**CORRUPTION AND COST OF GOVERNANCE:**

**NEW IMPERATIVES FOR STATE GOVERNMENTS**

1. **About the NGF**

* Nigeria Governors’ Forum (NGF) is a not-for-profit and non-partisan Forum of the 36 democratically elected Governors of the States of the Federation, established in 1999.
* Our vision as a Forum is to promote inclusiveness, democratic values, good governance and sustainable development, actively and effectively at the sub-national level. Over the years, the Forum has evolved to become a veritable platform to leverage the potentials inherent in Nigerian States to address critical issues of sub-national and national importance.
* **The NGF Secretariat is the technical and administrative arm of the Forum. It operates as a policy hub that provides administrative, research and technical support to the Forum in carrying out its strategic objectives.**
* **To deliver on its mandate as a policy hub that supports subnational development, the Secretariat has instituted several sector-focused technical assistance and advocacy programmes and projects to drive reforms in Health, Education, Agriculture, Economy, Anti-Corruption, Peace and Security, etc.**
* Over the years, the NGF Secretariat’s capacity and reach has evolved remarkably in providing technical services to the States including trainings, research, peer learning, and technical advisory**.**

**2.0 Cost of Governance and The Popular Rhetoric of Cutting Down “Waste”**

* **Nigeria operates a federalist system and a fiscal federalism structure which gives expenditure responsibilities and tax assignments, inter-governmental fiscal transfers, and a fiscal policy framework to the federal and sub-national governments**.
* **Government fiscal operations (especially expenditure) are predicated on annual appropriation which become law once passed by the State House of Assembly and assented to by the Governor. However, there are other laws and regulations that guide government spending including procurement activities, which is the popular nest point for corrupt practices**.
* **The size of the annual budget dictates the cost of governance covering recurrent and capital expenditure. Note that it has become practice for government (State and FG) to increase its budget annually regardless of whether government revenues increase proportionately or not. The deficit is often catered for through domestic and foreign borrowing**.
* **The Nigerian governance system has been adjudged by many scholars as one of the most expensive in the world, with recurrent expenditure consistently amounting for between 35% - 90% of the total budget. Likewise, the personnel cost of government has been on the rise since 2017 with an annual average growth rate of 11% year-on-year**.
* Arguments have been made for government to cut down on its costs by eliminating duplicated functions performed by multiple MDAs.
* Others argue for government to proactively address leakages by way of revenue theft/diversion or corrupt practices such as inflated or clientelist contracts.

**3.0 Trend of the Cost of Governance in Nigeria**

* **Actual total expenditure of State governments declined by 4% (NGN223,756,575,866.82) between 2018 and 2020.**
* **Actual total personnel cost (% Total expenditure) however, remained on the increase with an annual average growth rate of 11% between 2018 and 2020.**
* All States have had to leverage FGN bail-out/fiscal relief at some point to meet recurrent costs between 2015 – 2020.

**4.0 Corruption Perception at State-Level is Still a Concern**

* It is an antisocial behaviour conferring improper benefits contrary to legal and moral norms, and which undermines the authorities' capacity to secure the welfare of all citizens (Aluko, 2009).
* **Corruption can also be perceived to be the abuse of public office to the extent that one exploits it for private gain e.g. When an official accepts, solicits or extorts a bribe** (Van Duyne and Harvey, 2021).
* **Public office can be abused for personal benefit even if no bribery occurs, through patronage and nepotism, the theft of State assets, or the diversion of public resources** (Agbu, 2003).
* **Corruption widens inequality, social division, exacerbates poverty, prevents efficient and effective resource planning/allocation and impacts investors’ confidence hereby compromising economic growth. It also increases cost of governance (inflated contracts, double expenditure due to non-delivery of services procured, etc.).**
* The 2019 United Nation Office on Drugs and Crime (UNODC) report on corruption in Nigeria states that 20,790 (63%) of 33,000 respondents surveyed across the country said corruption was a common practice with the public service.
* In the past, corruptions charges have been brought against different arms of government and various grade levels in the civil or public service – Political Office Holders (Including Governors, Ministers, etc.), Judges, Law enforcement, Administrators of MDAs, etc.
* **An assessment of our Corruption Perception Index reveals that Nigeria ranked 144 in 2018 and worsened in 2019 and 2020 at 146 and 149 respectively out of 180 countries (Transparency International, 2020).**

