as a source of discretionary spending that the executive arms of government can use to respond quickly and effectively to threats to peace and

security” (Human Rights Watch, 2007b: 39). Governors have also enriched themselves by looting Joint State/Local Councils’ accounts and through money laundering.

Ohiorhenuan (2013), went on to point out that, the former head of the Economic and Financial Crimes Commission (EFCC) asserted publicly that between 1960 and 1999, Nigerian officials had “stolen or wasted” more than \$440 billion, a sum that is six times the Marshall Plan (Ribadu 2009). He cited as examples the recent cases of how two State governors had blatantly appropriated public funds. One operated 25 bank accounts in London, and used front agents to acquire choice properties in major Western cities. The governor had accumulated £10 million in various accounts in London, while in Nigeria the EFCC was able to restrain proceeds of corrupt activities worth \$34 million. Another governor had four properties in London valued at about £10 million, and another in Cape Town valued at \$1.2 million. One million pounds in cash was found at his London apartment. The sum of £2 million was restrained at the Royal Bank of Scotland in London and over \$240 million in Nigeria. This was in addition to bank accounts traced to Cyprus, Denmark, USA and the Bahamas (Ibid.).

Danjuma Goje, former Gombe State governor, now a senator, was picked up early October 2011 over an alleged theft of N52 billion while in office between 1999 and 2007, including a whopping N15 billion he collected as security votes in eight years. Yet, there was no significant or serious security challenge in his state at the time. The sixteen-count charge of stealing, conversion of the state property to personal use and failure to declare his assets brought the EFCC against the immediate past governor of Ogun state, Gbenga Daniel, in October 2011 also included an alleged series of deductions totalling N6.5 billion he made from the statutory allocation of the local councils in 2009.

Apart from billions of naira Joshua Dariye allegedly stole as Plateau state governor between 1999 and 2007, a British woman of Nigerian parentage was convicted in 2007 by a London court for laundering his wealth. She did this by hiding hundreds of thousands of pounds sterling between 2000 and 2004 in several bank accounts in the UK, totalling more than £2.5 million. Ibori, generally regarded as a foremost political godfather and leading financier of

Yar'Adua's successful presidential bid in 2007, is currently facing money laundering charges in Dubai and the UK. The amount involved in the latter case is nearly £400 million. By most accounts, Ibori's arrest and trial equally nailed Ribadu's coffin for being at the helm of the EFCC in 2007. Diepreye Alamieyeseigha, former Bayelsa state governor and Goodluck Jonathan's former boss, reportedly stole about N1.7 billion and was on \$3.2 million money laundering charges in the UK before he fled to Nigeria, disguised in female attire.

In the July 2011 report, *The News*, one of Nigeria's progressive weeklies detailed the stinking moral-political stench in five states consequent on the cleaning out of the till by their departing governors. The following, all PDP, are: Gbenga Daniel (Ogun), Adebayo Alao-Akala (Oyo), Ikedi Ohakim (Imo), Olagunsoye Oyinola (Osun) and Ibrahim Shekarau (Kano).

Whereas the Imo state government got about N254.2 billion in three years from internally generated revenue and federal allocations, the former governor, Ohakim's tenure, was characterised by huge extra-budgetary expenses, rising to a staggering sum of N24.03 billion in 2010 from N6.8 billion the previous year. As if to provide a justification for the abused capital expenditures, the governor allegedly increased the security vote from N3 billion to N4.256 billion (this translates to about N354 million monthly!). Ohakim's two seemingly lofty projects - the Clean and Green initiative and the New Face of Imo (planned to be expressed through the Imo Wonder Lake Resort and Conference Centre project - did not take off and appears to have been no more than a money-spinning exercise. In addition, no fewer than 260 health care centres have remained non-operational, despite the huge budgetary allocations, thereby betraying the disparity between what government 'ear-marks' and what the public can see - 'eye marked'.

- **Judiciary**

Ohiorhenuan (2012) succinctly summarizing a US report states as follows; officials frequently engage in corrupt practices with impunity and massive, widespread, and pervasive corruption affects all levels of government and the security forces. There was a widespread perception that judges were easily bribed and litigants could not rely on the courts to render impartial

judgments. Citizens encountered long delays and alleged requests from judicial officials for bribes to expedite cases or obtain favorable rulings.

Soniyi and Ayodele (2013) lend credence to the above, following the Economic and Financial Crimes Commission (EFCC) probe of seven judges cutting across the various strata of the judiciary in Nigeria. Five of these judges are of the Federal High Court while the other two are of the Court of Appeal and a former judge of Lagos state. These are said to have acquired hundreds of millions and indeed billions of naira stashed in local as well as foreign banks. In addition, the own property ( buildings – mansions, hotel, high-priced cars within and outside Nigeria) which by far exceed their incomes. This has been described as ‘mindboggling corruption in the judiciary’ that is suppose to be the last hope for the ‘ordinary man’ (citizens).

### **Police**

McCain (2012) has said that, the Nigerian Senate probing the N32.6 billion missing from the police retirement fund revealed that out of the 141,790 registered pensioners, only 70,650 were authentic which means that 71,133 or more than half the people on the police pension payroll were ghost retirees. These are high profile examples of corruption but corruption is not limited to the big people. It also filters down to every part of society. Mid-level bureaucrats have their way of cheating the system. Policemen demand their appreciation on the street and office clerks lose files until they are also appreciated.

Police corruption remains rampant. In 2010 Human Rights Watch released “Everyone’s in on the Game”, a report on corruption and human rights abuses by the police. Information compiled from 145 interviews documented pervasive police extortion committed with impunity by police officers throughout the country. Police demanded bribes, threatened arrest and physical harm, and enforced a system of “returns” in which officers must pay up the chain of command a share of the money they extorted from the public.

- **Oil Subsidy**

McCain (2012) and Ohiorhenuan (2013), are in agreement on the oil subsidy fraud when they said, the fuel subsidy debacle of January 2012 encouraged the National Assembly to investigate the fuel subsidy program from

2009 to 2011, in which they discovered massive fraud, corruption, and inefficiencies in the operation of the program. Their report alleged misappropriation of nearly half the subsidy funds, with poor or zero oversight by government agencies. It estimated at N1.067 trillion (\$6.8 billion) government money lost to “endemic corruption and entrenched inefficiency.” In July the government released a list of those who had benefited illegally from the subsidy program, which included relatives and colleagues of key government officials.

- **National Assembly**

Earnings of political office holders in general, and federal lawmakers in particular, have largely been shrouded in mystery since the advent of the fourth republic. It is a subject of constant controversy. Nigerians are worried not so much about the official salaries and emoluments as the facile appropriation by the National Assembly of huge allowances, particularly constituency project funds on quarterly basis, much of which they simply pocket. Squabbles for financial benefits have occasionally boiled over into open brawls in the house leading to the suspension of honourable MPs. Legislator’s gross monthly pay has become an albatross on the neck of the national economy: in four years, 469 federal lawmakers gulped N339 billion. At the last count, each senator earned N15.18 million in salaries and allowances monthly, the corresponding figure for a Representative being N10.59 million. By official admission, much of these sums have been appropriated rather illegally.

Having illegally bought off his official residence for N45 million, Bankole attempted to let the same house to his successor at an outrageous N40 million per annum, prompting Representatives to insist that such houses fall outside the controversial monetization policy which permits public office holders to buy off their official residence and forfeit their housing allowances. But he was not alone. The official residences of Bankole’s deputy, the Senate President and his deputy were sold to them for a paltry sum, which did not synchronise with prevailing market rates for these categories of houses.

**TABLE 1: A RETROSPECT OF ADB PROJECTS IN NIGERIA AS AT 1996**

<b>S/N</b>	<b>Project</b>	<b>Year Approval</b>	<b>Amount Million</b>	<b>Percentage Disbursement</b>	<b>Status</b>
1.	Anambra Enugu Rural infrastructure project	1998	\$122.55	62.70	Inadequate counterpart funding and unsatisfactory performance of local contractors
2.	Edo/Delta water supply project	1990	\$118.11	100.04	75% completed loan exhausted with cost overruns.
3.	Ibadan water supply project	1986	\$39	75.96	-
4.	Forestry development project Ondo/Ogun	1986	\$104	38.12	Inadequate local counterpart contributors.
5.	Nigeria Agriculture & Cooperative Bank, NACB, Agricultural strengthening project.	1995	\$6.9.5	66.81	Poor management/irregular audit report and quarterly progress reports.
6.	Savannah Sugar rehabilitation				
7.	Hadeija Valley Irrigation	1991	\$68.7	-	Notice of cancellation given
8.	Forestry Resource study	1993	\$4.05	26.65	Default in implementation schedule.
9.	Bacita Sugar Expansion	1989	\$101.22	78.51	On-going.



