



INEQUALITY **IN** NIGERIA

EXPLORING THE DRIVERS



EVEN IT UP



OXFAM

Acknowledgement

This report was written and coordinated by Emmanuel Mayah, an investigative journalist and the Director Reporters 360, Chiara Mariotti (PhD), Inequality Policy Manager, Evelyn Mere, who is Associate Country Director Oxfam in Nigeria and Celestine Okwudili Odo, Programme Coordinator Governance, Oxfam in Nigeria

Several Oxfam colleagues gave valuable input and support to the finalisation of this report, and therefore deserve special mention. They include: Deborah Hardoon, Nick Galasso, Paul Groenewegen, Ilse Balstra, Henry Ushie, Chioma Ukwuagu, Safiya Akau, Max Lawson, Head of Inequality Policy Oxfam International, and Jonathan Mazliah. a former Oxfam staff.

Our partners also made invaluable contributions in the campaign strategy development and report review process. We wish to thank BudgIT Information Technology Network; National Association of Nigeria Traders (NANTS), Civil Society Legislative Advocacy Centre (CISLAC), Niger Delta Budget Monitoring Group (NDEBUMOG, KEBETKACHE Women Development and Resource Centre and the African Centre for Corporate Responsibility (ACCR).

Ruona J. Meyer and Thomas Paul Fuller did an excellent job editing the report, while the production process was given a special touch by BudgIT Information Technology Network, our Inequality Campaign partner.

Contents

Executive Summary

Introduction

1	Scale of Economic and Gender Inequality in Nigeria	12
2	Retrogressive Taxation: Nigeria's poor taxed heavily, its rich lightly	22
3	Elite Capture, Cronyism and Favouritism Undermine Policies that Encourage Inclusion	26
4	The Prohibitive Cost of Governance, Income Inequality and the Misapplication of Scarce Resources	31
5	Reducing Inequality through Policy and Political Choices	47

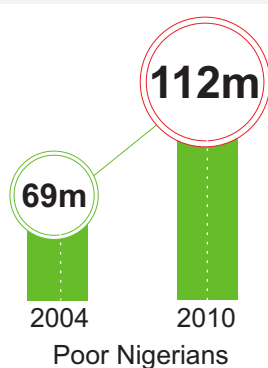
Notes

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

2m

The amount of money that the richest Nigerian man can earn annually from his wealth is sufficient to lift 2 million people out of poverty for one year.



“ The share of Nigerians living below the poverty line increased from 69 million in 2004 to 112 million in 2010, equivalent to 69% of the population. ”

“ The life of Nigerian women is affected by a myriad of discriminatory, traditional, socio-cultural practices...the majority of women are employed in casual, low-skilled, low-paid informal jobs, women are less likely to own land, 75.8% of the poorest women have never been to school. As a result of these disadvantages, women are more likely than men to be poor. ”

Despite the prevailing recession Nigeria is still seen as Africa's largest economy and one of the fastest-growing in the world. Yet, more than half of the Nigerian population still grapples with extreme poverty, while a small group of elites enjoys ever-growing wealth. This report provides a picture of the current state of poverty and economic inequality in Nigeria, identifies the main drivers of this situation and presents some policy solutions.

Over the past 40 years, the gap between the rich and the poor has been growing in developed and developing countries alike.¹ In 2015, just 62 people had as much wealth as the poorest half of humanity, and the richest one percent owned more wealth than the rest of the world combined.² At the same time, the poorest people are being denied their fair share: since the turn of the century, the poorest half of the world's population has received just one percent of the total increase in global wealth.³

In Nigeria the scale of economic inequality has reached extreme levels, and it finds expression in the daily struggles of the majority of the population in the face of accumulation of obscene amounts of wealth by a small number of individuals. While more than 112 million people were living in poverty in 2010,⁴ The richest Nigerian man will take 42 years to spend all of his wealth at 1 million per day.⁵

According to Oxfam's calculations, the amount of money that the richest Nigerian man can earn annually from his wealth is sufficient to lift 2 million people out of poverty for one year.⁶ Lifting all Nigerian people living below the extreme poverty line of \$1.90 out of poverty for one year will cost about \$24 billion. This amount of money is just lower than the total wealth owned overall by the five richest Nigerians in 2016, which was equal to \$29.9 billion.

Poverty in Nigeria is particularly outrageous because it has been growing in the context of an expanding economy where the benefits have been reaped by a minority of people, and have bypassed the majority of the population. Annual economic growth averaged over 7% in the 2000s,⁷ and yet Nigeria is one of the few African countries where both the number and the share of people living below the national poverty line over that period, increased from 69 million in 2004 to 112 million in 2010, equivalent to 69% of the population. In the same period the number of millionaires increased by approximately 44%. Income inequality, as measured by the Gini Index, grew from 40% in 2003 to 43% in 2009.⁸

Regional inequality is high in Nigeria, and it translates into higher rates of poverty in the north-western states of the country. For example, in Sokoto State, 81% of the population is poor, while poverty incidence is much lower, at 34%, in Niger.

Economic and gender inequality are interconnected and reinforce each other. The life of Nigerian women is affected by a myriad of discriminatory traditional and socio-cultural practices that put them at disadvantage in a number of areas compared to men. For example, the majority of women are employed in casual, low-skilled, low-paid informal jobs; women are less likely than men to own land and 75.8% of the poorest women have never been to school, compared to 28% of richest men. In Jigawa State, 94% of women (against 42% of men) are illiterate.⁹ As a result of these disadvantages, women are more likely to be poor than men, and keep being excluded from full participation in the country's economic, social and political life.

¹Oxfam (2014). Even it Up: Time to End Extreme Poverty.

²Oxfam (2016). An Economy for the 1%: How privilege and power in the economy drive extreme inequality and how this can be stopped. Retrieved from https://www.oxfam.org/sites/www.oxfam.org/files/file_attachments/bp210-economy-one-percent-tax-havens-180116-en_0.pdf

³Ibidem

⁴NBS – National Bureau of Statistics (2012) 'Nigeria Poverty Profile 2010'.

⁵Based on data from Forbes' 2016 ranking of the World's Billionaires.

⁶This figure is obtained comparing the income stream that the richest Nigerian can earn from his wealth with the absolute value of the poverty gap (multiplied by 365 days), using the \$1.90 extreme poverty line. Earnings on wealth are estimated using an interest rate of 4%, corresponding to the growth rate of wealth of HNWI (high net worth individuals) in 2015 according to CapGemini's 2016 World Wealth Report.

⁷According to Oxfam's calculations based on Povcal data, \$14.7 billion would be necessary to lift every poor person up to the \$1.90 extreme poverty line level.

⁸World Bank (WB), (2013). 'Nigeria Economic Report'. World Bank, Nigeria Economic Report No. 1.

⁹World Development Indicators

¹⁰British Council (2012). 'Gender in Nigeria Report 2012: Improving the lives of girls and women in Nigeria'.

\$20tn

“ between 1960 and 2005, about \$20 trillion was stolen from the treasury by public office holders. ”

Poverty and inequality in Nigeria are not due to lack of resources, but to the ill-use, misallocation and misappropriation of such resources. At the root there is a culture of corruption and rent-seeking combined with a political elite out of touch with the daily struggles of average Nigerians.

The overlap between political and economic power bends the allocation of opportunities, income and wealth to vested interests, and biases policy-making in favour of the rich. A first consequence is the astronomical cost of governance. Nigerian lawmakers are one of the best paid in the world: the average annual salary is \$118,000, equivalent to 63 times the country's GDP per capita (in 2013).¹¹ Costs of maintaining the machinery of government are also inflated by the excessive staff numbers, inflated salaries and benefits, arbitrary increase in the number of government agencies and committees, hidden allowances and oversized retirement packages. The high cost of governance reinforces inequality because it means that few resources are left to provide basic essential services for the wider, growing Nigerian population.

Public resource management is subject to elite capture, corruption and rent-seeking, and as such contributes to reproducing inequality and compromises opportunities for inclusive growth. According to the Economic and Financial Crimes Commission (EFCC), between 1960 and 2005, about \$20 trillion was stolen from the treasury by public office holders.¹² This amount is larger than the GDP United States in 2012 (about \$18 trillion).¹²

The tax system is largely regressive: the burden of taxation mostly falls on poorer companies and individuals. On one side, big multinationals receive questionable tax waivers and tax holidays, and utilise loopholes in tax laws to shift huge profits generated in the country to low tax jurisdictions. In some cases, these tax waivers have been captured by the economic and political elite and used expressly to garner political patronage. It has been estimated that every year Nigeria loses \$2.9 billion of potential revenues to questionable tax incentives. This is equal to about three times the country's total health budget in 2015.¹³ Other revenues are lost because some companies shift profits to shell offices in tax havens and countries with low tax rates. A recent investigation found that between 2010 and 2013 a major telecom company had transferred N37.6bn (about \$119 million) of profits generated in Nigeria to its Dubai office where it had very negligible operations,¹⁴ to avoid appropriate tax aligned to profit levels made from the country.

“ Poverty and inequality in Nigeria are not due to lack of resources, but to the ill-use, misallocation and misappropriation of such resources. ”

On the other side, to meet their revenue generation targets, the government – especially at the state level – opts for aggressive taxation of the informal sector, sometimes imposing erratic taxes according to needs. As a consequence, small and medium enterprises and men and women in the informal sector face multiple taxation, accompanied in some cases by human rights violations.

Further, the public resources that the government manages to collect are often spent in an unfair and inefficient way. This translates into lack of access to basic services for the majority of the population and poor outcomes in human development. The shares of government budget allocated to education, health and social protection are among the lowest in the region. For example, in 2012, 6.5% of the budget was allocated to education, 3.5% to health and 6.7% to social protection

¹¹Nigerian lawmakers top salaries chart, via: <http://www.dailytrust.com.ng/daily/top-stories/1311-nigerian-lawmakers-top-salaries-chart>

¹²\$20trn stolen from Nigeria's treasury by leaders – EFCC- <http://www.vanguardngr.com/2015/03/20trn-stolen-from-nigerias-treasury-by-leaders-efcc/>

¹³Equal to N257 billion, see <http://yourbudgetit.com/wp-content/uploads/2016/01/2015-Publication-BUGET.pdf>

¹⁴INVESTIGATION: How MTN ships billions abroad, paying less tax in Nigeria, (Premium Times), 2015, <http://www.premiumtimesng.com/investigation-special-reports/192159investigation-how-mtn-ships-billions-abroad-paying-less-tax-in-nigeria.html>

¹⁵Source of data is Oxfam's Commitment to Reduction of Inequality database.



57 million Nigerians lack access to safe water, over 130 million are without access to adequate sanitation. Nigeria has the highest number of children out of school.

(in 2010).¹⁵

By comparison, in Ghana these shares were, respectively, 18.5% (in 2015), 13.8% (in 2015) and 9.1% (in 2010). Public institutions have been unable to use the limited resources available in an effective way. For example, 57 million of Nigeria's estimated population of 170 million people lack access to safe water, and over 130 million citizens are without access to adequate sanitation. Nigeria is also at the top of the list of countries with the highest number of children out of school.¹⁵

Elite capture of public sector policies and resources undermines the productivity of the most important sectors of the economy and prevents the fair distribution of the benefits of growth. This is especially notable in agriculture and in the oil sector. Agriculture is the main source of non-oil exports and employs almost half of the Nigerian population. However, unfavourable policies have prevented small, poor farmers from benefiting from agricultural growth. For example, import quotas introduced to encourage investments in the rice value chain and meant for investors with rice-milling capacity were instead issued to cronies, who in turn sold them to larger traders and corporations. This pushed down the market price of rice, harming millers and rice farm owners whom the measure was originally meant to favour.

The oil sector provides 80% of the Nigerian government's revenue, but its performance is not efficient, and its contribution to the economy is not equitable. According to Nigerian National Petroleum Corporation, between 2013 and 2015, \$3.9bn (N858bn) was lost to pipeline vandalism and grand crude oil theft. Further, Nigeria continues to spend huge amounts of scarce foreign exchange importing refined petroleum, because domestic capacity is insufficient to meet demand. Allegations are that government resources allocated for refineries maintenance are captured by the political elite. Misappropriation of resources is evident in the case of the oil-rich Niger Delta region. Despite the allocation of large amounts of funds from multiple sources for the region's development since 1999, the local communities still live in dire conditions, including environmental pollution and degradation, gas flaring, acid rain, lack of infrastructure low levels of human development.

Another consequence of the mismanagement of the nation's resources is the high rate of unemployment, especially among the young. In 2016, between 12.1% and 21.5% of Nigeria's youth were without a job, and rates of underemployment are even higher. The inability of the economy to generate enough jobs results from the insufficient allocation of resources to the creation of new economic opportunities, combined with a difficult business environment, which disincentivises domestic investment and induces capital flight. The situation of the unemployed reached desperate levels when on 15th of March 2014, 6.5 million people visited recruitment centres to apply for 4000 vacant positions in the Nigeria Immigration Service. At least 16 people died in the stampede that ensued during the process. In Nigeria and all over world over, economic inequality is a catalyst for social tensions within communities, with citizen frustrations manifesting in increased crime rates and violence in various forms, including communal, domestic, electoral, religious and inter-tribal violence. Inequality also perpetuates corruption because politics is perceived as the only route to earning opportunities.

The rising level of inequality in Nigeria poses a growing threat to Nigeria's unity and

In 2016, between

12.1%

&

21.5%

of Nigeria's youth were without a job,



¹⁵ Nigeria DHS, 2013

stability and to its ability to eradicate poverty. However, deliberate policy interventions and political commitment, backed by an active, vibrant civil society and enlightened, proactive citizens can break the cycle.

Oxfam urges the government to take the following actions:

- Strengthen policies and laws for the economic empowerment of women, ensure the implementation of two key recently-adopted provisions: the National Gender Policy 2014 and the Violence against Persons Prohibition (VAPP) Act 2015, while also ensuring the Gender and Equal Opportunity Bill is passed as soon as possible.
- Make the tax system more progressive, close the loopholes in Nigeria's tax laws that allow for tax avoidance and tax dodging, eliminate unfair, unnecessary tax waivers and tax holidays, reform the allocation of tax incentives.
- Bring down the astronomical and indefensible high cost of governance and introduce measure to safeguard the policy-making process from capture by elites or vested interests.
- Increase the amount of public resources allocated to the provision of public goods and services, chiefly health, education, social protection, energy and safe water. Resources for adequate provision to all do exist in the country, as long as misappropriation and inefficient implementation are put to an end.
- Active citizenship holds the key to Nigeria's inclusive development. Adequate resources should be given to schools to promote civic education, and citizen participation should be encouraged.
- Urgent measures are needed to address the youth unemployment crisis and revive the Nigerian private sector. Interventions to improve the business environment, reverse the brain drain and revive local manufacturing are especially important to unlocking the country's potential.
- Increased support to small-scale agriculture is essential to addressing poverty and inequality. Increased investment, review of government incentives, elimination of bottlenecks and corrupt practices and strengthening of agricultural insurance and credit schemes are critical to achieving more inclusive agricultural growth.

