



## Political Finance-Related Corruption and Its Implication for Governance and Peacebuilding in Nigeria

By Benjamin Adeniran Aluko, Southern Voices Network for Peacebuilding Scholar

February 2017

**T**he role of money in politics cannot be over-emphasized. As Marcin Walecki succinctly put it, “money matters for democracy because much of democratic political activity simply could not occur without it.”<sup>1</sup> However if the supply side of the financial resources needed for political activities is not regulated, money can pose a serious challenge to both the realization of a democratic process and the achievement of sustainable peace. In Nigeria, funds from corrupt and illicit sources have been used to finance political activities, most recently in the 2015 elections, which has had devastating security, socio-economic, and political consequences on the nation’s democratic process.

Corruption related to political finance covers a wide spectrum, so this paper focuses on only two facets: 1) the abuse of state resources to fund political activities, and 2) funding from godfathers (political entrepreneurs), who make handsome returns on their “investments” when their sponsored party or candidate takes control of state power. These returns are provided in many forms, including through inflated contracts given to companies owned by the godfather or through the outright illegal allocation of state resources. These two forces dominate the illegal financing of political activities in Nigeria.

In Nigeria, large amounts of funds that should have been expended on strengthening state security, consolidating economic development, and expanding social infrastructure have been illegally diverted to

**The Southern Voices Network for Peacebuilding (SVNP)** is a continent-wide network of African policy and research organizations that works with the Africa Program to bring African analyses and perspectives to key issues in U.S.-Africa relations. Founded in 2011 with the support of the Carnegie Corporation of New York, the project provides avenues for African researchers to engage with, inform, and exchange perspectives with U.S. and international policymakers in order to develop the most appropriate, cohesive, and inclusive policy frameworks for the issues of peacebuilding and state-building in Africa.

This publication was made possible by a grant from the Carnegie Corporation of New York. The statements made and views expressed in this paper are solely the responsibility of the author and do not represent the views of the Wilson Center or the Carnegie Corporation of New York.

For more information please visit <https://www.wilsoncenter.org/article/the-southern-voices-network-for-peacebuilding>

fund political party and election campaigns. For example, it has been established that a substantial part of the approximately \$15 billion USD meant to procure arms for the nation's fight against Boko Haram was diverted by the then-ruling party, the People's Democratic Party (PDP), to finance its 2015 political campaigns.<sup>2</sup> The Economic and Financial Crimes Commission (EFCC) has said that while some of the stolen money was deployed for purely private use, including the acquisition of properties in choice areas in Lagos and Abuja, a portion went into funding elections and related issues. Indeed, Esther Nenadi Usman, a former Minister of Finance in President Goodluck Jonathan's administration and former Director of Finance for the Jonathan campaign organization, has revealed how she distributed about 1.85 billion Naira (\$5.8 million USD) from the arms funds to PDP party chieftains for President Jonathan's unsuccessful re-election bid.<sup>3</sup>

This brings into sharper focus how political financing has not only become one of the main channels through which monumental political corruption is committed in Nigeria, but also a major obstacle to the realization of the goals of good governance and sustainable peace. Thus, the Nigerian narrative exemplifies Walecki's position that the "problems of political finance are at the heart of the debate on political corruption."<sup>4</sup>

In light of the direct linkage between high-level political corruption and the financing of party politics, and given its dire consequences for governance and peacebuilding efforts in Nigeria, there is an urgent need to craft actionable policies and implement effective programs to tackle the recurring problem of corrupt political financing in order to restore the integrity of the democratic process and to promote the consolidation of the nation's fledgling democracy.

## **Corrupt Political Financing in Nigeria: A Historical Mooring**

Corrupt political financing has always been part of Nigeria's political history. In both the nation's First and Second Republics, political leaders were indicted for corrupt political financing. In fact, in the Second Republic (1979-1983) the governors of Oyo State, Ogun State, and Ondo State were sentenced to long jail terms for collecting 2.7 million Naira from a construction company to fund their political party, the Unity Party of Nigeria. In the current republic, particularly under the Jonathan administration, the magnitude of resources involved and the impunity that goes with corrupt political financing in the country has only risen. If the problem is not addressed, the prospects of consolidating the nation's democratic process are precarious.