## A RETROSPECT OF ADB PROJECTS IN NIGERIA AS AT 1996 continued

10.	Plateau State Water supply	1991	\$141	49.87	-
11.	Bauchi State health	1990	\$33.655	100	85% completed loan exhausted without overruns.
12.	Bauchi township water supply	1988	\$67.425	100	Completed satisfactorily.
13.	Kwara / Kogi / Niger health project	1991	\$1962	55.14	Inadequate counterpart funding.
14.	Multi-state health services rehabilitation Kebbi/Ondo/Ogun/Sokoto	1992	\$82.89	6.10	Inadequate counterpart funding.
15.	Rivers State Rice Development Study	1991	\$2.09	72.46	Loan cancellation notice given.
16.	Line of credit to Nigerian industrial development NIDB	1989	\$120	84.91	-
17.	River Basin irrigation planning study	1992	\$5.52	-	Loan cancelled in October 1996 for being inactive.
18.	Annual vaccine and drug reduction	1992	\$0.78	-	Loan cancelled in October 1996 for being inactive.
19.	Ibadan-Ilorin highway	1994	\$161.7	-	Unsigned loan cancelled in May, 1996.
19.	Ibadan-Ilorin highway	1994	\$161.7	-	Unsigned loan cancelled in May, 1996.
20.	Industrial export support	1993	\$225	-	Loan cancelled in October 1996 for being inactive
21.	Bank Note and Security paper	1994	\$85.59	-	Unsigned loan cancelled in May, 1996
22.	Gombe Water Supply	1994	\$76.65	-	Unsigned loan cancelled in May, 1996

**Source:** Newswatch Magazine, 1998.

One of the reasons advanced as to why the ADB projects in Nigeria suffered great setbacks was that the projects originated from various parties, promoters, commission agents, interested ADB staff, consultants, contractors, states and the federal government. As a result of the many interests, rules of procurement and prequalification tenders were open to corruption. For instance, ADB staff engaged in Escalation of costing@ by making contingency for fluctuation of the foreign currency through which kick backs are built in thereby inflating the contract cost.

Corruption therefore, creates an artificial need for external assistance / aid to compensate for corruption B mismanagement/misappropriation of local/domestic resources. Corruption in all its ramifications has the severe consequence of undermining national, social and indeed, economic development. It is in this sense that corruption breeds corruption and of corruption, more corruption.

**TABLE 2: SUMMARY TABLE OF FOREIGN LOANS SECURED BY DIFFERENT STATES OF THE FEDERATION FOR INFRASTRUCTURAL DEVELOPMENT AND THE COMPLETION OF SUCH INFRASTRUCTURES (PROJECTS)**

S/N	STATE	TOWN (LOCATION OF PROJECT)	PROJECT FOR WHICH LOAN WAS SECURED	TOTAL AMOUNT OF LOAN SECURED	AMOUNT OF LOAN DRAWN	AMOUNT OF LOAN DRAWN	AMOUNT OUTSTANDING OF THE LOAN	LEVEL OF COMPLETION OF PROJECT
1.	ABIA	Umuahia	Urban wafer supply	CHF 49,100,000	ALL	-	-	Completed
		-	For Expansion	CHF 15,300,000	ALL	-	-	No any expansion.
		Umuahia	Extension of ceramic factory	CHF 43,300,000	ALL	-	-	No evidence of extension
		Arochukwu-Ohafia	Water scheme	GBP 12,360,000	ALL	-	-	Did not take off.
		-	Rural Electrification	USD 23577,745	ALL	-	-	No site of project seen.

S/N	STATE	TOWN (LOCATION OF PROJECT)	PROJECT FOR WHICH LOAN WAS SECURED	TOTAL AMOUNT OF LOAN SECURED	AMOUNT OF LOAN DRAWN	AMOUNT OF LOAN DRAWN	AMOUNT OUTSTANDING OF THE LOAN	LEVEL OF COMPLETION OF PROJECT
2.	AKWA IBOM		Qua steel products	DM 73,080,000	71,344,350	DM 1,735,650	119,738,170	Completed but closed down
		Ukana Ikot Ekpene	Sun shine batteries	DM 62.33m	ALL	–	–	Completed but collapsed.
		–	Biscuit factory	ATS 86.52m	ALL	–	–	completed but closed down due to ban on wheat importation
3	Anambra	Ihiala	carpet manufacturing	GBP 11, 811, 023.02	ALL	–	–	Loan diverted by government functionaries
			Special hospital	PES 5, 220, 011,160	ALL	–	–	Failed: as equipment were carted away.
4	Bauchi	Yankari	Spring water	FRF 29,168m	ALL	–	–	Management claimed ignorance
		Bauchi	Mango processing co	USD 2.74m	ALL		USD 2.74m	92.5%
5	Benue	Makudi	Sheraton International Hotel	FRF 101,137,869 and USD 35m	ALL	–	–	50%
6	Borno	Maiduguri	Sheraton Hotel	FRF 116.75m	ALL	–	–	Incomplete
		–	Mobile workshop	DM 4.03m	₦190,000,000	–	–	Never took off
			Tractors and equipment	GBP 252m	ALL	–	–	Not supplied

S/N	STATE	TOWN (LOCATION OF PROJECT)	PROJECT FOR WHICH LOAN WAS SECURED	TOTAL AMOUNT OF LOAN SECURED	AMOUNT OF LOAN DRAWN	AMOUNT OF LOAN DRAWN	AMOUNT OUTSTANDING OF THE LOAN	LEVEL OF COMPLETION OF PROJECT
7	Cross River		Limestone project	ATS 138,880,000	ALL	-	-	Completed but closed down as never made profit
8	Delta	Warri	Farm project	GBP9,578,151	ALL	-	-	Completed but never took off
9	Edo		Road project	GBP27,647,470 and USD 23,510,000	GBP23609504 and USD 19993867	GBP 4,037,965.66 & USD 3,516,133.44		Was abandoned
		Warri/ Benin	Road Dualisation	USD 38,682,523	ALL	-	-	50% and abandoned
10	Enugu	Enugu	Irrigation pumps	USD 10,511,252	ALL	-	-	Did not really take off
			Rural Electrification project I- III	DM 144,367,837	ALL	-	-	40% success
	Enugu	Ohebe-Dim	Aluminium project	DM 95 million	ALL	-	-	Collapsed due to maladministration
		Ezzamgbo	Building materials industry		ALL			Completed but broke down
11	IMO	Arutu,Obowo	Modern poultry	USD 32 million	ALL	-	-	Completed but closed down- poor management
		Owerri	Concord Hotel	CHF54.6m	ALL	-	-	Only phase I

S/N	STATE	TOWN (LOCATION OF PROJECT)	PROJECT FOR WHICH LOAN WAS SECURED	TOTAL AMOUNT OF LOAN SECURED	AMOUNT OF LOAN DRAWN	AMOUNT OF LOAN DRAWN	AMOUNT OUTSTANDING OF THE LOAN	LEVEL OF COMPLETION OF PROJECT
12	Kaduna	Kaduna	100 New buses.	FF60,605,3 1550	ALL	-	-	Officials denied the loan.
13	KOGI	Ajaokuta	Steel company	FRF 639.68m and FRF582.54 m	ALL	-	-	98% but operation halted
14	Lagos	Lagos	Six water works	GBP589.23 m	ALL	-	-	100% - successful & working.
		Lagos	Mini-steel project	USD37.57m	USD28.11m	USD9.46 m	-	Equipment dumped in Bush & abandoned
		Lagos	Egbin thermal power station	JYP209.17 m and FRF 1,074M	ALL	-	-	Completed but no records of payments of loan.
15	OSUN	Ede / Oshogbo	Water scheme	GBP101.27 m	GBP77.1m	GBP24.1 7m	GBP7.7m(rep aid	Completed and commissioned
		Ilesha / Ejigbo	Water scheme	USD58.99m	USD11.2m	USD47.7 9m	USD 5.92 (repaid)	Complete failure- as abandoned.
16	Yobe	Damaturu	Factory	GBP 3.62m	ALL	-	-	Factory could not be located.

**SOURCE:** Federal Ministry of Finance

## **Descriptive Analysis of Corruption**

This descriptive analysis buttresses the results of the quantitative analysis on corruption. In 1996, the Federal Government ordered an appraisal of all projects financed with external loans. The purpose of the exercise was to ascertain the extent of the success or failure of the projects with a view to determining whether or not the nation obtained value for the external loans with which they were financed. These loans accounted for nearly 70% of Nigeria's external debt stock of US\$ 32 billion as at June 30, 1996. Arguments and counter arguments have however ensued between Nigeria and her external creditors as to the exact amount of debts owed. This led the government to set up the Debt Management Office (DMO) to verify the claims of the creditors. While the creditors put the amount of debts owed at US \$31.9 billion, the DMO holds that it was US \$28.5 billion at the end of December 2000.

The country was divided into four zones for effective coverage by four teams of the Federal Ministry of Finance. The data quoted in this segment of the study were derived from the Federal Ministry of Finance report on projects in the country. Table 5.4 gives a summary of foreign loans secured by different states of the Federation for infrastructural development followed by the detailed descriptive analysis.

### **ABIA STATE**

In Abia State, two projects were visited. Four other projects, which would have been visited, were not operational at the time of the appraisal exercise.