INTRODUCTION



INTRODUCTION

8,000X

In one day, the richest Nigerian man can earn from his wealth 8,000 times more than what the poorest 10% of Nigerian spend on average in one year for their basic consumption



A Nigerian lawmaker receives an annual salary of about \$118,000, equivalent to N37m – and 63 times the country's GDP per capita (2013)

The gap between the rich and the poor may be a worldwide problem, but in Nigeria the scale of inequality is extreme. In one day, the richest Nigerian man can earn from his wealth 8,000 times more than what the poorest 10% of Nigerians spend on average in one year for their basic consumption¹⁶. The Gender in Nigeria Report categorises Nigeria among the 30 most unequal countries in the world.¹⁷ According to World Bank data, in 2009 the poorest half of the population held only 22% of national income. Income inequality, as measured by the Gini Index, increased during the 2000s from 40% in 2003 to 43% in 2009¹⁸.

The paradox of growth in Nigeria is that as the country gets richer, only a few benefit, and the majority continues to suffer from poverty and deprivation. Former Finance Minister Okonjo-Iweala noted that: "...in Nigeria, it is clear that the top 10 percent of the population is capturing most of the growth there is and the people at the bottom are being left behind. If we don't put our minds to this problem, the whole economy may be in danger."¹⁹ The disparity is such that the amount of money that the richest Nigerian man can earn annually from his wealth is sufficient to lift 2 million people out of poverty for one year.

Just over 15 years into its return to democratic rule, Nigeria is in the curious position of having the world's highest-paid lawmakers preside over some of its poorest people. A Nigerian lawmaker receives an annual salary of about \$118,000, equivalent to N37m – and 63 times the country's GDP per capita (2013). At the same time, phenomena of economic and social distress such as homelessness in urban slums, high graduate unemployment, malnutrition, maternal mortality and international migration continue to grow.

Because economic growth has been creating few opportunities for young people,

¹⁶ Data on wealth come from Forbes' 2016 ranking of World's Billionaires and are converted to 2011 USD to increase comparability with consumption data, which come from World Bank's Povcal database and are expressed at 2011 PPP USD.]

¹⁷ British Council. (2012). 'Gender in Nigeria Report 2012: Improving the lives of girls and women in Nigeria.'

¹⁸ 'PovcalNet: the on-line tool for poverty measurement developed by the Development Research Group of the World Bank'<http://research.worldbank.org/PovcalNet/home.aspx> (World Development Indicators).

¹⁹ Okonjo-Iweala, N cited in: Asu, F., (2013). 'Nigeria's economy faces danger as inequality rises,' *Business Day* (10 December). Accessed April 2015 via: <http://businessdayonline.com/2013/12/nigerias-economy-faces-danger-as-inequality-rises/>

“It is sad to note that most Nigerians never take cognizance of the war being waged by state governments against the poor and disadvantaged citizens.”

**Femi Falana,
Human Rights lawyer**

“Just over 15 years into its return to democratic rule, Nigeria is in the curious position of having the world's highest-paid lawmakers preside over some of its poorest people.”

“This is a problem that has gone on for too long. The cost of governance in Nigeria is without doubt too high; actually it is outrageous.”

**Professor Charles Soludo,
former Central Bank of
Nigeria governor**

there has been associated increasing levels of violent crime, as well as religious, inter-ethnic and communal clashes.

Poverty and inequality in Nigeria are not due to lack of resources, but to the ill-use and allocation of such resources. Continued widespread corruption and the emergence of a political elite out of touch with the daily struggles of the average Nigerian have conspired to ensure the cost of governance remains astronomical. According to former CBN governor, Charles Soludo, “this is a problem that has gone on for too long. The cost of governance in Nigeria is without doubt too high; actually it is outrageous”²⁰. As a consequence, very limited resources are left to provide basic essential services for the wider, growing Nigerian population. According to human rights lawyer, Femi Falana, “It is sad to note that most Nigerians never take cognizance of the war being waged by state governments against the poor and disadvantaged citizens”²¹.

An additional problem is weak policy implementation. In fact, over the years a number of policies and programmes have been designed with the purpose of alleviating poverty and inequality, such as: Rural Basin Development Authority (RBDA), Directorate of Food, Roads and Rural Infrastructure (DFRRI), Rural Electrification Scheme (RES), Agricultural Development Programme (ADP), National Directorate of Employment (NDE) and Better Life for Rural Women. Others were the Family Support Programme (FSP), Rural Banking Scheme (RBS), People's Bank, the National Poverty Eradication Programme (NAPEP) and the Agricultural Credit Guarantee Scheme (ACGS). However, in the majority of cases, these policies and programmes have not been implemented effectively to result in meaningful impact on poverty.

There is an urgent need to critically examine the culture of governance and transform the policies and norms that concentrate extreme wealth, privileges and very high incomes in a small percentage of the population at the top, to forestall the self-perpetuating cycle of inequality that subjugates many Nigerians.

Relying on extensive research, exclusive case studies and specific instances, this report examines existing socio-cultural, economic and political factors that drive extreme inequality in Nigeria, including a focus on gender inequality. Its primary objective is to articulate key policy recommendations that could feed into the debate on inequality in Nigeria, with a view to eradicating it.

The report aims to situate Nigeria in the centre of a compendium of informed commentary and analyses within Oxfam's global EVENT UP campaign.

Whilst it is vital to dissect the failings of poverty-reduction policies in the country, this report emphasises the reality that although Nigeria may be beset with rising extreme inequality, these challenges are not insurmountable. Provided they are met with sound political, social and economic decision-making, the right policies will translate to tangible, sustainable improvements in the living standards of Nigerians.

²⁰Channels Television (2013). 'The Cost of Governance In Nigeria Is Outrageous – Soludo' (16 September). Accessed April 2015 via: <http://www.channelstv.com/2013/09/16/the-cost-of-governance-in-nigeria-is-outrageous-soludo/>

²¹Falana, F., (2013) in 'The Lagos deportation and the Law', *The Punch*, 13 August



WHAT MAKES NIGERIA SO UNEQUAL?



CHAPTER 1

SCALE OF ECONOMIC AND GENDER INEQUALITY IN NIGERIA

SCALE OF ECONOMIC AND GENDER INEQUALITY IN NIGERIA

112m

In 2010, Africa's largest oil exporter had 112 million poor citizens.

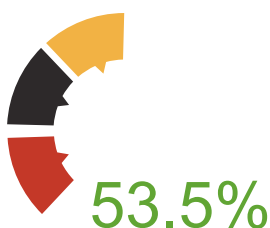
Across Nigeria's 36 states and the Federal Capital Territory (FCT), economic inequality finds expression in the daily struggles of a large majority of the poor for survival in the face of the accumulation of obscene amounts of wealth by a small number of individuals. While more than 112 million people were living in poverty in 2010²², the richest Nigerian man would take 42 years to spend all of his wealth at 1 million per day.²³

Poverty in Nigeria is a contradiction because it has been growing in the context of an expanding economy where the benefits have been reaped by a minority of people, and have bypassed the majority of the population. Annual economic growth averaged over 7% in the 2000s (WB, 2013),²⁴ and yet Nigeria is one of the few African countries which has experienced an increase in both the number and the share of people living below the national poverty line over that period (see Table 1 below) from 69 million in 2004 to 112 in 2010. In the same period, the number of millionaires increased by approximately 44%.

Table 1. Trends in Poverty levels, 1992 to 2010

	National poverty line ²⁵		International poverty line \$1.90 (2011PPP) Poverty incidence (%)
	Population in poverty (Million)	Poverty Incidence (%)	
1992	39.2	42.7	57.06
2004	68.7	54.4	53.46
2010	112.47	69	53.47

Source: NBS, 2012 and PovcalNet



'With a GDP of \$521.8bn (2013), data from Nigeria's last comprehensive household survey (NHLSS) in 2009/2010 indicate official poverty rates remain high, with 69% of the population below the national poverty line and 53.5% below the \$1.90 international poverty line'

Tables, 1. shows that in the period 2004 to 2010, growth in per capita consumption was faster for the top three deciles than for the rest of the population, with the exception of the very first decile, for which consumption grew by 0.6%. However, in absolute terms this equates to a mere increase of \$0.55 per month in six years. Figure 1 shows the evolution in the income share of the bottom 40%: this declined between 1986 and 1996 – a turbulent decade for Nigeria; it increased between 1996 and 2004, in coincidence with the country's return to democracy; but it started to decline again after 2004. Consistently with this trend, the Palma ratio, which compares the income of the top 10% to that of the bottom 40%, has increased between 2004 and 2010.

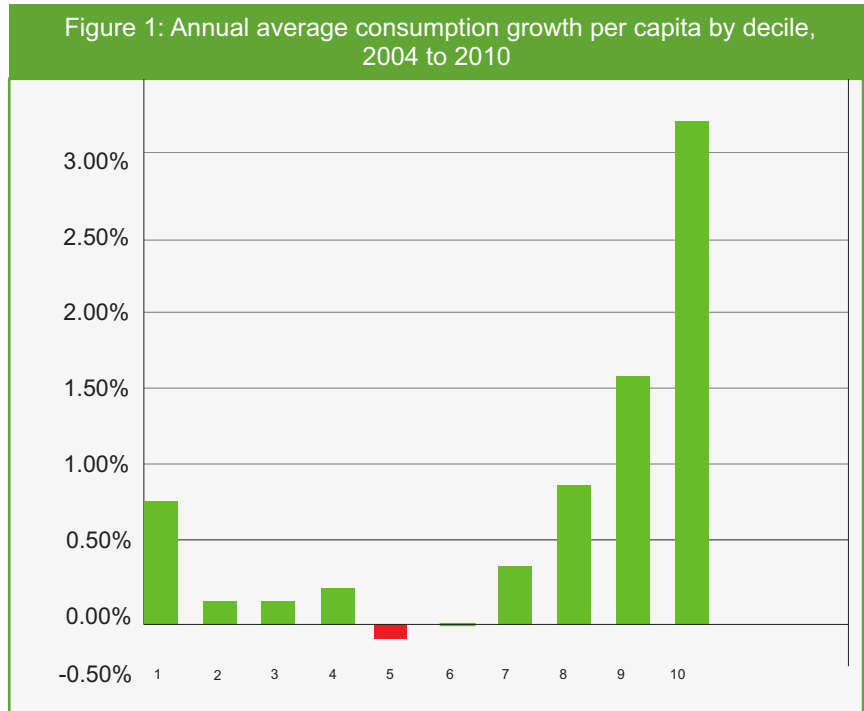
²²NBS – National Bureau of Statistics (2012) 'Nigeria Poverty Profile 2010'.

²³ Based on data from Forbes' 2016 ranking of the World's Billionaires.

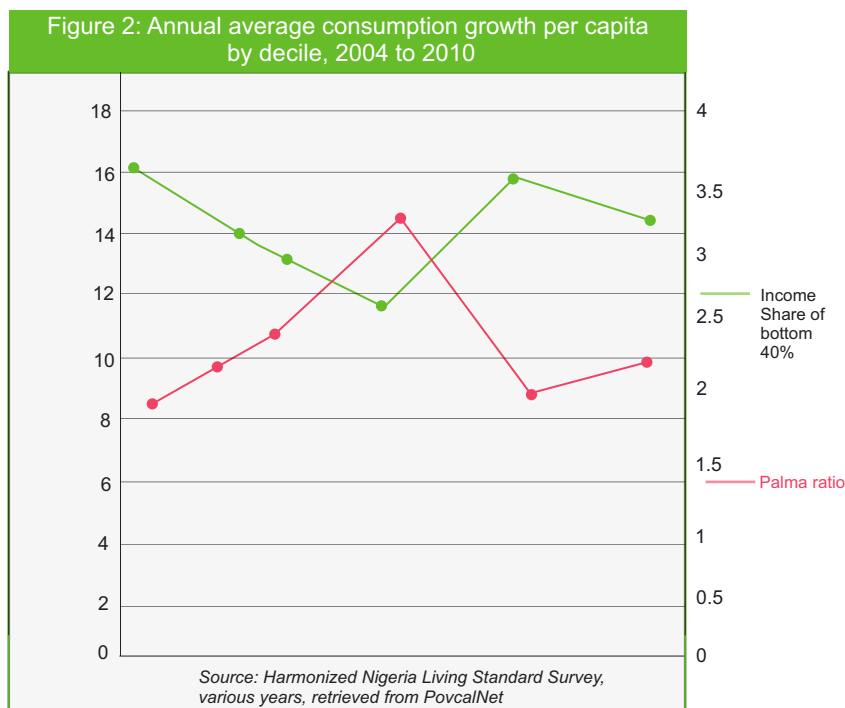
²⁴ World Bank (WB), (2013). "Nigeria Economic Report". World Bank, Nigeria Economic Report No.1.

²⁵ The national poverty line employed here corresponds to one third of total household per capita consumption as estimated through the Harmonized Nigeria Living Standard Survey 2009/2010

“**42 years**
the richest Nigerian man
would need almost 42 years to
spend all of his wealth at 1
million per day .
”



Source: Harmonized Nigeria Living Standard Survey, various years, retrieved from PovcalNet



Poverty and inequality in Nigeria have a strong spatial dimension. Poverty is considerably higher in rural than in urban areas: 61.8% of the urban population lived below the national poverty line in 2009/10, compared to 73.2% of the rural population (REF).

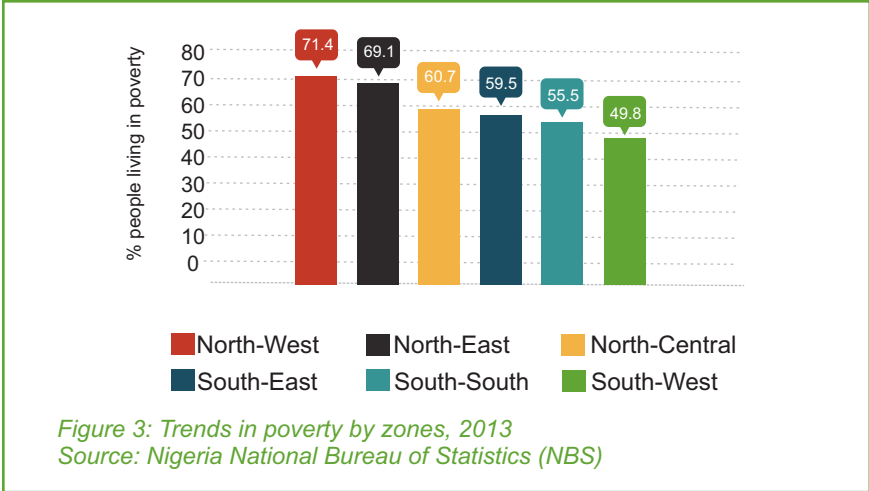
Differences are even more striking between regions and states, with poverty incidence being highest in the North-West (71.4%), followed by North-East at 69.1% and the North-Central at 60.7%. The South-West has the lowest poverty rate of 49.8%, followed by the South-South (55.5%) and South-East (59.5%). (see Figure 3). Sokoto State (located in the extreme northwest of Nigeria) is reported to be the country's poorest, with an 81.2% poverty rate, while Niger has the least poverty rate at 33.8%.²⁵

With the lowest poverty rates resting at approximately 50%, the implication is that Nigeria's successive poverty alleviation programmes cannot be rated as successful in any of its 36 states.