## **Corrupt Political Financing and Its Impact on Governance and Peacebuilding in Nigeria**

### **Governance**

The endemic crisis of governance in Nigeria is widely acknowledged. What has not been seriously examined is the role corrupt political financing has played in defining the crisis. There is a symbiotic relationship between the governance crisis bedeviling the Nigerian state and the levels of corruption in the country.

Broadly speaking, corruption undermines government's effectiveness and efficiency in the performance of securing the life and property of citizens and improving their socio-economic well-being. As a current minister in the Buhari government said, corruption hinders economic growth and anti-poverty efforts, and wastes money meant for infrastructure and educational spending. Corruption causes lowers life expectancy and less effective efforts to reduce maternal and infant mortality.<sup>5</sup>

The return to civilian rule in Nigeria in May 1999 ushered in high hopes for economic development and democratic governance. Seventeen years down the democratic path, the popular expectations that democratic governance would lead to a tremendous improvement in their material condition have been frustrated. Instead, governance crises have persisted and many perceive that the corruption which characterized the military era has deepened, with a corrupt political financing mechanism playing a major role.

In the 2014 governorship election in Osun State, enormous financial resources were deployed by the candidates of the two leading political parties, Governor Raufu Aregbesola of the All Progressives Congress (APC) and Iyiola Omisore of the PDP. The PDP candidate received huge financial support from the PDP-led federal government. This was confirmed recently when Musiliu Obanikoro, a former defense minister in the Jonathan administration, allegedly confessed to the EFCC that he disbursed the 4.7 billion Naira he received from the money stolen from the arms funds. According to him, Omisore received 1.7 billion Naira (\$3.8 million USD) from the money to fund his campaigns for the Osun State governorship.<sup>6</sup> Surprisingly, the incumbent, Aregbesola, was able to match the PDP candidate in terms of doling out cash and other incentives to woo voters, and he won the election.

The key point of interest is not that the incumbent governor won a hugely monetized election, but the impact that the jaundiced electoral process had on governance in the state. While no formal inquiry was conducted into how the incumbent governor financed his campaign, it is worth noting that the state simply collapsed following the elections due to a lack of funds in the state's coffers. Salaries and wages of workers were not paid for several months.<sup>7</sup> In fact, matters deteriorated to the point where civil servants were unable to afford the cost of commuting to work. Even after repeated bailouts from the federal government, the state still owed workers several months' worth of salaries.

Similarly, the conflict between Governor Chris Ngige and Chris Uba in Anambra State in 2003 is another example of how corrupt political financing can undermine governance. Uba, a wealthy businessman, bankrolled the election of Ngige. Shortly after the swearing-in ceremony, and even before the government settled down to business, trouble started between the godfather (Uba) and the godson (Ngige) over the resources of the state. It was alleged that Uba wanted a substantial amount of money from the state's monthly allocation from the federation account, the fund—managed by the central government and supplied by oil, customs, and tax revenue—from which all 36 states in the country receive payments. For reasons best known to Ngige, the demand was turned down and this led to a virtual shutdown of governance in the state for months. "Anambra has experienced unrest after Chris Ngige became governor in 2003 and fell out with his political backer. Last year he was forced to write a resignation letter at gunpoint." The BBC reported in 2004 as the crisis dragged on, "The row erupted with businessman Chris Uba - known in Nigeria as a political godfather - when Mr Ngige failed to do his bidding after taking office."<sup>8</sup>

### **Undermining Security and Peacebuilding**

Moreover, corrupt political financing in Nigeria has contributed greatly to the devastation and destruction of life and property experienced in the North East of the country following the Boko Haram insurgency. Today, Boko Haram is one of the world's most lethal terrorist groups, and it is clear that corruption has played a role in both its rise as well as the government's inability to wage an effective fight against the group. The resources appropriated to strengthen counterterrorism operations were diverted to finance party election campaigns, leaving the nation's security forces and the people of the North East at the mercy of the better-equipped Boko Haram insurgents. Officials of the then-governing PDP diverted \$15 billion meant for

purchasing arms for the security forces to finance political campaigns, thus undermining the fight against Boko Haram during the Jonathan administration.

A number of victories by Boko Haram around the North East, particularly the January 2015 attack on the town of Baga have highlighted the military's inability to defeat the armed group. While the group has since suffered some setbacks, Nigerian soldiers have been outgunned and overrun a number of times.<sup>9</sup> In a stinging indictment, a former Chief of the Defense Staff said in his farewell address that the military lacked the necessary funding and equipment for the fight against Boko Haram's insurgency.<sup>10</sup> This revelation shocked Nigerians as it was publicly assumed that the Jonathan administration had committed huge resources to the fight against the insurgents.