**The Umuahia Urban Water Supply Project** was financed with a loan of CHF 49, 100,000 and contracted on 13<sup>th</sup> November, 1980 under the agency of Ultrafin of Italy. The water supply scheme was completed and is currently providing potable water to Umuahia Township and some rural communities around the state capital. Unfortunately, irregular power supply and lack of spare parts have prevented it from operating at full capacity. Another problem confronting the project is the lack of working capital, which has made it impossible for the State Government to purchase chemicals for treating the water. In addition to the original loan, a supplementary loan of CHF 15,300,000 was procured from Creafin S.A. Bank through Ultrafin to expand the water scheme, but no visible effect of the additional loan acquired could be seen in the project, although the money was fully drawn.

**Arochukwu Ohafia Water Scheme:** The project did not take off due to misappropriation of the funds. A loan of GBP 12,360,000.00 was obtained from Lazard Bros of UK, which was fully drawn. There was no record to show the alternative project for which the loan proceeds was utilized.

**Rural Electrification Project:** The project was supposed to have been financed with a loan of USD 23,577,745.00 acquired from Llyods Bank PLC on November 12, 1981. The loan was fully drawn. However, the staff of the state Rural Electrification could not give any reasonable explanation as to how the loan was utilized. They could not also point to the sites of the project as they feigned ignorance of the loan.

**Umuahia Ceramic Factory:** The Abia State officials could not relate the loan amount of CHF 43,300,000.00 obtained for the extension of the project to any work done on the project. Records in the FMF showed that the loan was obtained from a consortium of Banks under the Agency Ultrafin AG on June 11, 1981.

## **AKWA-IBOM STATE**

In Akwa-Ibom state, the Qua steel products Limited, was financed with a loan of DM 73, 080,000.00 obtained from a consortium of 13 banks led by Samuel Montagu Ltd of UK , out of which DM 1,735,650.00 remained undrawn. While a total of DM 119,738,170 was recorded as the unpaid outstanding amount from the loan, a contract for the construction of the mill was awarded to Daniel SPA of Italy. Despite the successful completion of the project, the factory is still closed down because the Aladja Steel Complex which was the only supplier of billets to the factory was out of production. The Qua Steel needed about 500 tonnes of billets per month but even when in production, the Aladja Steel Complex could supply only 60 tonnes per month. Another problem confronting the factory was erratic power supply.

**Sunshine Batteries Limited, Ikot Ekpene:** The factory located in Ukana, in Ikot-Ekpene LGA was built with a loan of DM 62.33million contracted by the then Cross River State Government from Klockner Ina of Germany. The project was completed and commissioned. It went into full operation but lack of working capital brought about its collapse. Added to this was the problem created by the closure of the parent company, SUNSHINE Battery of Germany. The liquidation of the parent company also impacted negatively on spare parts procurement so that when the memory of the computerized machines taken to Germany for repair was not brought

back, the Nigerian company had to close down. Efforts by the State Government to invite private investors failed.

**International Biscuit Factory, Ukana, Ikot, Ekpene:** The company was incorporated as a private limited liability company on January 17, 1980 to manufacture biscuits and other allied products. The factory was built with a loan of ATS 86.52 million from Austria. The factory has since closed down and the entire premises is covered by overgrown weeds. The ban on wheat importation was said to have precipitated the closure since efforts to substitute it with maize and sorghum failed. By the time the ban on wheat was lifted, the factory had deteriorated to such an extent that the available capital and manpower could not resuscitate it. The factory had also been extensively vandalized.

**Carpet Manufacturing Project, Ihiala:** In Anambra State, this project was supposed to have been located at Ihiala town. The Anambra State Government on July 1, 1982, entered into a contract agreement with Crossocean Ltd, UK, for the establishment of the fibre filament/tufted carpet factory at a total cost of GBP 11,811,023.02. The project cost was to be met from two loans of GBP 10,039,370.00 (Paris club) and USD 3,100,000.00 (London club) which the Government obtained from Samuel Montagu of UK. A Nigerian firm, Multi Source, was to undertake the civil work at a cost of N3,900,000. Both Crossoceans and Multi Source neither supplied any of the contracted goods nor carried out any civil work. Crossocean in collusion with some functionaries of the State Government managed to fraudulently draw the proceeds of the loan into their accounts as follows:-

- (a) The entire Euro-Dollar loan of USD 3,100,000 and
- (b) GBP 7,356,721.95 out of the other loan.

The project and its covering loans were subject of an inquiry in 1984/85 and the State Government functionaries found guilty were asked to refund the money which they illegally drew (in addition to other punishments), but there is no evidence that the refund was made.

**Special Hospital Project:** The project was built with a loan of PES 5,220,011,160 (Spanish Pesetas) from Banco Exterior de Espana contracted by the former Anambra State Government for the building of a specialist hospital and health centres in some local government areas of the State. The main specialist hospital was built in Abakaliki (now in Ebonyi State). About 15 of the health centres were located in



the former Enugu State while about 23% of the projects, made-up of 8 health centres were located in the present Anambra state. Overall, the project was a failure because of neglect by the State Government. The doctor in charge of one of the health centres at Magbakwu near the Anambra State capital, carted away the hospital equipments and used them to open a private clinic for himself.

## **BAUCHI STATE**

**Dimare Yankari Spring Waters Company:** The project was established to tap the natural spring waters which abound in the highlands of the Yankari Games Reserve in Bauchi State for sale locally and for export. The project which had passed from one government to another was financed with a loan of FRF 29,168 million contracted from the Societe General Bank of Paris, France in 1973. During the evaluation exercise, the management of the company claimed ignorance of the loan.

**Bauchi State Mango Processing Company:** The USD 2.74 million loan for the project was contracted in 1988 from Ingra Zegreb of Croatia, Yugoslavia, for the purpose of setting – up a Mango and Tomato processing plant in Kumo, Bauchi State. The loan had been fully drawn and the state of project completion estimated at 92.5%. The amount outstanding on the loan – remained USD 2.74 million at the end of December, 1995.

## **BENUE STATE**

Benue State represents one of the states that is weighed down by external debt burden. The unfortunate irony about the state is that the projects financed with the loans remained have unproductive and in some cases uncompleted and abandoned.

**Makurdi Sheraton International Hotel:** The proposed 300 bed hotel was expected to be of a five (5) star standard. It was financed with two loans of Export Credit facility of FRF 101,137,869 and a Euro-Dollar facility of USD 35million. The loans were contracted by the State Government in August 1982 and guaranteed by the Federal Government. Even though the loans were fully drawn, only the structural works of the hotel have been built. Also, of three generating plants and an electric transformer supplied under the loans, only one could be traced. In the two warehouses located within the premises, some building materials were found already dilapidated. Work had terminated on the project for over 5 years. The amount of FRF 91.81 million had

been rescheduled with COFACE of France while the amount of USD 24.6 million was restructured under the London club on the two loans.

The project could be said to be 50% completed and it would appear that the State Government had no resources to carry it on. An approval granted the State Government by the office of the Chief of General Staff sometime in 1989 to source the equivalent of USD 20 million locally in order to facilitate the completion of the project did not materialize.

The Taraku Soya Mills got closed down pending electrical extension from Taraku town (the mills since inception had been operating on gas fuel). The mills were expected to become fully operational again as soon as they were connected to NEPA's national grid. The State government claimed that it would require over N8.5 million for that purpose.

### ***BORNO STATE***

In Borno State, there was a spate of project failures as only three out of the seven projects financed with foreign loans were fully executed. There were gory incidents of disappearances of some containers conveying equipment for some of the projects.

**Maiduguri Sheraton Hotel Project:** The Hotel was financed with a loan of FRF 116.75 million obtained from Societe Generale Bank of Paris, France. The draw down on the loan could not be matched with the goods delivery invoices. There were tales of the disappearance of containers which brought in the goods that were procured with the external loan between the port of discharge in Nigeria and Maiduguri. The State government estimated that it would require additional N76 million to make the hotel operational.

**Mobile Workshop:** A loan of DM 4.03 million was contracted on February 5, 1983 from Imax Rau of Germany to finance the mobile workshop. It was an unguaranteed medium/long term credit. The Borno State Government made a down payment of N190,000,000 through the Bank of the North. The project never took off, but the credit was billed for rescheduling under Nigeria's Rescheduling Agreement I with Germany.

**Tractors and Equipment:** A loan of GBP 2.52 million, unguaranteed buyers' credit, was contracted between the former Borno State Government and Mass Ferguson of the United Kingdom to finance the purchase of tractors and other farming

equipment. About fifty (50) tractors valued at GBP 361,202.00 were not supplied to the Borno State Government and no one was able to proffer any explanation on their non – delivery or whereabouts.

### ***CROSS RIVER***

**The Cross River Limestone Project:** This project in its present form was originally conceived as a source of supply of high quality limestone to the Delta Steel Complex at Aladja, Warri and also the Ajaokuta Steel Complex. Apart from this, it was also expected that it would feed glass factories, local feed mills, the Okuibokun paper mills in Akwalbom State, and Calabar Cement Company (Calcemco). A foreign loan of ATS 138, 880,000 was obtained and the work was completed on schedule and went into production in 1988, but the company never made any profit until it closed down and was abandoned.