Economic inequality matched with low, unequal and inefficient provision of public services results in very high levels of multidimensional poverty, meaning that multiple deprivations occur in the same households with respect to education, health and living standards. In fact, estimations suggest that Nigeria may be the country with the highest number of multidimensional poor in the world.

²⁵ Trends in poverty by zones as released by the National Bureau of Statistics (NBS, 2012: page 16). Accessed via: <http://www.nigerianstat.gov.ng/pdfuploads/Nigeria%20Poverty%20Profile%202010.pdf>

Figure 3: Annual average consumption growth per capita by decile, 2004 to 2010



In 2013, 50.9% of the population (88.4 million people) was multi-dimensionally poor, and additional 18.4% percent (about 32 million people) was in near multidimensional poverty. According to the 2015 Human Development Report, among countries with data available Ethiopia had the highest incidence of multidimensional poverty (88.2%), followed by Nigeria and Bangladesh (respectively 50.9% and 49.5%). However Nigeria had the highest number of people, followed by Pakistan (83 million) and Ethiopia (78.9 million)²⁸

²⁸ UNDP (2015) 'Human Development Report 2015. Work for Human Development'. New York: United Nation Development Programme - UNDP

“ The level of inequality in Nigeria is such that while Johnson pays at least 40% of his daily income in multiple taxes, big multinationals find loopholes in tax laws that allow them to evade tax by shifting huge profits to shell companies in tax havens with the lowest tax rates. Operators in the informal sector such as Johnson bear a bigger tax burden through multiple taxation, yet they have no voice in decision-making and receive minimal service delivery.

”

**Johnson Uko,
Load-carrier who spends 40%
of his daily average income
on informal taxes.**



Johnson Uko carries 100kg of shopping for a customer in Daleko, a market in Isolo, just 20 minutes' drive from the Lagos International Airport, South-West Nigeria.

Photo: Emmanuel Mayah/Oxfam (2015)

CASE STUDY

Johnson Uko, 34, is an *alabaru* (load carrier) at Daleko Rice Market, a landmark between Mushin and Isolo suburbs in Lagos, Nigeria. Daily, Johnson risks his life serving shoppers, sometimes carrying two 50kg bags of rice on his back and running across the ever-busy Oshodi-Apapa Expressway, to parked cars and waiting buses.

A trained welder, Johnson earns about N2,000 on a good day. Johnson must part with at least N800 of his daily wages as taxes, regardless of how much he makes.

Paying a N300 levy to the local council authority, a N150 land levy; N150 to the *Iya Oloja* (market leader), N100 market security levy and a N100 Association levy means at least 40% of his income is taxed at source, daily.

Johnson spends N300 on transportation and takes N900 home to his family, which includes his wife, three children, mother and a niece.

The level of inequality in Nigeria is such that while Johnson pays at least 40% of his daily income in multiple taxes, big multinationals find loopholes in tax laws that allow them to evade tax by shifting huge profits to shell companies in tax havens with the lowest tax rates. Operators in the informal sector such as Johnson bear a bigger tax burden through multiple taxation, yet they have no voice in decision-making and receive minimal service delivery.

GENDER DISCRIMINATION AGGRAVATES INEQUALITY

125/145

The Gender Inequality Index ranks Nigeria at 125 out of 145 countries

The life of Nigerian women is affected by a myriad of discriminatory traditional and socio-cultural practices which put them at disadvantage in a number of areas compared to men. In 2015, Nigeria ranked 125 out of 145 countries on the Global Gender Gap Index, having lost seven places from the previous year.²⁷

As a result of these disadvantages, women are more likely than men to be poor: according to 2013 DHS data, women were more often found in the first and second quintile of the wealth distribution (respectively 18.3% and 19.1% of the sample) than men (16.5% and 17.2%).²⁸

Women have been identified as Nigeria's 'hidden resource', yet many lack access to education, healthcare, resources for economic productivity, protection from violence and participation in political processes²⁹

WEAK WOMEN ECONOMIC EMPOWERMENT

Economically, the majority of women are concentrated in casual, low-skilled, low-paid informal sector employment.³⁰ About 54 million of Nigeria's estimated 78 million women live in rural areas and off the land. Though agriculture remains the largest economic platform for women, it is mostly subsistence farming with hoes and cutlasses. Here, women also remain at a disadvantage: some 55% of female-headed households are landless and a further 29% own less than one hectare.³¹

Furthermore, Oxfam research reveals that although women represent between 60 and 79% of Nigeria's rural labour force, men are five times more likely than women to own land. There are regional differences: women in the South are more likely to own and access land than women in the North.³² The sector is further beleaguered by environmental problems such as pollution of farmlands in the oil-producing Niger Delta, deforestation, and land degradation in the North. Additionally, poor road networks, limited access to financial assets, and women's lack of inheritance rights to land all further add to the barriers women face in making a livelihood from agriculture.

Women constitute only 21% of the non-agricultural paid labour force (British Council, 2012) and even outside agriculture they are relegated to poorly-paid jobs performed under precarious conditions. Some factories show a preference for hiring women because they are perceived as less likely to complain about poor wages and unsafe work conditions. As in the case of Joyce Ugbede (see case study), many women are forced to work long hours in precarious jobs which pay salaries that are insufficient to meet their basic needs.

Women who try to run their own business face numerous constraints. In fact, Nigeria has one of the lowest rates of female entrepreneurship in sub-Saharan Africa (British Council, 2012). For example, women entrepreneurs who operate as petty trader suffer and small producers suffer the brunt of the extortionist practices of tax collection.

60-79

“ Women represent between 60 and 79% of Nigeria's rural labour force , men are five times more likely than women to own land. ”

²⁷ WEF –World Economic Forum (2015) 'Global Gender Gap Report 2015'. The Index measures the relative gaps between women and men across four key areas: health, education, economy and politics.

²⁸ Wealth distribution in the DHS is based on asset-based wealth index which places households on a continuous scale of relative wealth using data on ownership of durable goods and land.

²⁹ M.Okome. "Quality vs Quantity- Global and Local responses towards increasing women's Political participation: Nigeria's 2015 elections and women's participation via HYPERLINK "http://www.academia.edu/14784875/Quality_Vs_Quantity_Global_and_Local_Responses_Towards_Increasing_Women_s_%20Political_Participation_Nigeria_s_2015_Elections_and

³⁰ Womens Political Participation%2021" http://www.academia.edu/14784875/Quality_Vs_Quantity_Global_and_Local_Responses_Towards_Increasing_Women_s_Political_Participation_Nigeria_s_2015_Elections_and_Womens_Political_Participation_21

³¹ British Council, 2012.

³² Olomola, Aderibigbe (2013) Policy Options for Agricultural Investments and Governance of Markets: In support of small-scale agriculture in Nigeria, Oxfam, August 2013, p.12. (Olomola, ibid).

“Nothing is permanent here, except suffering. We are hired on a daily or weekly basis. All the factories are the same, including those that produce plastic. No job security, no safety clothing nor gadgets. Industrial accidents are common (sic). People lose their fingers to machines; sometimes there is death. Every worker here would leave if they had a choice.

- Joyce Ugbede, 29, has worked for two years in a factory that hires only casual workers.

CASE STUDY

The Oshodi-Apapa expressway in Lagos is flanked by some of the largest factories in Nigeria's economic capital. There, at Berliet bus stop, is a biscuit factory called OK Foods. From 6.00am, close to 100 job seekers – mostly women – can be seen gathered outside the factory gates to see if they can be engaged to work for the day.

Joyce Ugbede, 29, holds a Higher National Diploma in Marketing and is one of hundreds of thousands of graduates working in the unskilled labour market. She feels lucky whenever she works a full month in the factory to earn N26, 000 (\$130) at N83 an hour, but explains that: “you never get to earn a full salary. The factory's Asian owners are never short of excuses to impose penalties on workers. It could be that you took too long in the toilet or were a minute late from break; even sneezing attracts penalties.” Frugal as she tries to be, Joyce's wages do not last a month.

Transportation takes almost half her pay and basic foods are expensive. To survive, Joyce must share a room with a co-worker in a residence where over 30 occupants queue to share one toilet, one bathroom, and collectively pay for refuse collection and electricity. Poor working conditions and low pay are commonplace in Nigeria, and are borne by many as a necessary means of survival. While women like Joyce struggle to survive on low wages, their employers make millions from their labour. This unequal return to owners of capital versus those whose labour produce the goods and services that are sold sustains the injustice of income inequality and its consequences of chronic poverty.

They are usually the first point of contact for local tax officials who harass, extort and intimidate them in their communities. Yet the voices of women are hardly heard on matters of budgeting, and in the spending of the same funds extorted from them, ensuring their needs and priorities remain unmet. This means that the injustice of taxation also has a gender dimension in Nigeria.

Finally, even when women migrate in search of a better life, the disadvantages brought on by gender discrimination mean they remain imprisoned in a cycle of poverty, often with no skills, assets or any means to enjoy a better quality of life. Their desperation is often such that they are duped into the African and European sex industries.

“Any day it rains, we might not eat. The worst thing in life is to have to watch your child cry for food. I don't want to think what would happen if any of my children falls seriously sick and needs to go to hospital.

”

- Chiamaka Dikeorah,
street corn seller in
Awka, Anambra State

CASE STUDY

Chiamaka Dikeorah, a mother of three, roasts cobs of corn in Awka, the capital city of Anambra State, in South-Eastern Nigeria. Though each cob costs N40, she cannot afford to give any to her children. Every day Chiamaka walks about three kilometers to buy corn. She pays N100 to Council agents and N100 to the sanitation authority as tax.

Whatever is left is split between dinner and purchasing corn the next day. Her household lives on about N250 a day - a little above \$1 - provided she makes enough sales to pay her taxes. Abandoned by her husband two years ago, the total value of her business is about N600.

Chiamaka would like to grow tomatoes and rear chickens if she had access to land and capital.

GENDER DISCRIMINATION IN POLITICS AND EDUCATION

Politically, Nigerian women are a negligible and undermined force. For instance, Nigeria is the country with the lowest share of female parliamentarians in Sub-Saharan Africa (REF). Political capture and male dominance in governance have made it hard for women's voices to be heard, and their concerns factored into decision-making. As a consequence, the political space continues to be structured in a way that perpetuates male control, thus sustaining gender discrimination. This situation does not create room for women to effectively contribute to nation building and makes it difficult to place issues which are fundamental for women well-being at the core of the national agenda.

Even in areas where women are traditionally allowed to preside, they are being excluded, with men appointed as Commissioners for Women Affairs in some states. On 28 August 2015, the Governor of Adamawa State appointed a man as the Commissioner for Women Affairs. Female activists denounced this as an action aimed solely at rewarding political cronies. The state's response was that this was “normal practice,” citing other states where men were appointed to positions where one would expect a woman to be.³³

The disadvantages faced by Nigerian women are evident when looking at education access and outcomes. There are however striking differences between men and women, rich and poor, and rural and urban areas. The most disadvantaged are women belonging to the poorest quintile of the population: 75.8% of them do not attend school, so as 70% of the poorest men. This contrasts with 30.5% of the richest women and 28.6% of the richest men (i.e. in the top quintile of the distribution)³⁴. There is also a large gap between rural women and urban men: 51.2% of the former don't attend school, in comparison to 26.9% of the latter. Striking differences exist between states: in eight northern states, over 80% of

³³Confusion in Adamawa as Governor Appoints Man to head Women Affairs Ministry.' Premium Times (1 September 2015). Accessed via: <http://www.premiumtimesng.com/news/top-news/189403-confusion-in-adamawa-as-governor-appoints-man-to-head-women-affairs-ministry.html>

³⁴Wealth distribution here is based on DHS data, which collect information on household asset ownership. These information are used to construct an asset-based wealth index which places households on a continuous scale of relative wealth.

women are illiterate (against 54% of men). In Jigawa State, 94% of women (against 42% of men) are illiterate.³⁵

Table 2: Primary School attendance ³⁶ by gender, wealth status and location, 2013				
Total % of Population not attending school (Net attendance ratio for primary school)			Urban men	38.4
	Men	38.4	Rural men	43.3
	Women	43.3	Urban men	38.4
			Rural women	43.3
	Rural	48.2		
	Urban	28.8	Richest Men (top quintile)	28.6
			Poorest men (bottom quintile)	70
	Lowest quintile	72.9	Richest women (top quintile)	30.5
	Highest quintile	29.6	Poorest women (bottom quintile)	75.8
	Source: Nigeria DHs 2013			

The low educational status of women is in some cases rooted in early marriage. This is further compounded by childbirth, which may be a physically traumatic experience for young mothers, perforating their reproductive organs and causing Vesico Vaginal Fistula (VVF), where the young female is left with a continuous, involuntary discharge of urine. It is not uncommon for these young mothers to be abandoned by their husbands. At least 12,000 VVF cases are recorded annually in Nigeria.³⁷

Increasing levels of domestic violence are also manifestations of gender inequality which often go unpunished. Notable is the case of a young wife in Bauchi State who had her legs hacked off with a machete by her husband, Adamu Hussaini Maidoya, who claimed he did it to permanently stop her from going anywhere outside their home.³⁸

This state of affairs has been attributed to the pervading culture of patriarchy in Nigeria, one which ascribes numerous benefits to men, while systematically placing serious constraints on women's rights. Patriarchy is widely regarded as the root cause of Gender Based Violence (GBV), as it has enshrined inequality into social life in such a manner that most women have become socialized into accepting male domination, GBV and discrimination as the norm.

³⁵British Council (2012). 'Gender in Nigeria Report 2012: Improving the lives of girls and women in Nigeria'.

³⁶Percentage of the primary school age (6-12 years) population that is attending primary school.

³⁷Nigeria Federal Ministry of Health (2015) 'National Strategic Framework for the Elimination of Obstetric Fistula in Nigeria', Federal Ministry of Health

³⁸ Weimann, G.J, (2010). Islamic Criminal Law in Northern Nigeria: Politics, Religion, Judicial Practice (Page 46). Amsterdam University Press

CHAPTER 2

RETROGRESSIVE TAXATION:
Nigeria's poor are taxed heavily, the rich lightly

RETROGRESSIVE TAXATION: NIGERIA'S POOR ARE TAXED HEAVILY, THE RICH LIGHTLY

Multiple taxation is a common reality faced by many Nigerians operating in the informal sector.³⁹

In the Delta State, the local government imposes various levies on residents, small businesses, motorists, canoe operators and market women, punishing the very people it should serve. Officials of the Delta State Internal Revenue Board are known to use force and threats to collect levies..

- The levies include: Off-loading and loading charges, building permit, health approval permit, community development levy, pick-up and bus stickers, car radio stickers, commercial vehicle stickers, extended tarpaulin levies, hawkers permit/levies, *keke* (tricycle) operation levies, fire extinguisher fees for fire safety certificate, private business premises levies, tenement rates/levies, etc.