The corruption that characterized the Jonathan administration, with the consequent manifestation of physical violence and instability, has clearly revealed that there is no substitute for good governance as an effective tool for building peace. In a 2009 speech in Abuja, U.S. Secretary of State Hillary Clinton spoke of the "failure of governance at the federal, state and local levels." "The lack of transparency and accountability," she said, "has eroded the legitimacy of the government and contributed to the rise of groups that embrace violence and reject the authority of the state."<sup>11</sup>

### **Finance-related corruption and the narrowing space for democratic participation**

The practice of looting state resources to finance political activities has also caused potential candidates to be shut out from participating in Nigeria's political process. The hugely monetized political process has made it extremely difficult for newcomers to venture into politics because of their inability to mobilize resources to compete with those who have unrestrained access to state resources. It now appears that the political space is open only to those who are sponsored by godfathers already entrenched in the system with state resources at their disposal, as well as those whose sources of wealth cannot be clearly defined.

## **Interrogating the Constitutional, Legal, and Institutional Frameworks for Regulating Political Financing in Nigeria**

In light of this rampant corruption, it is important to ask whether there are any constitutional or legal instruments and institutional mechanisms that regulate political finance in the country. The answer is that a plethora of instruments and frameworks exist to guide the operation of political parties and political financing in Nigeria. Nigeria is a party to the African Union Convention on Preventing and Combating Corruption. Article 10 of this convention, the "Funding of Political Parties," mandates each party adopt legislative and other measures to promote accountability and transparency in the funding of political parties.

Some of the legal instruments and institutional frameworks in place to regulate political financing in the country include sections of the 1999 Constitution, the 2002 and 2006 Electoral Acts and the 2010 Electoral Act as amended, the Independent National Electoral Commission (INEC), and the National Assembly. For instance, Sections 225-227 of the 1999 Constitution of the Federal Republic of Nigeria dwell on the role of INEC in ensuring accountable and transparent political financing in the country, while Section 228 of the Constitution empowers the National Assembly to make laws for the punishment of those found to have contravened any of the provisions of the Constitution on political financing.

In addition, various sections of the Electoral Acts of 2002 and 2006, coupled with the Electoral Act 2010 as amended, are designed to regulate and ensure accountability and transparency in the financing of political

activities. Section 93 (1-12) of the Electoral Act of 2006 establishes a cap on election spending, a restriction echoed in the Electoral Act of 2010, as amended. The 2010 act also grants INEC the ability to limit the contributions an individual or group can make to a political party, as well as establishing spending limits for candidates.<sup>12</sup> However, there is a huge gap between the legal requirements in place and the reality of funding political activities in Nigeria.

As part of the measures to regulate political financing, political parties do receive monetary support from the state. It must be noted that the policy of providing grants to political parties by the state, though laudable, has generated some negative outcomes. Some political parties have been formed, primarily, to access this state funding, which has led to the current unwieldy number of political parties in Nigeria. This has created a problem for both INEC and the electorate, which has to distinguish between the multitude of parties.

## Policy Options and Recommendations

These policy options are informed by both the challenge in implementing and enforcing existing legislation and the need to address forces that drive the corruption of the political finance system. These challenges include 1) a lack of capacity on the part of the nation's electoral management body, the Independent National Electoral Commission, to enforce electoral laws and regulations, 2) problematic sections of the nation's 1999 Constitution and the 2010 Electoral Act, 3) a lack of capacity of the nation's media and civil society organizations to effectively monitor funding of political parties and election campaigns, 4) the issue of outrageous remuneration and privileges attached to political offices coupled with the prebendal and clientelist nature of the nation's politics, and last, 5) the lack of separation between government resources and the resources of the ruling political party.

The way forward requires the involvement of multiple stakeholders, including the government, international donors, policymakers, and both local and international civil society organizations.