### ***DELTA STATE***

**Warri Farm Project:** The Warri Farm Project was executed with a loan of GBP 9,578,151 obtained from Lazard Brothers and Company Ltd, London, by the former Bendel State Government in 1983. The project, located at Ibeju, in the Warri-South Local Government Area of Delta State, was not executed in conformity with the draw down terms of the loan. The equipment and machineries for the project were purchased but the project never took off. The items were abandoned at the site for a long time and exposed to looting and adverse climatic conditions. The State functionaries at the time were said to have embezzled much of the proceeds of the loan.

### ***EDO STATE***

**The Road Projects:** Two loans of GBP 27,647,470 and USD 23,510,000 were contracted from Banque Paribas on 10<sup>th</sup> December, 1982. The first loan was a suppliers credit while the second was a Euro Dollar facility for the financing of the three road projects. The loans were fully drawn for the amount of GBP 4,037,965.66 and USD 3,516,133.44 was not drawn. Despite the fact that the contractor was paid about 85% of the contract amount, only one third of the job was done: meanwhile the project has been completely abandoned.

**Warri / Benin Road Dualization Project:** The Federal Government obtained a loan of USD 38,682,523.00 from Daewoo Corporation on 4<sup>th</sup> January, 1990 for the

dualization of the Warri / Benin Road. The contract was awarded to the firms of Messrs Road Construction Company (RCC) while Niger Cat Construction Company handled the Sapele to Warri axis. About 50% of the job was carried out and the contractors abandoned the project because they were not paid for the job already done.

## **ENUGU STATE**

**Purchase of Irrigation Pumps:** A loan of USD 10,511,252.00 was contracted from M & W Pump of Florida, USA, through the USEXIM by the Enugu State government for the purpose of irrigation pumps on 12<sup>th</sup> October, 1992. The loan was in two tranches. The first tranche of USD 5,528,575 was for irrigation purposes to help the dry season farmers while the second tranche of USD 4,982,677 was for the supply of water to Enugu town. The two components of the loan were managed by two different government agencies. The irrigation scheme was managed by the Ministry of Agriculture while the Enugu Water Supply Scheme was handled by the Enugu State Water Corporation. The irrigation project did not really take off. Most of the equipment were not delivered while a number of irrigation pipes are yet to be fabricated. On the Enugu State Water Scheme, there were lots of problems created by the poor management of the corporation. All the items supplied by M & W Pump were in short supply. None of the staff was trained to install or operate the equipment. Three pumps got burnt during installation because of the inexperience of the staff.

**Rural electrification Projects I – III:** The project was implemented with a total loan of DM 144,367,837.00 contracted by the former Anambra State Government from Brown Boveri & CRR,A.G Mannheim of Germany. The first loan of DM 59, 500,000.00 was obtained on November 24,1977 while the second obtained on February 29, 1980 was for the amount of DM 84,867,837. About 30% or DM 43,310,351 of the loan was used for the areas now under the present Anambra State while 70% or DM 101,057,485 was used for the electrification of areas in the present Enugu State. The rural electrification scheme in Enugu State achieved 40% success of coverage of the rural communities. However, the problems of vandalization and the stealing of the Board's equipment rendered the operations of the Rural Electrification Board (REB) ineffective.

**Enugu Aluminium Project Company:** The project located at Ohebe – Dim near Enugu is no longer functioning. Lack of working capital and maladministration

brought about the collapse of the project. This project is one of the three industrial projects built with a loan of DM 95 million which was part of DM 358 million from a consortium of European Banks.

The second of the industrial projects is the **Enugu Building Materials Industries Ltd**: This project, located at Ezzamgbo near Abakaliki has long shut down. This was due to the breakdown of the plant operating the machines. With the closure of the project, the machines started rusting and were eventually vandalized.

The last industrial project and indeed the only surviving one is the Sunrise Flour Mill located at Emene.

### ***IMO STATE***

**Imo Modern Poultry Ltd, Arutu in Obowo LGA:** Financed with USD 32 million, it was designed as a modern integrated poultry farm capable of producing 50 million eggs and 2 million broilers per annum with a capacity to recycle all waste materials. The project was designed to generate funds for the amortization of the loan. These goals were not achieved due to poor management and other militating factors, which eventually led to the farm's collapse. Before its demise however, it paid off USD 9.6 million of the loan, leaving a rescheduled balance of USD 22.4 million as at December 31, 1995.

**Imo Concord Hotels Ltd, Owerri:** The project, located at Owerri, the Imo state capital, was originally designed to be a 5- star hotel in order to stimulate tourism in the state. The State Government contracted a loan of CHF 54.6 million from Del Gottardo, Switzerland on July 31, 1986. The loan was completely drawn down. Only the first phase of the project was completed. The second phase was yet to take off. Nothing was paid on the loan before it was rescheduled as part of a unilateral refinancing package by the Imo State Government. The capacity utilization of the hotel was about 20% due to the fall in economic activities. The hotel is a shadow of a 5 – star hotel. Staff of the hotel decried yawning corruption in the hotel and the unholy alliance between the management and government functionaries. Frequent black-outs were the order of the day as one of the 100 KVA generators serving the hotel was removed for servicing but was later sold at an abysmally low price.

### ***KADUNA STATE***

**Purchase of 100 New Buses:** This project is listed in the books of the Federal Ministry of finance as a loan of FF 60,605,315.50, which was contracted from Banque

Nationale Depairs on July 14, 1987 for the purchase of 100 new buses to boost the transportation network in the State. Officials of the Kaduna State Government, however, denied knowledge of the loan.

## **KOGI STATE**

**Ajaokuta Steel Company Ltd:** The only Federal Project located in Kogi State is the Ajaokuta Steel Company Limited. The project covers an area of approximately 24,183 hectares, out of which the Steel plant itself covers 800 hectares. Incorporated on 18<sup>th</sup> September, 1979 by the Federal Government, the company is charged with the task of producing and marketing iron steel products in Nigeria. The Government signed the global contract with M/S V/O Tiajpromexport of the then USSR in 1979. The civil works contracts were awarded to Ms fougerolle, Julius Berger and Dumez in three Lots I, II and III respectively while PACS – MECON of India were appointed the consultants.

The Ajaokuta Steel plant was planned to be built in three stages. The first stage of 1.3 million tonnes was meant to produce long steel projects followed by immediate expansion to 2.6 million tonnes for the production of 1.3 million of flat products in addition to the products. The third stage is the expansion of the complex to produce 5.2 million tones of various types of finished and semi-finished steel products including heavy plattes and heavy section. In all, the plant is designed such that it can be expanded up to 10 million tonnes eventually, subject to demand. The Federal Government contracted eleven (11) external loans from the International Capital Market (ICM) and Ms. Tiajpromexport for the financing of the Ajaokuta Steel Plant. The total amount of the loan was fully drawn. The funds allocated for the civil contract got exhausted prematurely and in view of the non – completion of work as scheduled, and the increasing cost of construction materials, amendments to contract Agreement known as Addendum No. 1 and Addendum No. II were made. When arrears on outstanding amounts continued to mount and the counter agreement failed, the Government agreed to a refinancing arrangement for the settlement of the debts. The refinanced amounts were FRF 639.68 million and FRF 582.54 million and were obtained on March 15, 1989 for LOT III and LOT 1 respectively.

The major civil works in the three LOTs of the plant were completed and the percentage of completion was put at about 98%, while 97% of the erection works were commissioned in 1983 and 1984 for the bars and rods products and wire rods

and coils respectively. The commercial operation of the two mills eventually came to a halt due to lack of working capital. The Billet Millet was commissioned in 1986 with a capacity of 795,000 tonnes of billets. The Thermal power plant that started operation in 1990 has since broken down and is left unpaired. The major constraints of the steel plant are lack of working capital and indebtedness to the Russian contractor and the civil works contractors which led to their abandoning the site.

## **LAGOS STATE**

The Lagos State's six mini water works, and later the four mini water works were all a case of success. The projects were implemented with a loan of GBP589.23m. All of the water projects are on the ground and functional. The reason for the success of the water projects was the high degree of commitment put in by government to ensure that the water problem in Lagos was tackled once and for all.

**The Mini-steel Project (LAPEC):** This project was conceived in 1981 with a loan of \$37.57 million from the Export- Import Bank of the United States. The project was supposed to be a joint venture between the Lagos State Government and the Pennsylvanian Engineering Company, hence the name Lapec. An amount of USD 28.11 million was drawn, and was later rescheduled. The equipment and materials needed for the effective take-off were procured but were dumped into a thick bush by the state government. This project is shrouded in controversy because the ownership was said to have been transferred to a new management. The state government now claims only 15% equity contribution in the project with the new management outfit. The possibility of making the steel mill functional is now very remote.

**Egbin Thermal Power Station:** This thermal power station is at the outskirts of Lagos State. It is one of the outfits of the National Electric Power Authority (NEPA) that supplies electricity to Lagos State and its environs. The construction was financed with two loans taken from Marubeni in 1981, totalling JYP 209.17 million while the civic works was financed with another loan of FRF 1,074 million from Societe Generale Bank of France in 1982. The project was fully commissioned in 1986 as the two loans were fully drawn. However, records of payments on the loan are not available. This is a problem as records about the outstanding payments and those already cleared are nowhere to be found.