Most controversial is the tax on gaseous emission/environmental pollution and effluent introduced by the Delta State Environmental Protection Agency (DELSEPA). Officials of this agency extort small businesses whose operations produce no gas emissions.⁴¹

Taxation is recognised all over the world as a source of sustainable revenue for governments to finance much-needed essential goods and services crucial to the efficient functioning of a country. This is the basis of the Social Contract between governments and citizens – taxation for representation and effective service delivery. The concept of progressive taxation requires that a country structures its tax system to make it fair, ensuring that citizens, companies and institutions pay taxes in line with their capabilities. What this means is that the wealthiest companies and individuals should ideally pay the highest taxes. Progressive taxation is at the core of a fair redistribution of public resources.

However, in Nigeria, the tax system is largely regressive: the burden of taxation mostly falls on poorer companies and individuals. On one side, big multinationals receive questionable tax waivers and tax holidays, and utilise loopholes in tax-laws to shift huge profits generated in the country to low tax jurisdictions. On the other side, to meet their revenue generation targets, governments – especially at the state level – opt for aggressive taxation of the informal sector. Local government councils are reported to impose taxes erratically and relentlessly, with small and medium Enterprises (SMEs) and men and women in the informal sector facing multiple taxation, accompanied in some cases by human rights violations.

Big multinationals employ various strategies that facilitate tax avoidance and appear to be getting away with it. Reports indicate that huge amounts of profits earned in Nigeria are transferred to shell offices in tax havens and countries with low tax rates, to keep tax payments to the barest minimum. A recently published investigative report alleged that a major telecom company had, between 2010 and 2013, transferred N37.6bn of profits generated in Nigeria to its Dubai office where it had very negligible operations. This denies Nigeria and Africa much-needed resources for sustainable development financing.

Tax waivers are a fiscal policy incentive granted to public and private entities in sectors seen as strategic to stimulating economic growth, diversification of the economy and job creation. A number of domestic companies and multinationals receive tax waivers in Nigeria, in sectors such as agriculture, aviation, power, gas, water resources and steel, as well as programmes such as the Export Expansion Grants (EEG) scheme, designed to promote non-oil exports. Evidence suggests that in some cases these tax waivers have been captured by the economic and political elite and used expressly to garner political patronage. During a review of the state of the Nigerian economy by the House of Representatives in 2014, the former Minister of Finance, Ngozi Okonjo-Iweala disclosed that the Federal Government lost about N797.8 billion to waivers and concessions in three years, between 2011 and 2013.⁴⁰ The minister could not articulate how the economy had benefitted in term of returns from the waivers. She stated that these waivers, on the contrary, had impacted negatively on the ability of revenue generating agencies to meet their targets.

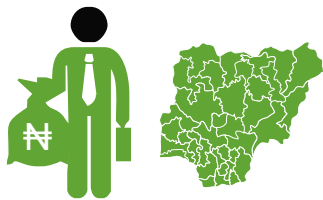
Other types of tax incentives, such as tax holidays, have become more controversial in the public debate following the fall in global oil prices. During an engagement forum which brought together the House of Representatives, civil society and other stakeholders, it was found that Nigeria loses \$2.9billion annually to tax incentives.⁴² Multinational companies involved in the Nigerian Liquefied Natural Gas project are noted as having enjoyed tax holidays amounting to \$3.9 billion, an incentive considered misplaced and unfair, given the deprivation and

³⁹INVESTIGATION: How MTN ships billions abroad, paying less tax in Nigeria , (Premium Times), 2015, <http://www.premiumtimesng.com/investigationspecial-reports/192159-investigation-how-mtn-ships-billions-abroad-paying-less-tax-in-nigeria.html>

⁴⁰Nigeria lost N797.8billion to waivers, tax exemptions in 3 years, says Okonjo-Iweala via:<http://www.premiumtimesng.com/business/153493-nigeria-lost-n797-8billion-waivers-tax-exemptions-3-years-says-okonjo-iweala.html>

⁴¹On Addressing Multiple Taxation And Levies In Warri, Environs and other parts Of Delta State via <http://reformeronline.com/on-addressing-multiple-taxation-and-levies-in-warri-environs-and-other-parts-of-delta-state/>

⁴²FG Loses \$2.9bn Annually through Tax Waivers via: <http://www.thisdaylive.com/index.php/2016/05/24/fg-loses-2-9bn-annually-through-tax-waivers/>



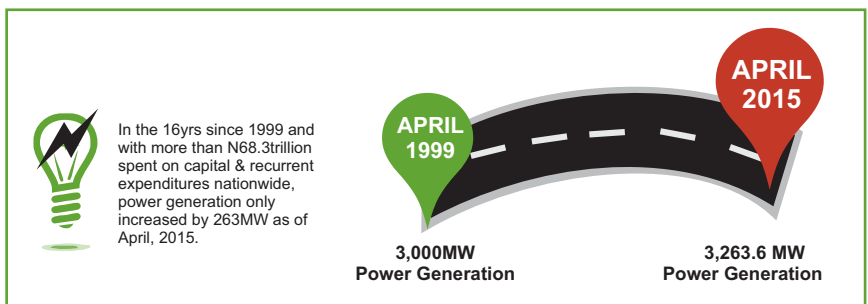
Budgetary allocations by State Governments, Federal Government and the FCT between 2005 and 2013:



poverty faced by communities from which the gas is derived. Calls have been made for an audit of all tax holidays and waivers granted to foreign and local companies, in a bid to ascertain possible cases of manipulation and cronyism.

As many other African countries, Nigeria also loses resources through illicit financial flows. According to a joint report by the African Development Bank and Global Financial Integrity, Africa is a net creditor to the world, with \$1.4 trillion estimated to have left the continent in Illicit Financial Flows (IFFs) between 1980 and 2009.⁴³ The Thabo Mbeki-led High Level Panel on Illicit Financial Flows (IFFS) from Africa reports that from 1970 to 2008, Africa lost between \$50billion and \$148 billion every year to illicit financial flows. A large portion of IFFs are attributed to “corporate tax avoidance through abusive transfer pricing mechanisms whereby companies manipulate a transfer price in order to shift profits from a higher tax jurisdiction to a lower tax jurisdiction.” Illicit financial flows undermine revenue generation and reduce the benefits of economic activities in Africa, negatively affecting the continent’s ability to mobilise resources generated to sustainably fund developmental goals.

Not only is the Nigerian tax system regressive, public resources are also spent in an unfair and inefficient way. The shares of government budget which are allocated to education, health and social protection (three critical policy areas to tackle poverty and inequality) are among the lowest in the region. For example, in 2012, 6.5% of the budget was allocated to education, 3.5% to health and 6.7% to social protection (in 2010). By comparison, in Ghana these shares were, respectively, 18.5% (in 2015), 13.8% (in 2015) and 9.1% (in 2010).⁴⁵ Further, public institutions have been unable to use the public resources available to provide basic essential services. Across Nigeria's 36 states, there is no correlation between the revenues collected by government at various levels, the volume of budgetary resources appropriated over the years, and the outcomes in terms of quality of infrastructure and public service delivery to citizens.



According to BudgetIT research, from 2005 to 2015, a total of N77 trillion was appropriated through budgets towards the development of the country. Yet the state of roads, electricity and water supply, schools, and hospitals remains inadequate to meet even the basic needs for a large part of the population.

For example, Nigeria's power generating capacity has increased only by 1,883 MW between 1999 and 2015, from 3,000MW to 4,883MW (according to data from the

⁴³Illicit Financial Flows and the Problem of Net Resource Transfers from Africa: 1980-2009. Accessed September 2015 via : http://www.gfintegrity.org/wp-content/uploads/2014/05/gfi_afdb_iffs_and_the_problem_of_net_resource_transfers_from_africa_1980-2009-highres.pdf

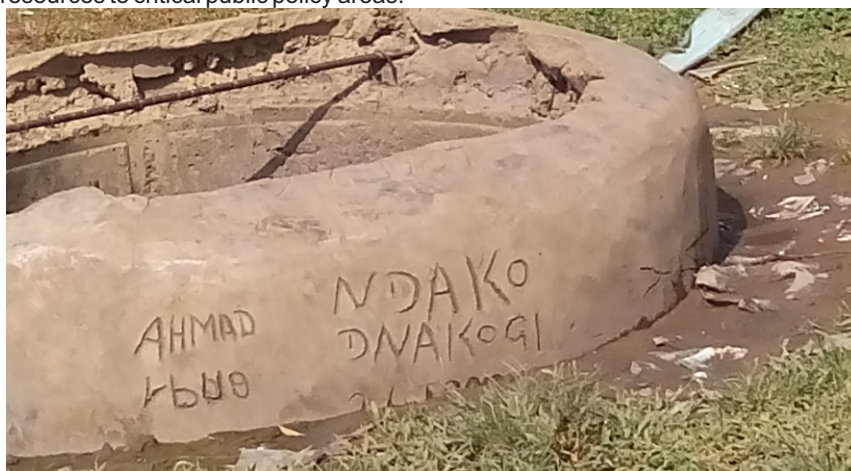
⁴⁴Report of the High Level Panel on Illicit Financial Flows from Africa. Commissioned by the AU/ECA Conference of Ministers of Finance, Planning and Economic Development. Accessed September 2015 via: http://www.uneca.org/sites/default/files/PublicationFiles/iff_main_report_26feb_en.pdf

⁴⁵Source of data is Oxfam’s Commitment to Reduction of Inequality database.

Federal Ministry of Power, Works and Housing). As a result, according to 2013 DHS data, 44% of Nigerian households don't have access to electricity (more precisely, 16% in urban areas and 66% in rural areas) Fifty-seven million of Nigeria's estimated population of 170 million people lack access to safe water, and over 130 million citizens are without access to adequate sanitation. Many resort to drinking water from boreholes packed in sachets, which in some cases may have been exposed to fecal contamination in various homes. This invariably increases the disease burden on poor households.⁴⁶ Nigeria is also at the top of the list of countries with the highest number of children out of school (Nigeria DHS, 2013). According to the DHS 2013, more than 10.1 million children in Nigeria are not in formal learning, and the number of out-of-school children has increased since 1999, the year Nigeria resumed democratic rule.⁴⁷

The importance of effective policy implementation together with adequate allocation of public resources is evident when comparing Nigeria's achievements in human development with those of a country at a similar level of economic development – such as Bangladesh. Despite having a lower level of income per capita than Nigeria (US\$3,191 compared to US\$5,341), Bangladesh scores better in a number of indicators: its life expectancy at birth is 71.9; under-5 mortality rate is 41.1 (per 1,000 live birth) and the maternal mortality ratio is 170 (per 100,000 live births). The values for Nigeria are, respectively, 52.8 years, 117.4 (per 1,000 live births) and 560 (per 100,000 live births). Bangladesh's better outcomes are the result of good public policies and a political leadership committed to use public resources for the country's economic development.⁴⁸

Nigeria's progress in human development, and its ability to eradicate poverty and grow equitably can only be achieved with substantial improvements in public resource management at the national and at the local level. As stressed by experts, this calls for legislative measures to ensure progressive taxation, capacity building for tax authorities on transfer pricing and greater accountability in the allocation of resources to critical public policy areas.



A water well in Sunt, Niger State, Nigeria
Photo: Emmanuel Mayah/Oxfam (2015)

⁴⁶Source of data is Oxfam's Commitment to Reduction of Inequality database.

⁴⁷Country Study on Out-of-School Children in Nigeria via: <http://www.uis.unesco.org/Library/Documents/out-of-school-children-nigeria-country-study-2012-en.pdf>

⁴⁸Challenge of accessing potable water, sanitation via: <http://punchng.com/challenge-of-accessing-potable-water-sanitation/> Accessed, April 2016

CHAPTER 3

Elite Capture, Cronyism and Favouritism Undermine
Policies that Encourage Inclusion

ELITE CAPTURE, CRONYISM AND FAVOURITISM UNDERMINE POLICIES THAT ENCOURAGE INCLUSION

In Nigeria, there is a strong overlap between the political elites and those who hold economic power. Campaign financing by the elite often results in situations where policymaking processes and the functioning of institutions are hijacked, and skewed to work in favour of a small percentage of the population made up of the economic and political elite. This has reinforced the ability of this small group to use government at all levels to reap economic benefits. Oxfam's report on exclusive economies aptly sums up these dynamics: "wealth has the potential to capture government policymaking and bend the rules in favour of the rich, often to the detriment of everyone else."⁴⁸ The consequences of this include the erosion of democratic governance, the diminishing of social cohesion and the vanishing of equal opportunities for all... The concentration of economic power is used to further the interests of sectors, companies and individuals, creating a vicious and unjust cycle that maintains and increases elite control over economic markets and resources, at the expense of everyone else.⁴⁹

Elite capture and cronyism hamper poverty reduction and increase inequality by undermining well-intentioned policies aimed at promoting inclusive growth. Examples of this phenomenon are at play in many key sectors of the Nigerian economy. Elite capture and cronyism ensures that substantial economic gains are hijacked by those in positions of power and influence, resulting in the non-delivery or sub-delivery of intended results from well-designed policies. These developments have kept majority of Nigerians poor and continues to broaden the severity of inequality.

THE POWER AND OIL SECTOR

Nigeria's power sector is perhaps the most revealing example of how public sector policies can be distorted to work against the common good through elite capture. In spite of billions of Naira reported as expended so far, not many parts of Nigeria, if any, can boast of constant and uninterrupted supply of electricity. The excerpts below are from a 2008 media report on the findings of a committee set up by the House of Representatives to investigate the scandal surrounding the Nigerian National Integrated Power Projects (NIPP) of the Power Sector. The investigation reported several instances of wanton disregard for due process, which gave rise to project over-scoping, project cost inflation, the awarding of one contract two times and the dumping of imported equipment at the ports, amongst several other infractions.

Media report at the time also highlighted the fact that most contractors who collected funds never visited the sites, much less implement the power projects under their purview. This resulted in a general lack of performance in the power sector, despite the significant spending figures recorded. Several notable members of the ruling elite and their cronies were recommended for investigation by the appropriate law enforcement agencies. Accusations included deliberate non-compliance with the Electric Power Sector Reform Act of 2005 and subversion of government policies aimed at improving power supply in the country.

The report sums up the consequences of the mismanagement of the \$16 billion

“

Wealth has the potential to capture government policymaking and bend the rules in favour of the rich, often to the detriment of everyone else.

The consequences of this include the erosion of democratic governance, the diminishing of social cohesion and the vanishing of equal opportunities for all.