## The Nigerian Government and Nigerian Policymakers

1. The Nigerian government should consider efforts to enthrone a culture of transparency and accountability. It can vigorously pursue "change begins with me," an initiative of Buhari's government to reorient the Nigerian people toward positive civic values, and a culture of public sector integrity. Well-articulated and intensive media programs can help all citizens, and especially political elites, appreciate the debilitating effects of corruption on the collective interest. The leadership needs to be seen to walk the walk on transparency and accountability.
2. Extant laws only require political officeholders to declare their assets, but these could be amended to include public servants occupying top positions in critical state institution, creating an Asset Documentation Office for public servants. This should include all public servants in management positions in state institutions that exercise direct and oversight responsibilities over electoral, security, and judicial processes. It is important that the law establishing the asset office should make provision for access by an independent body like the Nigerian Bar Association to verify documentation by public servants.
3. There is an urgent need for the government to overhaul the reward system for serving and retired public servants. The salaries and wages the government pays its workforce are too small, which drives the propensity to undermine state institutions to earn more income. Moreover, the government should do more to guarantee the payment of retirement benefits and entitlements of public servants. Retired

staff are seldom paid their gratuity and pensions, which does not encourage workers to be transparent and committed in the course of service to the nation. Ultimately, the low remuneration and unreliable pension payments negatively impact the performance of state institutions by encouraging corruption and inefficiency.

4. The SERVICOM Initiative is a package that was developed in March 2004 by President Olusegun Obasanjo's administration. It creates positions tasked with tackling internal corruption and inefficiency within government ministries, departments, and agencies. It should be continued and enhanced. The acts establishing state institutions could also be reinvented to ensure that the leadership of these institutions are sanctioned when the institutions fail to carry out their statutory responsibilities, after receiving necessary incentives from the state.
5. Transforming the nation's judicial system is key to promoting the efficiency and effectiveness of the institutions that manage the nation's electoral processes. The government must be seen to be committed to the independence of the judiciary, and the nation's police force could be provided with the needed resources to function as an institution for the promotion of the rule of law and democratic values.

## **The Media and Civil Society Organizations**

The role of Nigeria's media and civil society in promoting transparency and accountability in political financing cannot be overemphasized.

1. International organizations such as the International Foundation for Electoral System (IFES) and the International Institute for Democracy and Electoral Assistance (International IDEA) can increase their efforts at building the capacity of the staff of the Independent National Electoral Commission (Nigeria's election management body) and local civil society organizations. This could include training on the monitoring of political financing, with a view to enhancing their capacity to promote electoral integrity and enforcement of electoral rules and regulations.
2. Local civil society organizations should interface on a regular basis with all the stakeholders in the political arena in order to act as watchdogs. They can try to expose misdemeanors in the system to force the state agencies responsible for regulating the sources of political funding to act. They can also demand that the relevant state agencies impose appropriate sanctions on erring institutions or persons.

## **The United States**

1. The United States can increase its financial support to IFES, the National Democratic Institute, the International Republican Institute, the National Endowment for Democracy, and other organizations that currently work with INEC and political parties to deepen the democratic process. Nigeria's political parties and democratic institutions are still in their infancy and need support.
2. The United States could provide logistical support to both local and international civil society organizations that are committed to promoting transparency and accountability in the financing of political activities in Nigeria, with a view to enhancing their objectivity and expertise. With logistical support, these local organizations can act as watchdogs to force the state agencies responsible for regulating the sources of political funding to act, as described above.

For a set of policy options and recommendations on political finance-related corruption in Nigeria, see the accompanying Southern Voices Network for Peacebuilding Policy Brief No. 10 by Benjamin Adeniran Aluko.

*Benjamin Adeniran Aluko, Ph.D., is a Southern Voices Network for Peacebuilding Scholar at the Wilson Center from October to December 2016. He is a Research Fellow at the Institute for Peace and Strategic Studies, University of Ibadan, Nigeria, and an affiliate of the West Africa Network for Peacebuilding (WANEP), a member organization of the Southern Voices Network for Peacebuilding.*