## **OSUN STATE**

**The Osun Paper Mill:** This project is in a sorry state. All the gigantic equipment were not functioning and the mill was said be operating at 5% capacity with no visible production. About \$ 300 million was said to be needed to revive the project.

**New Ede/Oshogbo Water Scheme:** This State water project was executed with a foreign loan of GBP 101.27m obtained from Morgan Grenfell in 1982. GBP 77.1million was drawn and a repayment of GBP 7.7 million was made, while GBP 69.3 million was rescheduled. The project was completed and commissioned in 1991 but it lacks adequate maintenance.

**New Ilesha/Ejigbo Water Scheme:** A loan amount of \$ 58.99 million from Exim Bank of USA was obtained in 1981, and was used in executing these water projects. Only \$ 11.2 million was drawn out of the initial sum, and \$5.92 million was repaid. Capital rescheduled was \$ 3.16 million. This project is a complete failure and the creditor has cancelled the undisbursed portion of the loan, so the project has been abandoned.

## **YOBE STATE**

The projects in Yobe State are mainly those inherited from the parent state of Borno. One of the projects – a factory which was supposed to have been financed with a loan of GBP 3.62 million by the former Borno State Government could not be located. The external loan of GBP 3.62 million was obtained in 1983 from Morgan Grenfell of the United Kingdom. It was a medium/long term unguaranteed credit. The factory was supposed to have been built in Damaturu, the Yobe State Capital. There was no evidence of the factory in Damaturu or in any other part of the State at the time of inspection. In 1982, the Borno State government made a down payment of N726, 000 to M/S Integrated Technical Services Limited of U.K whose office premises could not be located in London when the Borno State officials visited Britain in the efforts to recover the down payment made. From records available, the loan was not disbursed but repayments were made on this loan under the Paris Club agreements.

## **Corruption and Poverty**

Corruption becomes a special concern in a rich country like Nigeria, with 69.1 % of her population living below the poverty line because bribes, mismanagement and inefficiency drain the nation=s wealth, leaving little for its poorest citizens.



It is in this light, that Alemika (2004) has posited that

*Corruption is a serious problem in the country. It is widespread and is increasingly being tolerated by the public. Corruption in the country seems to have acquired immunity against various political and legal measures aimed at its controls. The problem is stifling economic development, eroding public bureaucratic efficacy, widening inequality, and undermining the creation of opportunities and delivery of social services for citizens, especially those who are socially, economically and politically disadvantaged (p. 2 ).*

Poverty in Nigeria has been described as being pervasive and persistent despite the fact that it is one of the richest countries in Africa. The nation's general picture depicts a continuous rise in poverty incidence. While in 1980 only 27. 2% of Nigeria's population were said to be poor, there was a continuous rise in the proportion between 1985 and 1998 (Ogwumike, 2001). Though the trend, according to the National Bureau of Statistics (2005) declined from 66.5% in 1996 to 54.4% in 2004, the fact that over 50% of the Nigeria's population has remained poor should be seen in the words of Kwanashie (2000) as an unacceptable situation.

The high incidence of poverty in Nigeria has become a concern to policy makers and indeed all well-meaning Nigerians because, as argued by United Nations Development Programme (2001), it has not only increased from 27. 2% in 1980 to 54.4% in 2004 but it is also estimated to be rising by 10% in every 3 years. In addition, despite several efforts by government, non-governmental organizations and international donor agencies, the nation's poverty situation has become worse, judging by different indices.

The nation's enormous wealth; being the world's seventh largest exporter of oil, sixth largest producer in OPEC, Africa's largest oil exporter and the fifth biggest source of United State's oil imports, proves the country has great potential for effective poverty reduction and possibly its total eradication (National Planning Commission, 2004; Oil Statistics, n.d.; Thomas and Canagarajah, 2002). Yet, Nigeria is not only one of the poorest countries in the world but it is also one of the poorest in Africa and

indeed in sub-Saharan Africa despite its abundant resources and various efforts being made, all aimed at reducing the poverty level.

It is often argued that the fundamental reason for the failure of poverty reduction effort is corruption, which is responsible for the present situation where, in the words of NPC (1995), Onibokun and Kumuyi (1996) have not only aggravated the level of mass poverty in Nigeria but that poverty has been continuous and worsening. This is affirmed by data from the Federal Office of Statistics (1999). These data indicate that while no state in Nigeria had more than half of its population categorized as poor in 1980, by 1996, only one state (Rivers) had less than half of its population categorized as poor.

The nation's general picture depicts a relative continuous rise in poverty level despite the fact that the nation has expended and is still expending huge sums of money in prosecuting poverty reduction/alleviation programmes. Since corruption has been identified as one of the most crucial impediments to the attainment of the desired objectives of poverty reduction efforts, it is pertinent to take a closer look at this menace with a view to stemming the tide.

China, Japan and Nigeria were fingered as promising economies in the 1970s that were likely to effectively compete with the U.S.A. Today, China and Japan have proved themselves on the world map of development, but Nigeria is still crawling.

Corruption and poverty reduction are intimately related (Ogboru and Abimiku [2010]) When the 'common wealth' is misappropriated by a few through corruption, the resultant effect is the aggravation of the general poverty level of the populace. The latter become easily manipulated for political and other personal purposes of the leadership which, all things being equal, constitute a 'denial' of poverty reduction efforts. This leads to a vicious cycle of more corruption and worsening poverty, ad infinitum.

The striking effect of corruption on the Nigerian economy can be gleaned from the circumstances in which the country has found itself in the last two decades. The fundamental issue about this menace, according to Olayiwola (2001), rests on its effect on poverty reduction efforts in Nigeria. Corruption in Nigeria, like in other developing countries, is so pervasive that it undermines the state, worsens the poverty level of the populace and hinders economic development. In specific terms, its effects on poverty reduction efforts include:

- i. rapid regression into deep poverty and deprivation in spite of the enormous amount of resources which have not only been at the disposal of the country but have been and are substantially spent on poverty reduction efforts;
- ii. a society that is gradually losing its social capital of trust, devotion to duty, and communal interdependence with dire consequences on the poor being total exclusion, powerlessness and hopelessness; and
- iii. a polity in which successive governments which started out pursuing an anti-corruption agenda with the hope of freeing resources and bringing about development, always get detracted (overthrown or impeached) by corrupt elements in society, while in contrast, governments with demonstrable overt preference for the venal have tended to survive much longer and enjoyed relative peace.

It is common knowledge that Nigeria is richly endowed with renewable resources (arable land, water, sea) and non-renewable resources (oil, gas and solid minerals). Nigeria is 7<sup>th</sup> in proven gas reserves and 10<sup>th</sup> in proven oil reserves. Every geopolitical zone in Nigeria is well endowed with resources.

The first paradox and the second have raised the idea of a resource curse that somehow, the rich natural resources seem to be a curse. The idea is one of the many ideas in the domain of economics and development that makes no sense to me; for in my view, it flies in the face of both reason and evidence. For if richness in resources were a curse, why are resource rich nations such as the United States, China, India, Brazil, Saudi Arabia not likewise cursed? Even if for the sake of argument, the curse is only in the case of African countries like Nigeria, that still leaves at least two key questions; which (Garba, 2012) has asked: (1) who placed the curse? and (2) for what purpose?

Nigeria's Human Development Index (HDI) for 2012 was 0.471 which ranked her the 153<sup>rd</sup> out of 185 countries in the world (Human Development Report, 2013). That is why she is labelled a rich country with poor people.

The question that is often asked therefore is: why is Nigeria not able to leverage on her natural resources and oil windfalls to change her production structure from an agricultural to industrial nation? In 1960, Malaysia and Indonesia had the same economic structure and similar historical and cultural backgrounds with Nigeria, but with less natural resource endowments. As Olaniyi (2010), has noted, by 2002,

Malaysia and Indonesia had moved from being agricultural to industrial (manufacturing) economies. Malaysia is now a high human development country and is ranked the 64<sup>th</sup> country with 0.769 HDI in 2012. Indonesia is a medium human development country and was ranked the 121<sup>st</sup> nation in 2012 with HDI of 0.629 (human development report, 2013). In 1960, Nigeria was rated as having greater chances of development than these two countries.

Nigeria, China and Japan were fingered as promising economies in the 1970s that were likely to effectively compete with the United States of America. Today, China and Japan have proved themselves on the world map of development but Nigeria is still crawling. See also the case of Malaysia sending men to NIFOR Benin, Nigeria, to learn the art of oil palm production. Today as I speak in this inaugural lecture, Malaysia is a foremost palm oil exporting country, and Nigeria is not.

The pertinent question is as Olaniyi posited: Where did Nigeria falter? Is it the governmental structure that is defective or the policies employed or both? In other words, why is Nigeria's development characterised by motion without movement? Is it the car that is faulty or the driver that is inefficient or both?