”

⁴⁸ Export Promotion incentives: Is Nigeria running on the spot? Deloitte Insights. Accessed May 2016 via: <http://www2.deloitte.com/ng/en/pages/tax/articles/inside-tax-articles/export-promotion-incentives.html>

⁴⁹ AN ECONOMY FOR THE 1%: https://www.oxfam.org/sites/www.oxfam.org/files/file_attachments/bp210-economy-one-percent-tax-havens-180116-en_0.pdf

⁵⁰ Hallah, T. (2008). Nigeria: Power Probe – Reps Committee Indicts Obasanjo, Imoke. Daily Trust. August 5. Accessed September 2015 via: <http://allafrica.com/stories/200808050723.html>



\$1.6bn

Federal government budgeted \$1.6bn for persistent Turn Around Maintenance (TAM) of Nigeria's refineries in 2014.

appropriated to improve electricity supply during the 8 years of the Obasanjo regime, from 1999 to 2006:⁵⁰

“The barefaced looting of the National treasury through the National Integrated

Power Projects (NIPP) and the Power Holding Company of Nigeria (PHCN) and other projects greatly diminished national capacity to provide electric power, leading to wholesale decline in productive business activities and erosion of competitiveness of Nigeria products in the world market. Furthermore, it negatively affected the psyche of citizens. It was a cruel deprivation at the highest possible level...”

Mismanagement is also evident in the oil sector. Nigeria continues to spend huge amounts of scarce foreign exchange importing refined petroleum, which can be produced locally. This is despite the fact that the Nigerian government budgeted \$1.6bn for persistent Turn Around Maintenance (TAM) of refineries in 2014.⁵¹

Yet, no measurable or visible results have been shown, while man hours are lost as citizens queue and suffer for days at a stretch in filling stations to buy fuel, a commodity that the country has in abundant supply. Recently, fuel pricing has been subject to the whims of marketers, and availability of fuel at the pump hardly guaranteed. Perceptions and allegations are that the resources accruing to the petroleum sector to aid its revamp remain captured by the political elite, resulting in the refineries languishing in disrepair.

⁵¹The \$1.6bn refinery turnaround mess; via;<http://thenationonlineng.net/the-1-6bn-refinery-turnaround-mess/>

AGRICULTURE

Before the oil boom, agriculture was the mainstay of the Nigerian economy. The fabled groundnut pyramids of Kano State (pyramid-like structures made from groundnut sacks), the oil palm plantations in the South-East, the cocoa farms in the West and the rubber plantations of the Mid-West all contributed to giving Nigeria a robust economy. The majority of Nigeria's non-oil exports are linked to agriculture, which contributed 22.55% to the GDP as of second quarter of 2016.⁵² Many of these are farming and working women engaged in the supply of cashews, cotton, cocoa, sesame, gum Arabic, and cassava exports.

However, most agricultural policies have been unfavourable for the majority of small, often poor farmers. As a consequence, agricultural growth has had limited impact on poverty reduction. For example, a government policy designed to encourage investments in the rice value chain through backward integration has resulted in more difficult production conditions for millers and farmers. There is evidence that import quotas meant for investors with rice-milling capacity were instead issued to cronies, who in turn sold to larger traders and corporations. Millers and rice farm owners have had to deal with the effects of this policy distortion: a combination of import quota racketeering and smuggling through porous borders floods the market with cheap rice.

Unfavourable policies in the agriculture sector have also led to the closure of several vegetable oil mills. Waivers were granted to select companies to import vegetable oil into the country, creating an uneven playing field for domestic manufacturers.⁴¹ Local soya farmers were also affected because the price of soya seeds plummeted. Soya bean production in Nigeria employs about 1,500 skilled and unskilled workers and is a source of income for about 42,000 local farmers, all of whom continue to now face an uncertain future.

⁵²NBS(2014) The Nigerian Fact sheet on Economic and Social development

29,000



JOBS LOST

It was sweetheart deals all over. The new buyers hardly had the core skills needed to run a Steel mill. Neither did they meet the Bureau of Public Enterprise's (BPE) pre-qualification requirements...They bought the Steel Mills, stripped them of their assets, and made them moribund to create room for importation, which was their primary goal. Just buying and selling, profits, not job creation, not building the national capacity.

CASE STUDY

PRIVATISATION OF THE STEEL INDUSTRY

This government policy opened the window for importation of cheap steel into Nigeria, forcing most of the country's privatised steel rolling mills to shut down operations.⁵³ Of four steel rolling mills privatised several years ago, only one still exists.

Nigeria has over two billion tons of iron ore deposits and one trillion tonnes of coal, with ever-growing demand within Nigeria and throughout West Africa, pointing to the enormous potential for Nigeria's steel and metal industry.

A union member and former employee of Oshogbo Steel Rolling Mills, cites the loss of over 29,000 jobs in the value chain and that the privatization of the steel mills was not carried out in the national interest:

It was sweetheart deals all over. The new buyers hardly had the core skills needed to run a Steel mill. Neither did they meet the Bureau of Public Enterprise's (BPE) pre-qualification requirements...They bought the Steel Mills, stripped them of their assets, and made them moribund to create room for importation, which was their primary goal. Just buying and selling, profits, not job creation, not building the national capacity.

CASE STUDY

Export Expansion Grant Scheme (EEG)

Attempting to make Nigerian non-oil exports competitive by replicating successful schemes in China and India, Nigeria introduced the EEG in 2006.

The EEG was designed to mitigate cost disadvantages faced by Nigerian manufacturers due to poor infrastructure and the associated high cost of doing business. The policy guidelines offer Negotiable Duty Credit Certificates (NDCC) that can be used for the payment of customs and excise duties. However, corruption and cronyism within government and the Nigeria Customs Service held this tax rebate scheme hostage; after borrowing from commercial banks to expand export production capacity, an accumulation of unutilised NDCCs has deprived companies of liquidity.

It is on record that the scheme was suspended and reactivated 8 times between 2005 and 2013.

⁵³ M. Shosanya (2013) 'Nigeria: Unfavourable Policies behind Closure of Oil Mills.' Daily Trust, 8 August. Accessed April 2015 via: <<http://www.dailytrust.com.ng/daily/index.php/business/2713-unfavourable-policies-behind-closure-of-oil-mills>>

CHAPTER 4

THE PROHIBITIVE COST OF GOVERNANCE, INCOME
INEQUALITY AND MISAPPLICATION OF SCARCE
RESOURCES

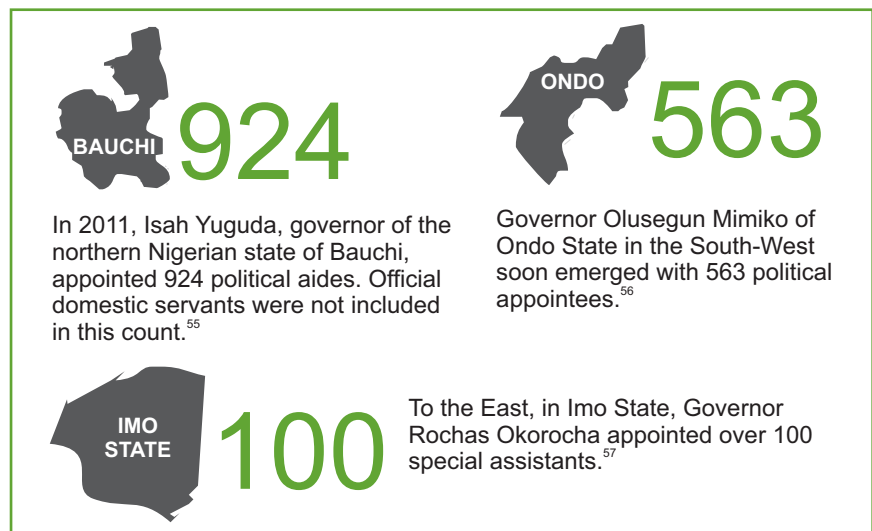
THE PROHIBITIVE COST OF GOVERNANCE, INCOME INEQUALITY AND MISAPPLICATION OF SCARCE RESOURCES

More often than not, the culture of governance in Nigeria contributes to preserving or strengthening a hierarchy of dominance that reinforces inequality. In the words of Akeredolu-Ale, (1975): “The ruling class constituted by the few, establishes and legitimises an exploitative property system through which it determines the allocation of opportunities, income and wealth, relying on the use of state power, including the use of oppressive state agents such as the police and armed forces”.⁵⁴

Sixteen years into Nigeria's democracy, budget analysis regularly shows the dynamics of wealth distribution in Nigeria: the high cost of maintaining a small political elite in office comes at the detriment of the majority of poor Nigerians.

The following issues account for Nigeria's bloated public sector and the high recurrent component of the budget:

- An excessive number of advisers and senior advisers, assistants, and personal assistants to political office holders
- Mammoth salaries and allowances which are commonplace for holders of political office
- A significant number of official vehicles and numerous foreign trips for political office holders and civil servants
- The introduction of security votes for governors
- Undisclosed extra-budgetary expenditure and;
- Arbitrary increases in the number of government agencies



Federal lawmakers constitute 0.0002% of Nigeria's population, yet have a sizeable amount of state funds expended on their upkeep. It has been reported that journalists and civil society access information on the exact amounts involved with great difficulty, with the National Assembly withholding information even when requested via the Freedom of Information Act (FOIA). Nigeria's lawmakers have since been found to earn the highest salaries worldwide.

⁵⁴ Aderonmu, J.A., (2010) 'Local Government and Poverty Eradication in Rural Nigeria.' *Canadian Social Science* 6(5): 200-8.

⁵⁵ 'Governor Appoints 924 Aides, Others.' (2011). PM News. 27 September. Accessed April 2015 via: <http://www.pmnewsnigeria.com/2011/09/27/governor-appoints-924-aides-others/>

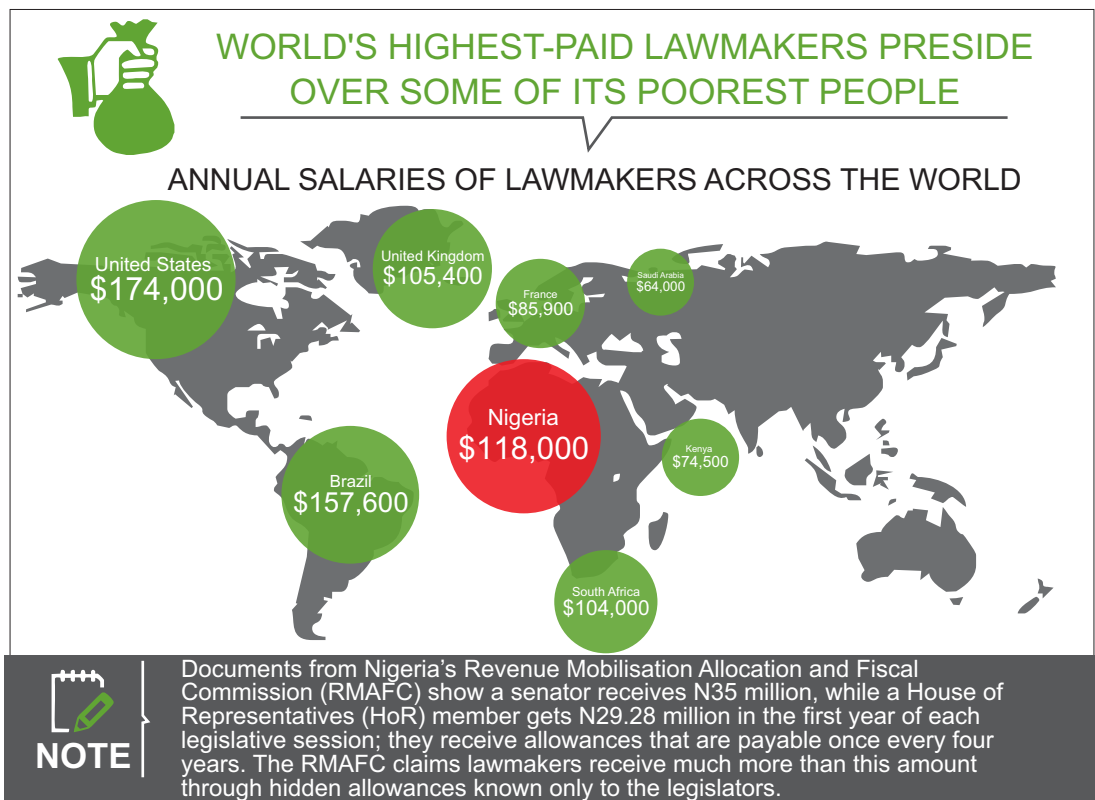
⁵⁶ Dr. Olusegun Mimiko's 563 appointees in Ondo State. (2011). Nairaland Forum. Accessed September 2015 via: <http://www.nairaland.com/71720/dr-olusegun-mimikos-563-political>

⁵⁷ 'List of Special Assistants to Governor Okorocha and their portfolios.' (2011). Imo State Blog. Accessed September 2015 via: <http://www.imostateblog.com/2011/07/19/list-of-special-assistants-to-governor-okorocha-and-their-portfolios/>

Adding to the huge cost of governance are bloated committees, created by federal parliamentarians. According to the National Assembly’s website, the bi-cameral legislature has a 109-member Senate with 67 committees and a 360-member House of Representatives with 96 committees. In comparison, the US Senate has 100 members and the House of Representatives 435. Both have only 21 committees each, as well as four Joint Committees.


A Nigerian lawmaker receives an annual salary of about \$118,000, which is equivalent to N37mn – and 63 times the country’s GDP per capita (2013). Nigerian legislators’ entitlements are more than that of their counterparts in the United Kingdom (average equivalent is \$105,400), the United States (\$174,000), France (\$85,900), South Africa (\$104,000), Kenya (\$74,500), Saudi Arabia (\$64,000) and Brazil (\$157,600).⁵⁸

Documents from the Revenue Mobilisation Allocation and Fiscal Commission (RMAFC) show a senator receives N19.66million, while a House of Representatives (HoR) member gets N18.26 million in the first year of each legislative session; they receive allowances that are payable once every four years. The RMAFC claims lawmakers receive much more than this amount through hidden allowances known only to the legislators. Lawmakers’ allowances as disclosed by RMAFC are numerous, as shown below:




⁵⁸ 'Reducing the high cost of governance.' (2013), Daily Independent, 17 October. Accessed April 2015 via: <http://dailyindependentnig.com/2013/10/reducing-the-high-cost-of-governance/>

LAWMAKERS' ENTITLEMENTS



N19.66m

Each senator receives N19.66million annually. When multiplied by 109 senators, the grand total is N2.14billion