- 
- 1 Marcin Walecki, "Political Money and Corruption: Limiting Corruption in Political Finance," in *Money and Politics in Nigeria* ed. Victor A.O. Adetula (Abuja, Nigeria: IFES-Nigeria, 2008): 1.
  - 2 Sani Tukur, "Court papers show how ex-NSA Dasuki allegedly shared N13.6bn arms money to cronies, politicians," *Premium Times* (Nigeria), December 14, 2015. <http://www.premiumtimesng.com/news/headlines/195173-court-papers-show-how-ex-nsa-dasuki-allegedly-shared-n13-6bn-arms-money-to-cronies-politicians.html>
  - Niyi Odebode and Eniola Akinkuotu, "Arms scandal: \$15bn, not \$2.1bn stolen, says EFCC," *Punch* (Nigeria), April 27, 2016.
  - 3 Saliu Gbadamosi "N23b polls funds: More pdp chieftains in trouble" *The Nigerian Tribune*, August 6, 2016. <http://tribuneonline.ng.com/n23b-polls-funds-pdp-chieftains-trouble/>
  - 4 Walecki 3.
  - 5 Minister Alhaji Lai Mohammed quoted in Alifa Daniel and Nkechi Onyedika, "How 55 persons stole N1.3tr in seven years, by govt," *The Guardian* (Nigeria), January 19, 2016. <http://guardian.ng/news/how-55-persons-stole-n1-3tr-in-seven-years-by-govt/>
  - 6 Soni Daniel, "N4.7bn scam Obanikoro gave N1.7bn to Omisore - EFCC," *The Vanguard*, October 20, 2016. [www.vanguardngr.com/2016/10/n4-7bn-scam-obanikoro-gave-n1-7bn-omisore-efcc/](http://www.vanguardngr.com/2016/10/n4-7bn-scam-obanikoro-gave-n1-7bn-omisore-efcc/)
  - 7 "Osun commences salary payment, announces pay cut for political office holders," *Premium Times* (Nigeria), June 30, 2015.
  - 8 "'Tension High' in Nigeria State," *BBC News*, November 12, 2004. <http://news.bbc.co.uk/2/hi/africa/4006215.stm>
  - 9 Chris Stein, Why Nigeria's military is losing the battle against Boko Haram," *Al Jazeera America*, <http://america.aljazeera.com/articles/2015/1/13/boko-haram-nigeriamilitary.html>.
  - 10 Morgan Winsor, "Nigerian Army Lacks Funding, Arms To Fight Boko Haram, Sacked Military Chief Warns," *International Business Times*, July 31, 2015. <http://www.ibtimes.com/nigerian-army-lacks-funding-arms-fight-boko-haram-sacked-military-chief-warns-2033495>
  - 11 Hillary Rodham Clinton, "Town Hall with Civic Society Representatives on Good Governance and Transparency," *Speech at Yar'Adua Center, Abuja, Nigeria* on August 12, 2009, quoted in Imaji Zekeri Ojonomiache Sule, Ranjit Singh a/l Darshan Singh, Muhammed Fuad Othman, "Governance and Boko Haram Insurgents in Nigeria: An Analysis," *Academic Journal of Interdisciplinary Studies*, Vol. 4, No. 2 (2015): 38.
  - 12 Patrick I. Ukase, *Political Parties and Elections/Campaign Financing in Nigeria: Interrogating the 2015 General Elections*. <http://www.inecnigeria.org/wp-content/uploads/2015/07/Conference-Paper-by-Patrick-Ukase.pdf>

Cover Image: The National Assembly Complex of Nigeria. Photo by Shiraz Chakera via Flickr. Creative Commons. <https://www.flickr.com/photos/57446549@N00/130086013>

# The Africa Program

The Africa Program works to address the most critical issues facing Africa and U.S.-Africa relations, build mutually beneficial U.S.-Africa relations, and enhance understanding about Africa in the United States.

The Program achieves its mission through in-depth research and analyses, including our blog Africa Up Close, public discussion, working groups, and briefings that bring together policymakers, practitioners, and subject matter experts to analyze and offer practical options for tackling key challenges in Africa and in U.S.-Africa relations.

## The Africa Program focuses on four core issues:

- i. Inclusive governance and leadership
- ii. Conflict prevention and peacebuilding
- iii. Trade, investment, and sustainable development
- iv. Africa's evolving role in the global arena

The Program maintains a cross-cutting focus on the roles of women, youth, and technology, which are critical to Africa's future: to supporting good governance, to securing peace, to mitigating poverty, and to assuring sustainable development.

## SVNP Policy Brief and Research Paper Series

For the full series of SVNP Research Papers and Policy Briefs, please see our website at <https://www.wilsoncenter.org/article/the-southern-voices-network-for-peacebuilding>

---

One Woodrow Wilson Plaza  
1300 Pennsylvania Avenue, N.W.  
Washington, DC 20004-3027

 [www.wilsoncenter.org/africa](http://www.wilsoncenter.org/africa)

 [africa@wilsoncenter.org](mailto:africa@wilsoncenter.org)

 [facebook.com/africaprogram](https://www.facebook.com/africaprogram)

 @AfricaUpClose

 202.691.4118