The main argument in this lecture directs us to the management and leadership, and to ideas and interests that shape the management and leadership in households, in business, in governments and at the global level. Starting with the twins- ideas and vested interest –we can identify the ideas that dominate at the global level and in Nigeria. From 1936 to 1972 the ideas of Keynes dominated macroeconomic management.

Like the United Kingdom and the USA, Nigeria has also transited from Keynesian type macroeconomic management to a neo-liberal type. There is likely to be much debate about the turning point. In the view of Garba (2012), the turning point was in 1975 when the regime of General Yakubu Gowon was toppled. From 1960-1975, a powerful academia-civil service elite led by Professor Aboyade and the Super Perm Secs built on Keynesian foundations the idea of using development planning to take control of the commanding heights to promote an egalitarian society, among other goals. When Gowon was toppled, the powerful academia-civil service elite lost out and the transition to neo-liberalism was well underway. It took 10 years for the transition from Keynesianism to neo-liberalism to be completed by President Babangida from 1 January 1986. The changes between 1976 and 1986 were profound in terms of ideas/vested interests, management and leadership.

## **Attempts to fight corruption in Nigeria**

The nature of corruption in Nigeria is, as Kolade (1999) and Ogboru (2009) have put it, such that corruptible transactions take place; i.e. the government contracts are grossly inflated by government officials and then given to friends, their family members or even to themselves directly for self - enrichment at the expense of the populace and the nation. The Transparency International 2000 global report rated Nigeria as the 2<sup>nd</sup> most corrupt country on earth, out of 89 countries in the world, using its corruption perception index (CPI). The spate of corruption in Nigeria has necessitated the setting up of the following:

- (a) The Justice Anthony Okuribido panel was set up to probe the contracts awarded by the Federal Ministry of works between 1979 and 1983. Nothing came out of the report, although it was discovered that numerous contractors owed the federal government over N24million for contracts that were paid for but not executed.
- (b) The late Sani Abacha was hard on corruption. He declared War Against Indiscipline and Corruption (WAIC), but it was all lip service to the social malaise.
- (c) The Christopher Kolade panel was constituted by Obasanjo to review contracts, licenses and appointments. The tribunal was to try fraudulent officers of the Abdulsalam Abubakar's Military administration. The panel's final report was not implemented.
- (d) The Justice Kayode Eso panel was set up to clean up the steep corruption in the nation's Judiciary. The panel indicted 47 Judges whom the report stated were not worthy to retain their seats on the bench. Only a few of them were dealt with.
- (e) The government established the Independent Corrupt Practices Commission and the Economic and Financial Crimes commission in 2000 and 2003 respectively. Though many state governors have been indicted by these commissions for misappropriation of public funds and personal enrichment, they are yet to be brought book. This major lapse has eroded the confidence of the masses in the commissions.

The submission of this inaugural lecture is that as far as fighting corruption in Nigeria is concerned, it stops at mere lip service by those in leadership and as such,

poverty reduction–cum–economic development efforts, no matter how well designed, will remain a mirage.

The fight against corruption must therefore be intensified and sustained in order to bring budget sums within realistic limits and further ensure that projects (particularly projects that are targeted at the poor) are appropriately and timely completed. This position has been accentuated by the Minister of state for Communications, Labaran Maku, while briefing the media at the end of the Federal Executive Council (FEC) Meeting of Wednesday, May 26<sup>th</sup> 2010 where he said that costs of executing projects in Nigeria are 20-30% higher than those of the world and other African countries in the Sub-Sahara Region, and that there was no reason for that (Chiedozie, 2010).

### **Impact of corruption on poverty reduction efforts in Nigeria**

Corruption invariably increases transaction costs, lowers efficiency and diverts available resources into private pockets/accounts by way of misallocation/misappropriation and distorts investment priorities. It weakens the state and hampers development and social justice. The implication of this, as Kaufman (1999) has asserted, is that corruption is entrenched and has become systemic in developing countries of the world. Given this unfortunate social phenomenon, therefore, in a corruption – prone country as Nigeria, citizens become very helpless because they have little or no practical alternatives for dealing with it. In the light of the above, Gray and Kaufmann (1998) asserted that, corruption and lack of economic and public sector reform go hand in hand, with causality running in both directions. Like ignorance, corruption is a great enemy of development and eventually, of efforts aimed at poverty reduction.

When government officials mismanage huge amount of resources meant for welfare and provision of infrastructures, the effect on the national economy is great. The result usually has great regressive impact on the economy by way of worsening the living standard of the vast majority of the populace, thereby increasing the poverty incidence in the country. In a nutshell, it has three basic debilitating effects on any economy where it is pervasive. First, corruption aggravates capital shortage problems in the economy by making less money available for developmental purposes. Secondly, it accentuates capital flight, whereby political and other elites compete for private accumulation of public capital meant for welfare and developmental purposes. The stolen money is often deposited in overseas banks where they are deemed to be

safe. Such monies are, therefore, unavailable for capital formation purposes. Thirdly, it debases the value system of the society by placing emphasis on wealth accumulation, irrespective of the method and process of acquisition, as an index of success. Accordingly, the virtues of dignity, labour and hard work become relegated to the background. This results in the younger generation adopting “inappropriate” methods for attaining success in life (Ogboru, 2009).

## **Leadership and Politics**

Politics and power - play is a game of the untouchables in Nigeria. It is a negative application of Jesus’ statement to the Pharisees of his time that, ‘He who has no sin should cast the first stone’. If execution of corrupt officials were to be the vogue in Nigeria, it is most likely that every family would be affected.

### **Leadership**

The dualism inherent in this lecture, as Garba (2012) has asserted, requires that I look at leadership from two perspectives: godly and human. The godly perspective is captured in Genesis 1: 26-31, Genesis 2 and 3, and all through the Bible.

Then God said, *“and now we will make human beings; they will be like us and resemble us. They will have power over the fish, the birds, and all animals, domestic and wild, large and small.”* 27 *So God created human beings, making them to be like himself. He created them male and female, 28 blessed them, and said, “Have many children, so that your descendants will live all over the earth and bring it under their control. I am putting you in charge of the fish, the birds, and all the wild animals. 29 I have provided all kinds of grain and all kinds of fruit for you to eat; 30 but for all the wild animals and for all the birds I have provided grass and leafy plants for food” --- and it was done. 31 God looked at everything he made, and He was very pleased. Evening passed and morning came ---- that was the sixth day.*

The important points to note are (1) God created the world and man for His purpose and (2) God put man in charge of His creations to manage according to His purpose. When man fell (Genesis 3), his situation changed (he was cast out of the Garden of Eden). In his changed situation, man has increasingly departed from God’s purpose. Consequently, as with everything else, man came to rely on the mental and social processes in thinking about management and leadership, without the fear of God nor recourse to God [herein, lies Nigeria’s first problem].

The Biblical notion of leadership is that leadership is about service delivery, and that the leader is a servant of all. Matthew 20:25-27 makes this very clear:

*25 But Jesus called the disciples together and said: You know that foreign rulers like to order their people around. And their great leaders have full power over everyone they rule. 26 But don't act like them. If you want to be great, you must be the servant of all the others. 27 And if you want to be first, you must be the slave of the rest.*

The leader is part of a body of people and, a servant of the body. His/her needs are subordinate to the needs of the body. The purpose of the body is the purpose of God Almighty: the body has no independent purpose of its own. This is a radical departure from what leadership is in contemporary business today, in nations and the international system. Indeed, the Biblical notion of leadership is not of interest to most researchers on leadership. The literature on development of leadership theories shows that the primary concern was the question: "what qualities distinguish an individual as a leader?" the first set of answers in the 19<sup>th</sup> century produced the *trait leadership concept* which proposed that leaders are born, not made. Thus, most researchers sought to identify a set of attributes that predispose some to leadership and others to be followers. The often cited seminal works are Thomas Carlyle's *Heroes and Hero Worship* (1841), which identified talents, skills, and physical characteristics as key; and Francis Galton's *Hereditary Genius* (1869), which concluded that leadership was inherited.

How sad and disturbing it is to hear young people today complaining about the lack of empowerment. What they really mean is the lack of free money, or the lack of unearned appointments. The word "empowerment" has been abused, watered down and reduced to a narrow meaning of financial and material gain; whereas empowerment is the process of handing over the baton to a well-trained, well educated and well-endowed young person to enable that young person to pass through the complexities of life and successfully make meaning out of all the circumstances of life, maintaining strong convictions about values, and sustaining unwavering focus in vision and unstoppable commitment to the holistic mission of life. Such a person can be said to have been empowered.



Africa, Nigeria inclusive, is God's gift to the world. Nigeria itself is said to be the largest black nation on earth. Statistics show that 70% of Africa is under the age of thirty. This is the continent that has a history characterised by lamentations – from the scramble for and the partition of Africa by Europeans, to the slave trade, to the struggles for independence, to apartheid, drought and famine in a recurring decimal, to civil wars, tribal wars, religious clashes, corruption in every aspect of governance, diseases of all kinds, including HIV/AIDS, infant mortality, resistant malaria, ebola, and others yet to be discovered strains of virus. As if these were not enough, a new wave of evil is emerging as the high rate of rape, road traffic accidents, causing high fatalities, sex trade and sex slavery, poor education, poverty in all its phases, and so on, and so on.