**5.0 Recent Corruption Trend**

* **Of a total of 22 embezzlement, 9 corruption, 13 money laundering, 16 fraud (including fuel subsidy) active cases surveyed by Van Duyne and Harvey (2021) in their report on Grand Corruption in Nigeria[[1]](#footnote-1), political office holder accounted for 12 embezzlement, 5 corruption, 6 money laundering and 1 fraud case. The recruitment process for political leaders are in themselves expensive and clientelist hence, pressure to recover such investment or reward with political patronage.**
* United Nations Office on Drugs and crimes (UNODC) in its 2019 report on Corruption in Nigeria, opined that:
* **Three out of the country’s six zones - North-East (35.3% -31.9%), North-West (36.2% - 25.2%) and South-West (32.8% - 31.4%) recorded decreases in the prevalence of bribery between 2016 and 2019.**
* The North-Central (29.1% - 32.6%), South-East (24.4% - 25.9%) and South-South (33.9% - 35.4%) zones recorded further increases in the prevalence of bribery.

**6.0 Some of The Public Sector Reforms at State-Level to Address Cost Governance and Corruption**

* **Harmonisation of MDAs with duplicate functions.**
* **Passage of Public Procurement Laws (in line with the UNCITRAL Model Law) by at least 28[[2]](#footnote-2) States to establish an independent public procurement agency and entrench modern procurement practices that deliver efficiency, effectiveness, transparency and value for money in public procurement.**
* **Deployment and adoption of an e-procurement system by at least 30[[3]](#footnote-3) States. The system will avail citizens with all contract information at every given procurement stage and period and in a format (Open Contracting Data Standard format) that will ease accountability.**
* **At least 27[[4]](#footnote-4) States have linked Bank Verification Number (BVN) data to at least 75% of current civil servants and pensioners on the payroll and addressed identified payroll fraud.**
* **Online publication of Annual Budgets, Quarterly Budget Implementation Reports, Audited Financial Statements, by ALL State governments. Hence, citizens can now access and assess government budgets as well as final statements (including quarterly budget performance reports and annual audited financial statements). This is expected to increase government accountability to the people and curb wasteful spending as well as corruption**.
* **At least 7 [[5]](#footnote-5)States have an established and functional State-level Treasury Single Account (TSA) backed by a formally approved cash management strategy**.
* **At least 33[[6]](#footnote-6) States are in the process of passing new/amended audit laws to guarantee the Independence of the Offices of the Auditor General for State and Local Government: This will avail the offices the required autonomy as advised in the provision of Sections 125 – 127 of the 1999 Constitution of the Federal Republic of Nigeria and the ISSAI - The 10 Mexico Declaration on the Independence of Supreme Audit Institutions.**
* At least 7[[7]](#footnote-7) States have established several processes, systems, and policies to reduce their stock of domestic arrears.
* **At least 25[[8]](#footnote-8) States have enacted fiscal responsibility and public debt laws to guide debt contracting and reporting as well as fiscal and debt rules and/0r limits.**

**7.0 Other Key Considerations for State Governments to Deepen Reform Efforts**

State governments have embarked on various reforms to improve public expenditure management and eliminate opportunities for corruption, the following key considerations can be considered to deepen past efforts:

* **Reduce the influence of clientelism and political patronage in civil service recruitment to effectively curb unregulated recruitments that leave the civil service over bloated.**
* **Integration of an HR module with existing Integrated Financial Management Information System (IFMIS) in most States, to automate payroll management and reduce human interference for payroll alterations. Most State IFMIS are solely used for budgeting and treasury operations only.**
* **Active engagement of fiscal documents and reports by citizens and the civil society will motivate greater accountability by government.**
* **Continuous payroll audits and verification across all State MDAs will periodically weed out ghost workers in the payroll system.**
* **Extend project monitoring and evaluation responsibility to citizens for mutual and greater accountability e.g., Kaduna State Eyes and Ears (**[**https://kadunaeyesandears.org/**](https://kadunaeyesandears.org/)**).**
* **Develop and operationalise a whistle-blower policy. Employees are usually the first to recognise wrongdoing in the workplace. Empowering them to speak up without fear of reprisal can help authorities both detect and deter violations. In the public sector, protecting whistle blowers can make it easier to detect passive bribery, the misuse of public funds, waste, fraud and other forms of corruption.**

**The OECD has a lot of resources on this at** [**https://www.oecd.org/gov/ethics/whistleblower-protection/**](https://www.oecd.org/gov/ethics/whistleblower-protection/)**.**

* **Establish a functional state-level Treasury Single Account (TSA) backed by a formally approved cash management strategy.**

1. N.B: Data reported relates 60 active cases with NFIU, EFCC, ICPC selected from a Compendium of 100 High-profile Corruption Cases compiled by Human Environmental Development Agenda (HEDA) [↑](#footnote-ref-1)
2. Abia, Bauchi, Kaduna, Kogi, Niger, Oyo, Taraba, Sokoto, Katsina, Jigawa, Gombe, Plateau, Benue, Cross River, Akwa Ibom, Anambra, Delta, Edo, Ekiti, Osun, Ondo, Lagos, Kano, Kebbi, Imo, Zamfara, Ebonyi and Ogun State. [↑](#footnote-ref-2)
3. Abia, Adamawa, Akwa Ibom, Bauchi, Bayelsa, Benue, Borno, Delta, Ebonyi, Edo, Ekiti, Enugu, Gombe, Jigawa, Kaduna, Kano,Kebbi, Kogi, Kwara, Lagos, Nasarawa, Niger, Ogun, Ondo, Osun, Oyo, Plateau, Sokoto, Yobe and Zamfara State [↑](#footnote-ref-3)
4. Abia, Adamawa, Akwa Ibom, Kaduna, Oyo, Bauchi, Benue, Borno, Cross River, Delta, Ebonyi, Edo, Ekiti, Enugu, Gombe, Kebbi, Kogi, Kwara, Lagos, Nasarawa, Niger, Ogun, Ondo, Osun, Plateau, Sokoto and Yobe State. [↑](#footnote-ref-4)
5. Bayelsa\*, Benue, Gombe Jigawa, Kaduna, Kogi and Osun State [↑](#footnote-ref-5)
6. Abia, Adamawa, Akwa Ibom, Bauchi, Bayelsa, Borno, Cross River, Delta, Ebonyi, Edo, Ekiti, Enugu, Gombe, Imo, Jigawa, Kaduna, Kano,  Katsina, Kebbi, Kogi, Kwara, Lagos, Nasarawa, Niger, Ogun, Ondo, Oyo, Plateau, Rivers, Sokoto, Taraba, Yobe and Zamfara [↑](#footnote-ref-6)
7. Bauchi, Ekiti, Gombe, Jigawa, Kogi, Yobe and Lagos State. [↑](#footnote-ref-7)
8. Adamawa, Bauchi, Bayelsa, Benue, Cross River, Ebonyi, Edo, Ekiti, Enugu, Gombe, Jigawa, Kaduna, Kogi, Kwara, Lagos, Niger, Ogun, Ondo, Osun, Oyo, Plateau, Rivers, Sokoto, Taraba and Yobe State [↑](#footnote-ref-8)