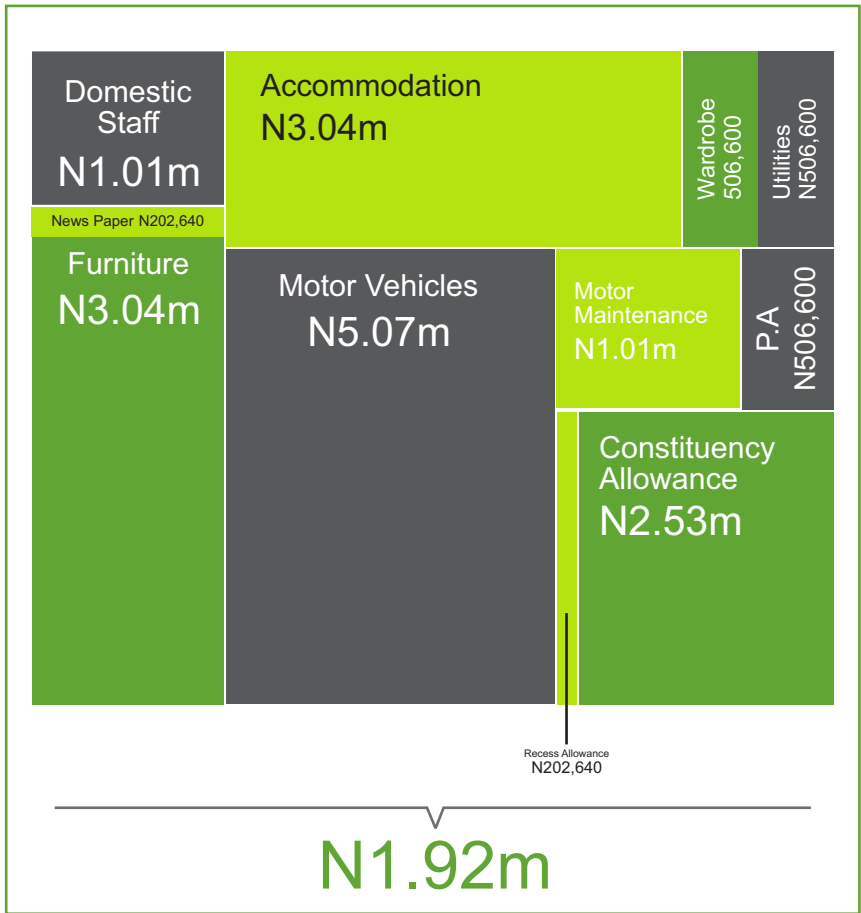
N18.26m

Members of the House of Representatives (HoR) get N18.26million annually. When multiplied by 360 members, the grand total is N6.58billion




1,054

N6.58bn can create 1,054 microfinance banks with a capital base of N1bn each in all 774 local government areas to grant rural entrepreneurs and farmers access to loans, thereby creating jobs for at least 500 young people in every local government - a total of 387,000 jobs




Source: BudGIT Research

LAWMAKERS' ENTITLEMENTS

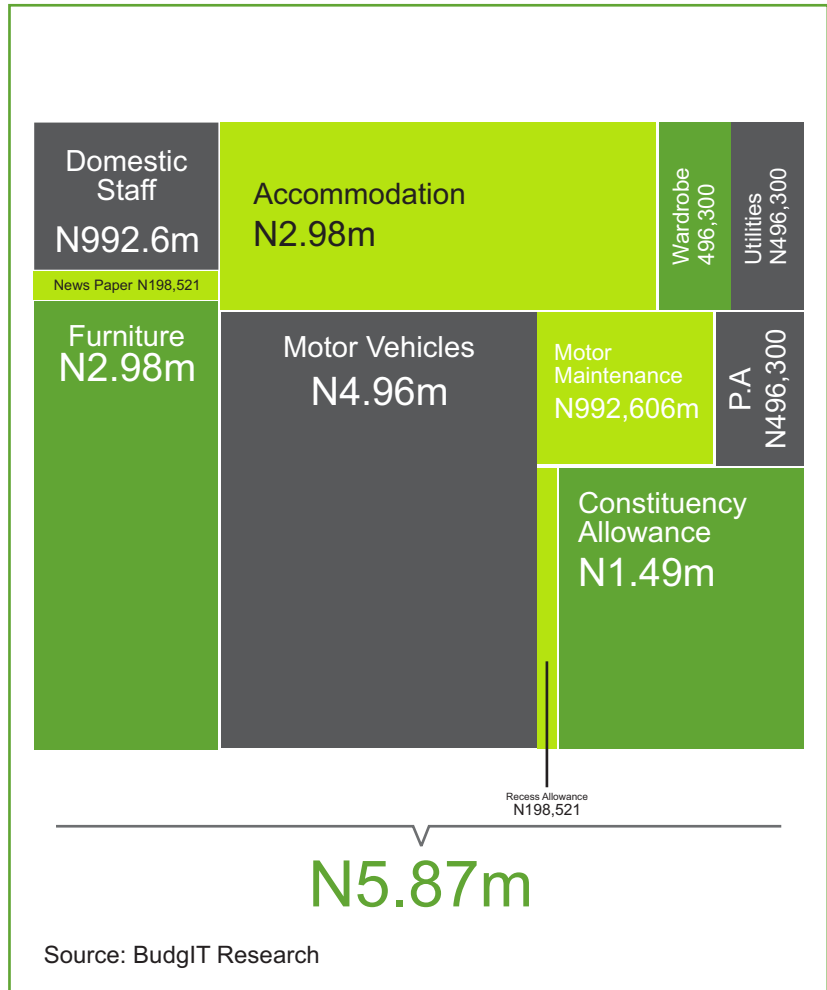


N6.02m
ACCOMMODATION ALLOWANCE

SENATORS: N3.04m
HOUSE OF REPS MEMBERS: N2.98m
If this sum is reduced to N1m:
N1m X 109 Senators = N109million
N1m X 360 HoRs = N360million
GRAND TOTAL: N469million

1,876 

N469m can provide 1,876 water points in all of Nigeria's 774 local government areas and address the needs of about 500 households with a ceiling of 7 members in each household per water point, providing 6.5million people with access to potable



In the 2010 Appropriation Bill, the cost of maintaining the National Assembly was N138.015 billion. With 469 members, the average cost per member was N294.375 million (\$1.962million). This is 2500 times over the average earnings of 92% of Nigeria's population.⁵⁹ It is doubtful that this is sustainable, in the midst of the high level of unemployment, falling oil prices and poor infrastructural facilities hindering economic growth.



OUTSIZED RETIREMENT PACKAGES ARE COMMON PLACE FOR NIGERIA'S POLITICAL ELITE.

Before public opinion forced a reversal, lawmakers in Akwa Ibom State fashioned a controversial pension scheme that would be applied to governors and their deputies at the end of their tenures in office. They were to receive a life-long pension equivalent to the salary of the incumbent governor or deputy respectively; a new official car and a utility vehicle every four years, a personal aide, with the provision of adequate security for life; funds to employ a cook, chauffeurs, and security guards; free medical services for themselves and their spouses; a "befitting" house of at least five bedrooms in either the FCT, Abuja, or Akwa Ibom State for the governor and a year's accommodation allowance for the deputy; furniture allowance; an allowance for the maintenance and fueling of vehicles; a severance gratuity; a utility allowance; and an entertainment allowance. The governors and their deputies were also to receive a total of N2.2m and N2.1m per month, respectively, with N26.7m and N25.3m per annum, as their pensions.⁶⁰

In Kwara state, a similar situation exists. The pension law allows a governor after leaving office to receive a monthly pension benefit equivalent to the monthly salary earned while in office. Additional benefits include: a state-of-the-art residence within the state, an annual vacation of 30 days outside Nigeria with daily estacodes, free medical treatment for the governor and family members anywhere worldwide, three cars and a police pilot car, as well as two backup cars - to be replaced every three years en bloc; a furniture allowance payable every two years en bloc; two cooks, a steward, gardener and other domestic staff whose salaries are pensionable; two

⁵⁹ Chigozie A.O., (2013). Democracy and Cost of Governance in Nigeria. Journal of Culture, Society and Development. Vol. 2 pp 41-51.

⁶⁰ Emmanuel, O. (2014). 'Rubber stamp Akwa Ibom Assembly passes Gov. Akpabio's N200m scandalous pension law.' Premium Times (10 April). Accessed April 2015 via: <http://www.premiumtimesng.com/news/161500-rubber-stamp-akwa-ibom-assembly-passes-gov-akpabios-n200m-scandalous-pension-law.html>

SSS (State Security Service) details and eight policemen (one of which must be a female, for house and personal security).

In stark contrast, over 9,000 pensioners in Kwara, who have each contributed 35 years of service to the state, have been battling for years to recover N1.68bn owed them by the Kwara State government. Cash-strapped and unable to pay salaries and pensions, the government slashed the already meagre pensions (some as low as N4, 000) of these retired civil servants by 50%. The pensioners took the case to court but lost, when the state appealed the initial judgment.⁶¹

In the meantime, the controversial pension law is already being enforced, with instances of former governors also receiving additional remuneration and benefits even while they have been elected into a different political office at the federal level (such as the Senate).

CASE STUDY

THE MISMANAGEMENT OF RESOURCES SUSTAINS INEQUALITY










Eno is 18 and pregnant. She lives in Igwokpom-Opolom, in oil-producing Akwa Ibom State. A one-room health post—popularly called “drug store” (– is the only primary healthcare facility in this community of 5,000 people, where over 2,000 are women.

The nearest health centre is in Ukpenekang, the local government headquarters—a journey that involves a boat, then motorbike ride. Eno can neither afford the cost of the journey nor the distance so she uses the services of a traditional birth attendant. At her last delivery, Eno was detained by the midwife for over a week until she paid the N1, 000 (\$5) delivery fee.

While a proposed review of the pension law for Eno's former state governor would have entitled him and his family to about N100 million for health care annually paid from state resources, pregnant women like Eno cannot afford N1000 for maternal services. In the 2007 budget for Eno's home State of Akwa Ibom, N4.2 billion was allocated to the Health Ministry but actual disbursement stood at N300 million as of 31 August 2007. The implementation of schemes such as Free Healthcare for Pregnant Women and Children under Five Years, to which N1 billion was allocated, has suffered setbacks. Eno's inability to access quality, safe childbirth services, adequate and affordable emergency obstetric care, despite living in an oil-producing state rich in fiscal revenue places this teenager at risk of maternal mortality and low life expectancy.

⁶¹ Olawoye, R.K. (2014). 'Senator Saraki Must Emulate Akwa Ibom Governor And Reverse Kwara Obnoxious Pension Law.' Sahara Reporters (6 June). Accessed April 2015 via: <http://saharareporters.com/press-release/press-release-senator-saraki-must-emulate-akwa-ibom-governor-and-reverse-kwara-obnoxio>

STATES' PARIS CLUB REFUNDS

States	Paris Club Refund Tranche 1
AKWA IBOM	N14.50bn 
BAYELSA	N14.50bn 
DELTA	N14.50bn 
KATSINA	N14.50bn 
LAGOS	N14.50bn 
RIVERS	N14.50bn 
KADUNA	N14.36bn 
BORNO	N13.65bn 
NIGER	N13.41bn 
JIGAWA	N13.22bn 
** ONDO	N13.03bn 
IMO	N13.02bn 
BAUCHI	N12.79bn 
BENUE	N12.75bn 
SOKOTO	N11.98bn 
OSUN	N11.74bn 
ANAMBRA	N11.39bn 
EDO	N11.33bn 
CROSS RIVER	N11.30bn 
KOGI	N11.21bn 
KEBBI	N11.12bn 
OGUN	N10.68bn 
ABIA	N10.63bn 
PLATEAU	N10.50bn 
ZAMFARA	N10.12bn 
YOBE	N10.07bn 
ENUGU	N9.97bn 
KWARA	N9.19bn 
EKITI	N8.88bn 
NASSARAWA	N8.46bn 
EBONYI	N8.39bn 
GOMBE	N8.32bn 
OYO	N7.21bn 
ADAMAWA	N4.89bn 
TARABA	N4.20bn 

Federal Government has been providing support to state governments recently and there has hardly been any record of accountability.

Source: @AsoRock

CORRUPTION AND CRONYISM DECIMATE OIL GAINS AND THE COMMON WEALTH

About 80% of the Nigerian government's revenue comes from oil. Just as significant are the funds Nigeria continues to lose from its oil industry. According to the Nigerian National Petroleum Corporation (NNPC), Nigeria lost \$3.9bn (N858bn) to pipeline vandalism and grand crude oil theft between 2013 and 2015.⁶²

Records indicate that NNPC officials withheld an estimated \$12.3 billion from the sale of 110 million barrels of oil over ten years from a single oil block controlled by a subsidiary.⁶³ The Nigeria Extractive Industries Transparency Initiative (NEITI) reports that Nigeria lost about 160 million barrels of crude oil (worth \$13.7 billion) due to theft between 2009 and 2012. Industry stakeholders estimate the volume of crude theft from pipeline vandalism alone at between 250,000 and 400,000 barrels per day, which is the combined production capacity of Ghana, Gabon and Equatorial Guinea.

Across the board, between 1960 and 2005, about \$20 trillion was stolen from the treasury by public office holders, according to the Economic and Financial Crimes Commission (EFCC).⁶⁴ In 2007 the EFCC announced that it had built watertight cases against 30 state governors. However, none has been successfully convicted and sent to jail. Most telling was the N32.8 billion police pension fund theft trial of John Yakubu Yusufu. Despite his admission of fraud, he walked out of court free after paying a paltry N750, 000 in fines.⁶⁵

THE NIGER DELTA

Analysts believe that had the vast resources allocated to develop the Niger Delta since the 1990s been used judiciously for their intended purpose, the region would be at par with the United Arab Emirates, in terms of infrastructural development.

Since Nigeria's return to democracy in 1999, monetary allocations to the oil-rich Niger Delta have come through multiple streams. Resources from federal allocations; the 13% of oil revenues which goes to the Niger Delta based on the principle of resource derivation; special interventions from the Niger Delta Development Commission (NDDC) and the Ministry of the Niger Delta, paid indirectly to oil-producing communities through royalties, patronages, and negotiable community levies by international oil companies (IOC) have all done little to improve the well-being of host communities.

Total revenue from the Federation Account to the Niger-Delta states of Rivers, Bayelsa, Akwa Ibom, Delta and Edo totalled N5.9 trillion between 2000 and 2015. and in line with the implementation of the 13% derivation formula as shown on Figure 4 below

Despite these revenue streams, environmental pollution and degradation, gas flaring, acid rain, coastal erosion, lack of infrastructure, very poor human developmental indices and inter-tribal clashes persistently blight the region.