All it takes is for you to turn on any western television station and there is hardly any news item on Africa that is good. The world looks at Africa as a dumping ground or a place of exploitation. When the world needs anything and that thing is in Africa, all it needs to do is to find some unscrupulous, unintelligent and unpatriotic African, incite that person against his own people and his country on the continent, and invent a war. By so doing, the world gets the commodity from the black market for less than its true value. It does not matter if that thing is oil, diamonds, gold, uranium, copper or anything else. The western powers speak nicely to African leaders, especially to those who are unintelligent and are concerned only about preserving themselves. They are told to bring their monies overseas for investment. The selfish and evil leaders loot their nation's treasuries and take these monies overseas. World powers, on the other hand, turn around and regard Africa as a whole as corrupt. Even when they know that they themselves are keeping stolen monies, thereby fanning the embers of corruption in these countries (Nigeria, inclusive).

If the work is God's work, God does not wish it to fail, and therefore if it does not come to fruition, we are to blame. It is our responsibility to fish out future leaders, to teach them and train them – and then be ready and willing to hand over to them. Sadly, however, our world today is in a hurry, and too often expects the emergence of Moses without the wilderness experience that Moses went through. *As Tokunboh Adeyemo rightly said, "Leadership without a price tag is nothing but a Hollywood fantasy." There is nothing like "an emergency sanctification", a quick shower bath and suit of new clothes which can equip a person for a leadership position.*

## **POLITICS**

Politics today in the current democratic dispensation in Nigeria, according to Kwashi (2012), is still largely undefined in terms of policies, values and strategic plan for human and capital developments. The politicians cannot be blamed completely because they are products of the society. A vast majority of politicians were born in an era of military rule and have been influenced by the erroneous approach to governance under military dictatorship, and whatever they may have read about democracy remains theory. At times they admire other advanced democracies and wish that they had that in Nigeria. We are very blessed in Nigeria: the space is there, the atmosphere is right, the people are ready and anxious to receive democracy and its dividends, but the current political class lacks the courage and the will to execute good democratic practices for the benefit of the people.

At the moment the younger generation are confused as to whether democracy in Nigeria works at all or whether there is another option. The truth is that democracy remains the best of the worst options. This is so because if there are responsible democrats who have been schooled in the art of democracy, they will understand and know that the lack of good democratic principles in action leads people to despair, violence, confusion and, in extreme cases, anarchy. Let me state clearly that democracy thrives where there is education, when the people being led are taught to read and write, to know their rights and responsibilities to their communities. Kwashi (2012) further posits that democracy thrives where all the laws are obeyed by all the people, and where the laws are enforced justly and fairly for all people. Democracy will thrive when justice is executed without fear and without favour, and the judiciary is not corrupt but is independent and capable of dispensing justice for the common man.

### **Data Analysis, Results and Interpretation of Results**

My interest here is to examine how public finance induces fiscal- related corruption under civilian and military regimes in Nigeria.

#### **The Variables**

- Corruption Perceptions Index (CPI) – categorical

This variable is further categorised into three:

Extremely corrupt =1, Highly corrupt= 2 and not extremely corrupt = 3. The new scales were derived from the conventional scale that ranges from 0- 10. In the new

scale, “1” represents “0”, “2” represents “1”, and “3” represents the ranks from approximately 2-10.

In the redefined scale, “3” is taken as the reference category. This implies that the cumulative probability outcomes of “1” and “2” (extreme and high corruption levels) are compared with the probability of not extremely corrupt. This is a salient point for interpreting the coefficients of the predictors.

- Type of rule – Categorical/Dummy  
Military = 0  
Civilian = 1
- Employment rate (%)
- Debt stock – continuous
- Capital Expenditure–continuous
- Government expenditure – continuous

Values under the continuous variables (in each of the cells) were adjusted: multiplied by one million and then rationed (divided) by one billion. This is done in order to ease computation and secure celerity in interpreting the results that follow.

### **On Estimating the Relationship**

The outcome (dependent) variable is CPI. The predictors (covariates) are Debt Stock, Capital Expenditure and a Dummy (Type of rule). Since the outcome variable is categorical (ordered from 1 to 3), the relationship is best estimated and fitted through a multivariate Linear Probability Model (LPM). The LPM belongs to the class of Generalized Linear Models (GLMs).

McCullagh & Nelder (1983) first introduced the concept of Linear Probability Model (LPM) as an improvement over Least Squares (LS). LPM is able to accommodate more general qualitative response variables, usually based on a series of logistic model (Davis & Goetz 1990) and semi-quantitative (ordinal; Guisan & Harrell 2000).

Ordered LPM is written as

$$P(y = \alpha_j | \mathbf{x}) = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \dots + \beta_3 x_3 + u \dots \dots \dots (1)$$

Where

$y$  is the outcome variable

$\alpha_j$  assumes any value 1, 2...  $j$  but excludes the value of the reference category. For the model in question, the reference category is the corruption level considered not extreme and high.

$\mathbf{x}$  is a shorthand for all of the Linear Predictor (LP) variables.

$u$  is the measure of the impact of unobserved effects on the outcome variable.

In LPM,  $\beta_j$  measures the change in  $\alpha_j$  as a result of change in  $x_j$

Equation (1) therefore estimates the occurrence probability of  $\alpha_j$  as a function of  $\mathbf{x}$ . In the context of the model to be estimated,  $\alpha_j$  is defined as the cumulative levels of extreme and high corruption.

**Fitting the model**

Adjusting equation (1) in order to fit the model of interest yields,

$$P(\text{corruptlevel} = 1, 2 | \mathbf{x}) = \beta_0 + \beta_1 \text{debtstock} + \beta_2 \text{capexp} + \beta_3 \text{typerofrule} \dots \dots \dots (2)$$

**The model with estimated parameters**

$$P(\text{corruptlevel} = 1, 2 | \mathbf{x}) = \beta_0 + 0.0104777 \text{debtstock} + 0.0179835 \text{capexp} - 7.106219 \text{typerofrule} \quad (3)$$

**Table 3: Selected Macroeconomic, Social and Political Indicators in Nigeria, 1981 - 2012**

Year	Corruption level (adjusted to ordered Index)	Employment rate (%)	GDP	Debt Stock	Gov Exp	Cap Exp	Type of Rule (Dummy)
1981	1	93.1	47.62	11.19	8.55	6.57	1
1982	1	93.2	49.07	15.01	8.4	6.42	1
1983	1	93.3	53.11	22.22	6.87	4.89	1
1984	1	93.8	59.62	25.67	6.08	4.1	0
1985	1	93.9	67.91	27.95	7.45	5.46	0
1986	1	94.7	69.15	28.44	10.51	8.53	0
1987	1	93	105.22	36.79	8.36	6.37	0
1988	1	94.7	139.09	47.03	10.33	8.34	0
1989	1	95.5	216.80	47.05	17.02	15.03	0
1990	1	96.5	267.55	84.09	26.04	24.05	0
1991	1	92.1	312.14	116.2	30.33	28.34	0
1992	1	92.25	532.61	177.96	41.76	39.76	0
1993	1	92.32	683.87	273.84	56.49	54.5	0
1994	1	92.41	899.86	407.58	72.91	70.92	0
1995	1	92.49	1,933.21	477.73	123.1	121.1	0
1996	1	92.59	2,702.72	419.98	214.9	212.9	0
1997	3	89.8	2,801.97	501.75	271.6	269.6	0
1998	3	90	2,708.43	560.83	311.0	309.0	0
1999	2	87.5	3,194.01	794.81	500.0	498.0	1
2000	2	86.9	4,582.13	898.25	241.4	239.4	1
2001	2	86.4	4,725.09	1016.97	440.7	438.7	1
2002	3	87.4	6,912.38	1166	323.3	321.3	1
2003	2	85.2	8,487.03	1329.68	243.6	241.6	1
2004	3	86.6	11,411.07	1370.33	353.2	351.2	1
2005	3	88.7	14,572.24	1525.91	521.4	519.4	1
2006	3	87.7	18,564.59	2725.95	554.3	552.3	1
2007	3	87.3	20,657.32	4127.97	761.2	759.2	1
2008	3	85.1	24,296.33	2320.31	962.9	960.8	1
2009	3	80.3	24,794.24	3218.03	1154.	1152.	1
2010	3	78.9	33,984.75	4551.82	885.8	883.8	1
2011	3	76.1	37,543.65	5622.84	920.5	918.5	1
2012	3	75.73	41,181.62	6537.54	4200	875	1

Sources for the 2012 Data: Employment rate from

<http://www.tradingeconomics.com/nigeria/unemployment-rate>

Others from CBN (2013). 2012 Annual Statistical Bulletin

Table 4: Summary statistics

```
. summarize $ylist $xlist
```

Variable	Obs	Mean	Std. Dev.	Min	Max
Corruption	32	1.875	.9418581	1	3
DebtStock	32	1265.241	1751.85	11.19	6537.54
CapExp	32	309.6491	347.7457	4.1	1152.8
TypeRule_01	32	.53125	.5070073	0	1

```
. tabulate $ylist
```

Corruption	Freq.	Percent	Cum.
Extremely corrupt	16	50.00	50.00
Highly corrupt	4	12.50	62.50
Corrupt	12	37.50	100.00
Total	32	100.00	

Table 5: Results of the estimated LPM

```
. ologit $ylist $xlist
```

```
Iteration 0: log likelihood = -31.178072
Iteration 1: log likelihood = -13.239855
Iteration 2: log likelihood = -10.711402
Iteration 3: log likelihood = -8.3995943
Iteration 4: log likelihood = -7.940245
Iteration 5: log likelihood = -7.9194088
Iteration 6: log likelihood = -7.919333
Iteration 7: log likelihood = -7.919333
```

```
Ordered logistic regression          Number of obs   =      32
LR chi2(3)                          =      46.52
Prob > chi2                          =      0.0000
Pseudo R2                            =      0.7460
```

```
Log likelihood = -7.919333
```

Corruption	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]
DebtStock	.0104777	.0052731	1.99	0.047	.0001427 .0208127
CapExp	.0179835	.0090597	1.98	0.047	.0002267 .0357402
TypeRule_01	-7.106219	3.92872	-1.81	0.070	-14.80637 .5939307
/cut1	7.796828	3.640176			.6622135 14.93144
/cut2	10.96105	4.660875			1.8259 20.0962

Table 5 is the output of the estimated model. From the results, Debt Stock (DS) and Capital Expenditure (CE) are increasing and significant determinants of corruption because their coefficients are positive and their respective p values are less than 0.05. The Dummy variable (Type of Rule) is interpreted differently. Since military rule (0) is taken as the base or reference category, the negative value of the dummy's coefficient simply implies that military rule is more corrupt.

## POST ESTIMATION RESULTS

Estimated Marginal Effects (ME) at fixed values are presented in tables 6 to 10. The ME measures the probability impact (at defined values) of the predictors on the outcome variable. Starting from table 6, if DS and CE simultaneously increase by ₦ 1 billion under civilian rule, the probability of money-driven corruption (related to borrowing and capital spending) will be  $0.15 \times 100 = 15\%$ . This result seems insignificant because the  $P > |z|$  is greater than 0.05.

However, the robustness improves when the dummy variable is dropped before the estimation of ME. As can be seen, the results are now significant from tables 7 to 8. Holding other predictors constant, increase in DS by ₦100 billion raises the probability of debt-related financial crime by 82.5%.

Table 8 shows similar results for CE. Comparatively, as far as these results are concerned, DS induces corruption more than CE (64.6%). But if CE and DS increase at the same time (joint impact) by ₦100 billion, the probability of corruption will increase by 99.6% (see table 9). Table 10 presents a different case: a case of no DS and CE, all at zero. The result from this is that the probability of corruption falls to 0.0016%

**Table 6: Estimates of Marginal Effects (ME) - fixed value (N 1 billion, dummy=1): Debt stock, CapExp and Dummy**

```
. margins, at( DebtStock TypeRule_01 CapExp=(1))
```

```
Adjusted predictions          Number of obs   =          32
Model VCE      : OIM

Expression      : Pr(Corruption==1), predict()
at              : DebtStock      =    1265.241 (mean)
                  CapExp         =          1
                  TypeRule_01    =     .53125 (mean)
```

	Margin	Delta-method Std. Err.	z	P> z	[95% Conf. Interval]	
_cons	.1540961	.3371056	0.46	0.648	-.5066188	.8148109

**Table 7: Estimates of Marginal Effects (ME) - fixed value (N 100 billion): Debt stock**

```
Predictive margins          Number of obs   =          32
Model VCE      : OIM

Expression      : Pr(Corruption==1), predict()
at              : DebtStock      =          100
```

	Margin	Delta-method Std. Err.	z	P> z	[95% Conf. Interval]	
_cons	.8252481	.0985196	8.38	0.000	.6321533	1.018343

**Table 8: Estimates of Marginal Effects (ME) - fixed value (N 100 billion): Capital expenditure**

. margins, at( CapExp=(100))

Predictive margins Number of obs = 32  
 Model VCE : OIM

Expression : Pr(Corruption==1), predict()  
 at : CapExp = 100

	Delta-method		z	P> z	[95% Conf. Interval]	
	Margin	Std. Err.				
_cons	.6468876	.0757173	8.54	0.000	.4984843	.7952908

**Table 9. Estimates of Marginal Effects (ME) - fixed value (N 100 billion): Debt stock and Capital Expenditure**

. margins, at( CapExp =(100) DebtStock=(100))

Predictive margins Number of obs = 32  
 Model VCE : OIM

Expression : Pr(Corruption==1), predict()  
 at : DebtStock = 100  
     CapExp = 100

	Delta-method		z	P> z	[95% Conf. Interval]	
	Margin	Std. Err.				
_cons	.9967022	.0081728	121.95	0.000	.9806838	1.012721

**Table 10. Estimates of Marginal Effects (ME) - fixed value (N 0 billion): Capital Expenditure**

Expression : Pr(Corruption==1), predict()  
 at : DebtStock = 1265.241 (mean)  
     CapExp = 309.6491 (mean)  
     TypeRule\_01 = 0

	Delta-method		z	P> z	[95% Conf. Interval]	
	Margin	Std. Err.				
_cons	.0000162	.0000861	0.19	0.850	-.0001524	.0001849



## Modelling the determinants of employment rate.

Pre- and post- analysis tests show that employment rate is serially correlated and non-stationary. There are trade-offs in addressing these problems: 1) increased values of standard errors which greatly affect the significant level of the parameters, and 2) Changed the signs of the coefficients. For these reasons, the model was not estimated. Instead, a graph is plotted.



## The way out

Corruption which has played a major role in Nigeria's economic malady therefore, is a potent vice that must be fought and reduced to the barest minimum possible, and with every iota of seriousness and sincerity, if real economic growth and development is to be achieved.

Fighting corruption should be attacked frontally instead of merely setting up institutions that have been accused of selective treatment. Since this 'monster' in the words of Ekpo (2009) remains a permanent vice, thereby making accountability, transparency and probity in the conduct of government business at all levels problematic for the economy, it must be fought to a stand still for the country to move forward. Since it has defied all 'human face' public policies. This inaugural lecture therefore unequivocally asserts that, ***the only way out is to adopt the death penalty***

**option.** This implies that there is the need to enact a law to the effect that once a public office holder is found guilty of corruption, he/she should be made to face the death penalty, irrespective of who he/she may be. The **death penalty option** successfully worked in China, Vietnam and Ghana to 'free' the fund meant for poverty reduction efforts in the areas of agriculture and rural development. The result, according to Ravallion and Walle (2008), is the reduction in poverty level from 53% in 1981 to 5% in 2005 for China and 50% in 1993 to 20% in 2004 for Vietnam. While for Ghana, J. J. Rowlings was determined to flush out corruption, and so went all the way to execute his relation (brother-in-law) who was involved in corruption. Nigeria needs nothing short of this type of determination to stamp out or at the least, have corruption reduced to the barest minimum.

**The option of repentance i.e. having a change of heart:** This comes about when humans, as a result of God's working in their hearts, abhor wickedness and turn their hearts to the Lord Jesus Christ. This repentance **must** then be followed by restitution i.e. restoration of the wealth amassed through corruption. It is only when this process is followed through, that this option of repentance stands to be an alternative to the option of death.

## **Recommendation and Conclusion**

Mr. Vice-Chancellor, ladies and gentlemen, corruption is an institution in Nigeria that should be closed down completely. For this to be achieved, this lecture asserts that, true transformation requires that justice reign in Nigeria; that government should be people-centred, service-oriented, forthright, impartial and virtuous; and that Nigerians practice and profess virtues of compassion, charity, service and godliness. Then every citizen, household and business, as well as the government can achieve the purpose of their existence. That, in the final analysis, is what truly counts. Like ignorance, corruption is a great enemy of development. Both need to be conquered for sustainable and equitable development to take place. The submission of this lecture therefore, is that, for corruption to be attacked headlong, corrupt officials should be treated as black sheep by the society and never celebrated i.e. chieftaincy titles should not be given to them, they should be ignored and relegated to the background at public functions and invitation as chief launchers should never be extended to them.

Thus far, the above discourse has been anchored on two premises: The first has to do with massive corruption witnessed in Nigeria in the post-Gowon years. That was when the concept of a planned economy was jettisoned in favour of a laissez-faire system that climaxed with the 1986 SAP programme. The second is based on Jesus' concept of those without sin casting the first stone. Since Nigeria seems to be dealing in an incorrigibly corrupt elites, the idea of casting the stone has to be **invoked** if the nation must develop. It is in the light of the hard truth occasioned by corruption that has necessitated proffering the **death** sentence as a panacea. For indeed, we must bear in mind that no matter the amount of money accumulated, in the long run, we shall all physically die and thereafter face judgement for what we have done.

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***Ishmael Ogboru***  
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