Stolen Funds



\$20 trillion
1960 - 2005

Between 1960 and 2005, about \$20 trillion was stolen from the treasury by public office holders



N32.8 billion

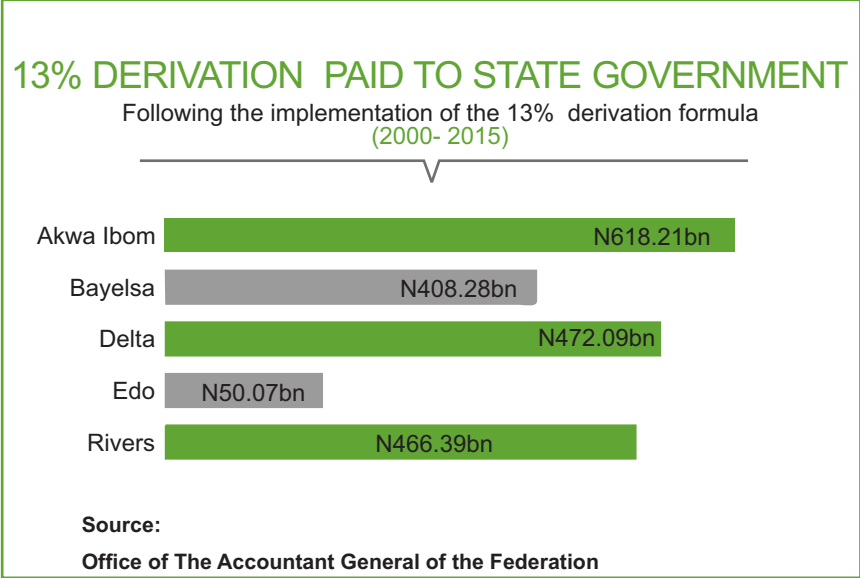
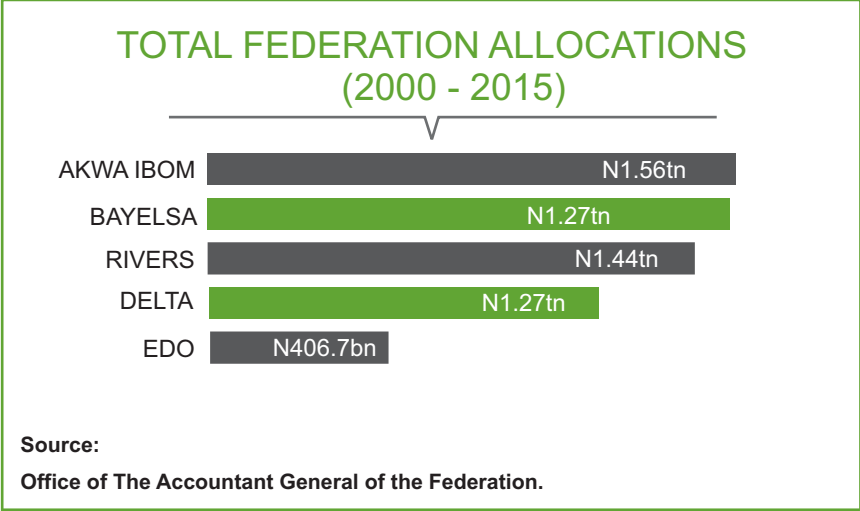
Most instructive was the N32.8 billion police pension fund theft trial, where John Yakubu Yusufu who admitted to fraud, walked out of court free after paying a paltry N750, 000 in fines.

⁶²How Nigeria Lost \$3.9bn to vandalism, oil theft via: <http://energynews-ng.com/how-nigeria-lost-3-9bn-to-vandalism-oil-theft/>

⁶³Inside NNPC Oil Sales: A Case for Reform in Nigeria, Natural Resource Governance Institute, http://www.resourcegovernance.org/sites/default/files/documents/nrgi_insidennpcoilsales_completereport.pdf, 2015

⁶⁴\$20trn stolen from Nigeria's treasury by leaders, via: <http://www.vanguardngr.com/2015/03/20trn-stolen-from-nigerias-treasury-by-leaders-efcc/>. Accessed October 2015

⁶⁵NIGERIAN WONDER: N27bn pension thief gets N750, 000 fine.' (2013). *The Punch* (29 January). Accessed September 2015 via: <http://205.234.252.102/~enownow/news/story.php?sno=11542>





A primary school for the children of the poor in the Oil-Rich Niger Delta

CASE STUDY

IN FOCUS: THE NIGER DELTA DEVELOPMENT COMMISSION (NDDC)

The NDDC was established in the year 2000 with the mission of “facilitating the rapid, even and sustainable development of the Niger Delta.”

In reality, at least 4,000 projects of the NDDC across the region have been abandoned, by the agency's own admission.⁶⁶ Often, rogue contractors discard the projects, in collusion with political leaders and NDDC officials. Developmental projects by the Niger Delta Ministry are known to have suffered the same fate.

The NDDC budgeted N3billion for the Ekeremor Shoreline Protection project in Bayelsa State, approving N450 million in 2010 and N150 million in 2011. Incidentally, the Ministry of Niger Delta Affairs budgeted N390 million for the same project in 2010, N10 million in 2011 and an extra N25 million in 2012.

“

Alesa, another community in the region, was given a budget line of N50million in 2011 for land reclamation in a community that is not riverine.

”

Alesa, another community in the region, was given a budget line of N50 million in 2011 for land reclamation in a community that is not riverine. This is a suspicious line item because only riverine communities are adjudged to be entitled to the land reclamation fee

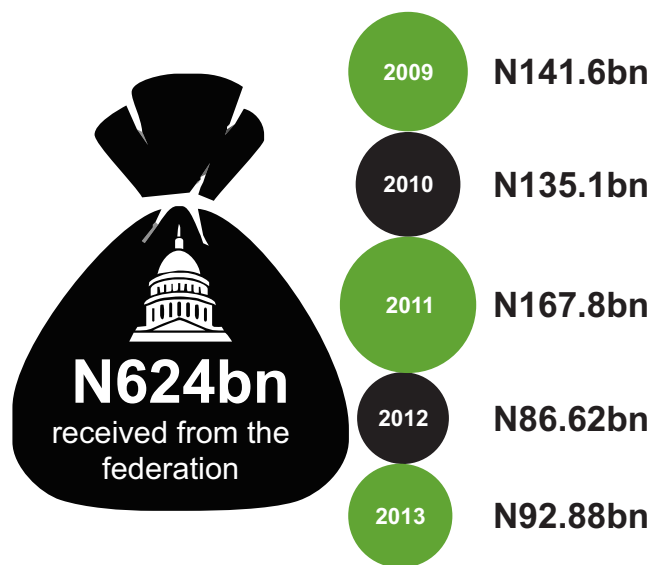
Evidence shows that on occasion, projects are re-entered into the books under different names: the Bayelsa State Government has budgeted N100 million for a project called “Okpoama Foreshore Canalisation,” while the NDDC also budgeted N2 billion for “Okpoama Shore Protection.”

This practice seems to be pervasive in capital projects for the region. In addition to the Niger Delta Ministry and the NDDC, the Niger Delta Basin and Rural Development Authority (NDBRDA) also carries out interventions in the Niger-Delta's communities. In 2013, the “Construction of Eleme Junction Flyover and Dualisation of the Access Roads to Onne Port in Rivers State (C/NO. 5899)” for N1 billion was a budget item under the Federal Ministry of Works. In 2014, the Niger Delta Ministry awarded a new contract for the same Eleme Junction Flyover for N43.6 billion and allocated another N11.2 billion to the same Eleme Junction in 2015.

From Biseni to Okolobiri, Sagbama to Twon-Brass Odioma and Sampou to Ekeki, projects for solar-powered street lights; the removal of water hyacinths from waterways; the supply of tricycles, motorbikes, sewing machines and boats to constituents have either been abandoned, or nobody ever knew about them. Notably, in various budgets, many projects with varied locations had the same sets of figures of N150 million, N90 million and N45.83 million, suggesting that costs were indiscriminately allotted to them in the budget without recourse to tenders, reference to Community Needs Assessments or feasibility studies.

⁶⁶ Ogunmade, O., (2014). 'Over 4,000 Projects Abandoned in Niger Delta, says NDDC Chair.' *ThisDay Live* (12 June). Accessed April 2014 via: <http://www.thisdaylive.com/articles/over-4-000-projects-abandoned-in-niger-delta-says-nddc-chair/180734/>


NEITI figures show that the NDDC received N622 billion from the federation in five years:




NOTE

N624 billion came from Federation Allocations, receipts from oil and gas companies and income from 'incidental activities.'

CORRUPTION IN THE NIGER-DELTA: A TALE OF THREE GOVERNORS




BAYELSA




Diepreye
Alamiyeseigha

September 2005: Diepreye Alamiyeseigha, governor of Bayelsa State arrested in London over corrupt practices



DELTA




James Ibori

2005-2006: Delta State governor James Ibori illegally transfers close to £20 million outside Delta State to the United Kingdom, using his sister Mrs. Ibori-Ibie, and mistress, Ms. Amaka Okoronkwo. He leaves office in 2007


April 2012: Ibori is sentenced to 13 years in prison by a London Crown Court, for fraud and money laundering pegged at US\$250 million.

2014: The UK government reveals that it confiscated £8million from Ibori, and that an additional £80million had been temporarily confiscated from Ibori and his associates, pending the outcome of a hearing in April 2015.⁶⁷

Ibori returned to Oghara, Delta State on February 4, 2017, received by a huge crowd, a sad commentary on the civic values in Nigeria



RIVERS STATE



Peter Odili

2006: Nigeria's Economic and Financial Crimes Commission (EFCC) reports that over N100 billion was diverted into private bank accounts during Governor Peter Odili's administration.

March 2007: The Rivers State Attorney General is granted a perpetual injunction restraining the EFCC from investigating the state government.

August 2012: Media reports state that the EFCC has abandoned Mr Odili's case, following "orders from above."

⁶⁷ 'UK to return £6.8m of Ibori loot to Nigeria.' The Vanguard (November 2014). Accessed September 2015 via: <http://www.vanguardngr.com/2014/11/uk-return-6-8m-ibori-loot-nigeria/>



Graduates of tertiary institutions also seem to be badly hit by unemployment too, making up about 20% of youth unemployment and often remaining unemployed for an upward of five years after graduation.

AMID EXTREME INEQUALITY, EDUCATION IS NO GUARANTEE OF EMPLOYMENT



Jobseekers at Nigeria's Immigration Service recruitment exercise, where stampedes resulted in deaths. Source: The News Chronicle
Photo by Kabiru Tsakuwa March 20, 2014

6.5m APPLICANTS

The desperation of Nigeria's unemployed was tragically demonstrated on 15 March 2014, when 6.5 million people nationwide stormed various recruitment centres for 4,000 vacant positions in the Nigeria Immigration Service.

DIS-EQUALISING GROWTH AND YOUTH UNEMPLOYMENT'

One of the consequences of the mismanagement of the nation's resources is high unemployment levels, especially among the youth, because insufficient resources are allocated to the creation of new employment opportunities. This situation is aggravated by a difficult business environment (in 2015, Nigeria ranked 169 out of 189 countries on the Ease of Doing Business Index)⁶⁸ and the absence of infrastructure, which disincentivise domestic investment and induce capital flight. For example, between 2009 and 2011, over 800 businesses were shut down due to harsh operating environments. More than half of the surviving firms were classified as ailing, with a capacity utilisation of between 30 and 45%.⁶⁹ In the Toiletries and Cosmetics (T&C) Group of the Manufacturers Association of Nigeria (MAN), it is reported that 130 manufacturing firms have closed down since 2001. In 2014, the banking sector witnessed a chain of job losses totalling over 6,000.⁷⁰ A total of 22.4 million persons remained unemployed as of the last quarter of 2015, with 500,000 job losses in the banking sector alone feared in the first quarter of 2016.⁷¹

16 JOBSEEKERS DIED

Following the stampede that ensued in the process, no one was held accountable for this tragedy.

Against this backdrop, Nigeria's youth constitute about 48% of the population, amounting to about 80 million people. Every year, at least around 1.8 million youth enter Nigeria's labour market. Though the Nigeria Bureau of Statistics put the youth unemployment rate at 12.1% in the first quarter of 2016, independent sources put the figure at 21.5% in the first quarter of 2016.⁷²

⁶⁸ World Bank Ranks Nigeria Low on Ease of Doing Business, This Day Live, April 16 2016

⁶⁹ 800 companies shut down in 3 years, says NACCIMA' (2012), Premium Times (11 September). Accessed April 2015 via: <http://www.premiumtimesng.com/business/99757-800-companies-shut-down-in-3-years-says-naccima.html>

⁷⁰ Alawiye A. (2014) 'Bank workers live in fear as job losses continue', The Punch, (5 February)

⁷¹ Government helpless as massive job loss hits banking industry, Chima Nwokoji, Lagos Nigerian Stock Market Analysis, June 6th 2016, accessed at <https://trwstockbrokers.wordpress.com/2016/06/06/government-helpless-as-massive-job-loss-hits-banking-industry/>

⁷² Nigeria Youth Unemployment Rate-<http://www.tradingeconomics.com/nigeria/youth-unemployment-rate>

Unemployment affects both educated and uneducated youth. Between 2008 and 2012, over half of unemployed youth did not have an education past primary school. This particular group has consistently accounted for over 50% of unemployed youth. Graduates of tertiary institutions are also affected by unemployment, making up about 20% of youth unemployment and often remaining unemployed for an upward of five years after graduation.

Several factors are said to be at play in the worsening unemployment situation in Nigeria. As already stated, the harsh operating environment is one factor, compounded by macro-economic challenges related to exchange rates and availability of foreign exchange for the importation of raw materials. Added to this is the expressed need to optimise cost and maintain shareholder value, to the detriment of workers' incomes and jobs by the private sector. Finally, the most concerning are media reports confirming that the chain of job losses are linked to stupendous benefits going to CEOs especially in the banking sector, as well as huge bank loans gone bad, some of which were availed political elite to finance failed election bids.⁷³ A chain of bank retrenchments have resulted, with bank workers having to bear the brunt. The consequence of a combination of these factors is the continued rising youth unemployment with its attendant social and security risks.

The desperation of the unemployed has reached extreme levels, and this was tragically demonstrated on 15 March 2014, when 6.5million people, mostly youth nationwide, stormed various recruitment centres for 4,000 vacant positions in the Nigeria Immigration Service. At least, 16 jobseekers died in the stampede that ensued during the process. From 2015 to 2016, the situation continues to worsen rapidly.

Understandably, politics, from the local, state or federal levels, is perceived as a ticket to quick wealth in Nigeria. This is the underlying cause of violence in elections for which unemployed youth are recruited and deployed. Many of them tragically lose their lives in the process, without realising that they are fighting to ensure the political elite retain their hold on power and privileges, to the detriment of these youth and many others in Nigeria.

As a Nigerian elder statesman said, "The Youth are the foundation of every society. Their energy, inventiveness, character and orientation define the pace of development and the security of a nation. Through their creative talents and labour power, a nation makes giant strides in economic development and socio-political attainments. On their dreams and hopes, a nation finds her motivation; on their energies, she builds her vitality and purpose. And because of their dreams and aspirations, the future of a nation is assured". Without urgent policies that translate to tangible opportunities for the vast majority of Nigerian youth, a melding of gender inequality, regressive taxation, astronomical cost of governance sustained by elite capture and corruption will continue to exacerbate inequality with attendant unemployment, poverty and huge insecurity. The future of Nigeria and indeed Africa remain uncertain.

⁷³ Bank Cowboys, Ngige and our deposits, Conversations with Azu, Leadership Newspaper, 8th July 2016, back page

CHAPTER 5

REDUCING INEQUALITY THROUGH POLICY AND
POLITICAL CHOICES

REDUCING INEQUALITY THROUGH POLICY AND POLITICAL CHOICES

The rising level of inequality within Nigeria poses a growing threat to its unity and growth with equity and poverty reduction. However, deliberate policy interventions and political commitment, backed by an active, vibrant civil society and enlightened, proactive citizens can break the cycle.

Nigeria's lauded economic growth will remain meaningless to the larger population unless the government initiates strategic shifts in policy development, management, enforcement/implementation and evaluation. Tangible changes will only arise from political actions that understand the imperatives of wealth creation and redistribution to the majority of Nigerians who form "the 99%."

POLICY RECOMMENDATIONS

GENDER INEQUALITY

There is a need to strengthen policies and laws that promote gender equality in Nigeria

Gender equality is about empowering the Nigerian women to live free from violence and discrimination, participate in decision making, and exercise their full economic rights to productively contribute to nation building.

The consensus is that no economy can grow to its full potential if its women remain unequal to men. Gender empowerment must be addressed at three central levels—household, market and society. When women have equal access to job opportunities and equitable markets, they work and produce more. This leads to higher incomes, purchasing power and savings. Better education and health for women improves their well-being, boosting their children's quality of life and ensuring greater productivity for economic growth and poverty reduction.

Women's rights, when promoted and protected, have far-reaching, positive multiplier effects on society. There is the need to change social norms attitudes and beliefs concerning the role of women in the society

The following prerequisites are pertinent to creating a more gender equal Nigeria:

There is an urgent need to support and, where necessary, kick-start the implementation of the provisions of three key national gender main streaming documents:

The National Gender Policy 2014 (as reviewed), with its strategic framework and guide to action.

The Violence against Persons Prohibition VAPP Act 2015, which aims to prohibit various types of violence including physical, sexual, psychological, domestic, harmful traditional practices and discrimination against persons. The Act, if stringently implemented, will give maximum protection and effective remedies for victims of violence, while providing for adequate sanctions for offenders.

The Gender and Equal Opportunity Bill, which concerns the protection of the rights of women within and outside marriage, covering aspects of inheritance, sanctioning violators and giving women equal access to opportunities and services in education, employment and healthcare, as well as social and political participation. Unfortunately, it did not pass a second reading at the Senate, in March 2016.⁷⁵ It is recommended that the most pertinent aspects of this bill are revisited, and passed through the legislature again, with a wider consultation and consideration of its inherent benefits.

Women's full participation in political spaces, from grassroots to federal level requires targeted action. This could be in the form of constitutional amendments to formally adopt the proportional representation of women in state and federal parliaments. Political parties could also be mandated to review their constitution to provide for and implement quotas for women, in line with the 35% prescribed in the National Gender Policy.

Also recommended are economic and political policies that ensure compensation for unpaid care; promoting and ensuring women's access to land; specifically addressing the exploitation of women by employers via poor wages, discrimination based on marital status and pregnancy, as well as insecure casual employment and unsafe work conditions. To support evidence-based policy-making, periodic data collection and analysis can provide insights into the impact of political, economic and corporate policies on the quality of life for women in Nigeria.

To promote entrepreneurship in women, Nigeria should consider establishing a Women's Bank, where women can access collateral-free loans to operate micro and small enterprises. Such a bank would ultimately serve to correct the imbalance and inequality created by a traditional system that hands immovable assets only to husbands, brothers and fathers.

The private sector has a key role to play in making deliberate policies that remove the barriers to women's economic participation from the boardroom, the factory floor, supply chains, down to communities that host private sector activities.

ECONOMIC INEQUALITY AND FISCAL JUSTICE.

Retrogressive taxation, unfair tax practices, unnecessary tax waivers and loopholes in Nigeria's tax laws that allow for tax avoidance should be eradicated from all tiers of government. To achieve this, the following are recommended:

Progressive taxation should be embraced, to halt the current regime whereby a disproportionate amount of taxes are inflicted on, and collected from middle and lower-income earners. Tax collection mechanisms should be strengthened, to ensure that every sector, citizen and institution is tax-compliant.

Nigeria's tax policy should be should be progressive but not punitive, ensuring that more citizens and institutions pay in line with their earnings. Most importantly, tax for services agreements must become the norm in Nigeria, ensuring transparency, accountability and effective service delivery to citizens, as obligated by the Social

⁷⁵ Payton, M. (2016). 'Nigerian Senate votes down gender equality bill due to 'religious beliefs.'" *Independent UK* (17 March). Accessed May 2016 via: <http://www.independent.co.uk/news/world/africa/nigerian-senate-votes-down-gender-equality-bill-due-to-religious-beliefs-a6936021.html>

Contract. Deliberate measures to build levels of trust between government and citizens is essential for voluntary tax compliance.

Trade unions should look beyond organised labour in the formal sector, to include workers in the informal sector. An organised labour movement in the informal sector can bring legal pressure to bear on government and its policies, beginning with taxation and accountability. Nigeria's informal sector, already suffocating under relentless multiple taxation and illegal levies, should be willing to be integrated into a movement of well-informed citizens who adhere to their tax paying obligations and can therefore leverage same as a basis to demand services for taxes paid and accountability from political office holders and public servants.

While tax incentives are necessary to encourage growth in sectors of the economy central to job creation, these must be carefully deliberated, monitored and routinely audited, to ensure a robust cost-benefit analysis. It is imperative to review existing policies on tax waivers, to ensure that cases of abuse are effectively dealt with. In periods of uncertainty in the international oil markets, this will increase the availability of resources to a Nigerian government in dire need of funds for financing development sustainably. Recent statements by the House of Representatives showing cognizance of these dynamics are heartening.

In September 2013, governments of the G20 commissioned the OECD to develop a plan to combat Base Erosion and Profit Shifting (BEPS). Although initiated by members of the G20, the African Tax Administrator's Forum (ATAF) and its members (including Nigeria) were involved in the project through various committees. With the release of the final BEPS recommendations, it is expected that African countries will start to work on implementing the recommendations. While some of the BEPS-driven changes to international tax rules will automatically take effect in Nigeria, others will require legislative changes to become effective.

The Federal Inland Revenue Service (FIRS) should intensify its clampdown on tax avoidance and evasion by multinational corporations operating in all sectors of the Nigerian economy. This calls for a strengthening of the capacity of tax authorities to effectively deal with technical issues related to tax avoidance through BEPS and other sharp practices eating away at the country's revenue base. Nigeria, as a member of the Africa Tax Administration Forum (ATAF), could lean on the recent experiences of Kenya, which rolled out initiatives that resulted in a 65% increase in tax revenue for that country.

Oxfam continues to campaign for an opening up of the G20 tax reform process to developing countries, where all can agree to a new package of reforms that ensures all countries – rich and poor – can claim the tax revenues owed to them.

In the interim, Nigeria should continue to step up its homegrown efforts at investigating and deterring entities that practice BEPS tax strategies. Exemplary punitive measures should be, specifically, legally provided for and enforced on guilty firms and the individuals that represent them, irrespective of nationality or social standing.

UNEMPLOYMENT AND CIVIC INCLUSION

The government must take seriously the unemployment crisis affecting the country and in particular its young population. On one side, it must ensure that those who do work do so under safe conditions and perceive a minimum wage. On the other side, the government should seek to harness the entrepreneurial spirit of Nigerians. This should start with a comprehensive assessment of the needs of Nigeria's MSMEs, identifying locational and socio-cultural factors that have constrained their growth. MSMEs can play a key role in creating new job opportunities and driving inclusive growth.

What could a reduction in the large convoys of Nigeria's political office holders do for millions of Nigerians living in poverty?



If the large number of convoys of political office holders are cut to 2-3 vehicles, this can save up to N1bn.



N1bn would build 50 furnished schools at N20m each

Reviving local manufacturing is key to reducing the nation's high unemployment figures. Deliberate efforts should be made to woo back manufacturing companies that have moved to neighbouring countries and top priority should be accorded to increasing the local content of production quota in relevant industries. In the fast-growing telecoms sector, for example, specific policy measures could focus not just on expanding the manufacture and printing of mobile phone recharge cards in Nigeria, but also on localising the entire mobile phone value chain. Initiatives such as these will be suitably served by the natural interests and skills of the youth, creating millions of jobs for this teeming demographic.

Job flight and businesses' divestment out of the Nigerian economy must be treated as a national emergency. Structural bottlenecks hampering the role of the private sector should be eradicated, to enable a broader economic revenue base and raise employment rates.

Industrial clusters and technology centres should be established, where young Nigerians can test their ideas. Research and development in universities should be well-funded, and start-ups provided with venture capital.

Reverse brain drain should be encouraged, to tap into the abundant engineering and ICT talents who can build cable, telecom and satellite networks as well as terminals, transmission systems and servers. Nigeria should harness the energy of its existing ICT start-ups, steering them towards the local production of multimedia books, indigenous video games and apps, thereby laying the foundations for Nigeria's own Silicon Valley.

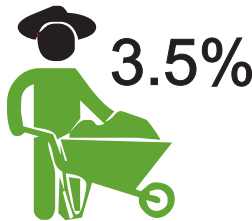
ADDRESSING CORRUPTION

Corruption and the attendant necessity for money laundering are conduits for Illicit Financial Flows out of Africa. Despite the change of guards from military to democratic rule, corruption remains the biggest obstacle to Nigeria's immediate and long-term development. The fight against corruption will not be effective without adequate political will, and the Nigerian government must continue to lead the way in this regard, particularly as suggestions have been made for the use of special courts to speedily prosecute cases of corruption.

Across the world, the slower the wheels of justice turn, the more open to manipulation judicial processes become, as the law loses its bite. In the meantime, all institutions and agencies relevant to the fight against corruption must be enabled

and supported to independently live up to their mandate. To record timely success in the battle against Inequality, all recovered funds looted through corruption must be plowed back into the exact social sectors which have immediate positive impacts on the poorest segments of society, in a transparent and accountable manner.

Citizen and civil society activism must specifically push for a full-length investigation of the 16-year period since Nigeria's return to democratic rule, to unearth acts of corruption and sabotage, with a view to recovering all stolen funds.



Of an estimated 20 million commercial farmers in Nigeria, only 700,000 (3.5%) have accessed agricultural insurance.⁷¹

ADDRESSING POLITICAL/ELITE CAPTURE AND THE HIGH COST OF GOVERNANCE

To create an enabling environment for the brand of sustainable wealth creation that lessens the inequality gap, urgent steps must be taken to bring down the astronomical cost of governance in Nigeria. It remains indefensible that a large percentage of the budget goes to paying fat remunerations to a small number of the political elite and public office holders, given the existing high levels of unemployment, maternal mortality, out-of-school children and multi-dimensional poverty. These resources could rather improve the living standards of millions of Nigerians by funding healthcare, education as well as the provision of water, sanitation services, and other non-negotiable infrastructure.

A systematic review of the motley pension laws in states that constitute a drain on public resources for the benefit of a few should be carried out, with any such unearthed laws summarily reversed. Where necessary, public hearings on these developments should be the norm, and where abuse of office and breach of the law are identified, those responsible should be held accountable.



Nigeria spends at least N1trillion annually importing rice, sugar, wheat and fish.

Simultaneously, the policy-making processes and institutions responsible for translating public policies into practice need to be safeguarded from political capture by vested interests in Nigeria. In particular, campaign financing must receive additional scrutiny, to prevent the nation's democracy from being sold to the highest bidders who receive payback from the public purse when those they have sponsored assume office.

The feasibility of, and legal parameters for crowd funding and regulated public sector financing for political campaigns should be explored, and made the preferred approach. This would be in addition to reforming associated existing regulatory and budget processes. The finer points of Nigeria's democratic governance and policymaking process must be structured afresh (as/where needed), regulated and consistently updated in such a manner they perpetually work for the common good, reflecting the interests of all Nigerians. This is the sole way through which the growth of the economy will be fed via equal opportunities for, and the participation of all, leading to inclusive prosperity for the majority.

SUPPORTING SMALL-SCALE FARMERS WHO PRODUCE OVER 80 PERCENT OF TOTAL AGRICULTURAL OUTPUT

Agriculture holds the most potential to speedily transform the nation's mono-product economy into a varied one and large-scale agricultural industrialisation will guarantee food security, employment, equality and social inclusion, especially for women and young people.

The ability of the sector to play this role depends on the political will of the government to achieve the following:

Increased investments in the sector, in line with Nigeria's commitment to the Maputo Declaration on Agriculture and Food Security in Africa. This will ensure adequate resources are available to small-scale farmers who produce over 80% of the food consumed in Nigeria, increasing productivity and employment rates, reducing poverty and ultimately enhancing food security for the continent's most populous nation.

Review all government policy incentives aimed at promoting agriculture-related exports and local agricultural production, including the Export Expansion Grant (EEG) and the Growth Enhancement Scheme, to identify and eliminate bottlenecks, abuses and corrupt practices.

Immediate attention should be paid to agriculture insurance. Of the estimated 20 million commercial farmers in Nigeria, only 700,000 (3.5%) have accessed agricultural insurance in the last five years as of 2014, implying over 19 million farmers are still unserved.⁷⁶

A revival of the Nigerian Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL), designed by the Central Bank, to lower lending risk, credited with lifting lending to the sector to about 4% of banks' total loans (from the average of 1.5%), the scheme puts money in the hands of thousands of smallholder farmers, input producers, agro-processors and other stakeholders in the agricultural value chain. Special efforts should be made to ensure small-scale women farmers have easy access to the fund.

PROMOTING/ENCOURAGING ACTIVE CITIZENSHIP

Every citizen needs to become a stakeholder in the Nigeria project; as tax payers, employers/employees, men or women, young and old. Civic education, only recently reintroduced in 2009 into primary and secondary school curricula, should be maximally deployed, to build grassroots movements with the aim of instituting a new leadership culture where citizens are capable of taking responsibility for themselves and their communities. Civic education must emphasise the budget's indispensable role as a major instrument that translates government policies into developmental progress. When closely monitored and routinely audited, budgets – as well as other associated public finance tools - support the fight against corruption mainly by preventing it, improving transparency and public accountability.

⁷⁶ 19 million farmers shut out of Agric. insurance.' *Business Day* (March 2014). Accessed September 2015 via: <http://businessdayonline.com/2014/03/19-million-farmers-shut-out-of-agric-insurance>

Citizen participation will put an end to the ritual of passing budgets that have no bearing on the actual needs of the people. Citizen activism should be more broad-based, with the creation or resumption of government interventions that guarantee the public's inclusion in state and local government budget preparation and monitoring. Nigerians should be empowered to participate in budget hearings, budget town hall Meetings, the conducting of community needs assessments, and finally in monitoring, to ensure that budgets are implemented as planned, with minimal leakages. Community-based organisations, trade associations, market unions and women groups should be mobilised to become collectives of active citizens whose voices should matter in the management and disbursement of public finance. Nigeria needs more of its people willing not only to keep an eye on political developments, but also able to articulate a concerted, community response, whenever any aspect of the social contract has been breached.

The spirit and letters of the Nigerian constitution spell out this social contract. Section 16 (1) states that: "the State shall, within the context of the ideals and objectives for which provisions are made in the Constitution: (a) harness the resources of the nation and promote national prosperity and an efficient, dynamic and self-reliant economy; (b) control (the) national economy in such a manner as to secure the maximum welfare, freedom and happiness of every citizen on the basis of social justice and equality of status and opportunity; and (c) that suitable and adequate shelter, suitable and adequate food, reasonable national minimum living wage, old age care and pensions, and employment, sick benefits and welfare of the disabled are provided for all citizens."

It is only in this manner that Nigeria can build a truly inclusive society where all citizens have uniform opportunities to realise their full potential, attain the highest possible quality of life and live above exclusion and discrimination. Only then can it be said that inequality is effectively and sustainably reduced.

EVEN IT UP |  **OXFAM**