CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND TO THE STUDY

Corruption is one of the greatest challenges confronting modern society, with predominance in developing countries (Dike, 2000). It is an enigma to good governance as it leads to misappropriation of public funds, and limited growth of the economy. It also does not help the private sector any better, as it stiffens innovation, infrastructural development and investments. Corruption is a social phenomenon, which affects every sphere of the society in Nigeria today. It interferes with the political, social and economic lives of the people, with the poor bearing the brunt of it (Ogbeidi, 2012). World Bank, referred to corruption as “the single most important obstacle to development in developing countries”, thus defining it as the, “misuse of public office for private gains”. Corruption manipulates the market economy, by interfering with currency fluctuations and investment outflows and inflows. The concept of corruption is an ancient concept, where the definition of it is multifaceted and dependent on the situation, the players, laws and regulations governing a country.

World Bank studies put corruption at over $1 trillion per year accounting for up to 12% of the Gross Domestic Product of nations like Nigeria, Kenya and Venezuela (Nwabuzor, 2005). The history of economic crimes in Nigeria can be traced back to the colonial era. The consular court system disrupted the traditional administration, which the white colonialists met. In its place was appointed the highly flawed indirect rule under which appointment of personnel was arbitrarily made. Oftentimes, appointees were unknown people, different from the traditional heads and chiefs. Many of the appointed people were of questionable character who often became intoxicated by power, leading them to abuse and misuse of office, including showing favours to criminals. Therefore, the colonial heritage, legal traditions, religion, and geographical factors seem associated with economic crimes and other measures of government dysfunction. The authors note that in the Post-Colonial Era of the Civilian and Military Regimes, the First and Second Republics were characterized by electoral malpractices, misappropriation of public funds and corruption. The military and civilian regimes accused each other of corruption and this was the major reason for rejection and takeover of government. The First and Second Republics in Nigeria came to an abrupt end because of corruption. During this period, people in ministries, departments and agencies of government in the First Republic stole funds and there was no policy position to stamp out corruption menace in the country. The 1964 and 1965 elections witnessed rigging by the Northern People’s Congress (NPC) (Ajayi, 2008). The party in power (NPC) went against electoral guidelines and procedures and that caused the failure of other political parties most especially Action Group (AG). This led to the rejection of the outcome of the election culminating in widespread violence and outright destruction of lives and property especially in the Western part of the country. According to Ijewereme and Dunmade, (2004) corruption, massive rigging of the elections, arson, killing and violence in the Western, were reasons why the middle-ranked army officers staged coup to sack the Nigerian First Republic politicians from power in January 15, 1965. General Gowon’s administration did not do much to end or bring corruption to the barest level in the country as corruption acts were not hidden in the public perspective. His promise to establishment anti-graft agencies to fight corruption was not actualized. However, the administration of Murtala Mohamed exposed the corruption level and activities that was perpetuated during Gowon’s regime when he set up Assets Investigation Panel to probe the governors and other public office holders who worked under Gowon. The investigation led to the indictment of 10 out of 12 military governors and their assets frozen. The anti-graft exercise led to the purge of the civil service whereby over 10,000 civil servants were sacked for corrupt practices (Anazodo, Okoye and Chukwuemeka, 2012).

However, during the Second Republic, it was thought that the anti-corruption war that Murtala started would have been sustained by Shehu Shagari's civilian regime. But on the contrary, there was no deterrence on corruption acts in the public service as the politicians seriously engaged in various forms of corrupt practices without reflecting on what befell corrupt individuals during Murtala's administration. When General Muhamadu Buhari snatched power from Shagari from the word go, he was extremely determined to stamp out corruption in the Nigerian public sector. This was done through the programme he tagged "War Against Indiscipline" (WAI). Many investigative tribunals were put in place to probe public officials of the Second Republic.

Despite the anti-corruption fight of the Buhari's administration, the Babangida's administration did not key into the anticorruption campaign of his predecessor. The probe of General Babangida led to the discovery of over N 400 million wasted on the Better Life Project. Massive corruption was also revealed in the Nigerian National Petroleum Corporation and many others.

The corruption spree still continued when Abacha took over from the Interim National Government headed by Chief Ernest Shonekan. The Administration of General Abacha looted government treasury and within 5 years as the head of state, he amassed wealth that is more than that of countries in Black Africa put together (Ebegbulem, 2012). Abacha became so corrupt and dictatorial to the extent that anybody or group of persons that opposed his actions were either jailed or assassinated. Till date, Abacha's loots are still being recovered from accounts in foreign countries. But the big question is "where are the recovered funds".

When Abacha died in 1998 and Abdulsalami Abubakar became the head of state with the promise to hand over power to a duly elected civilian president, government treasury was also looted through contract inflation, licenses and appointments. The Christopher Kolade's Panel put in place to review contracts awarded during Abdulsalami's tenure made some shocking revelations. The panel submitted that the 4,072 contracts cost Nigeria N 635.62 billion as against the N 88 billion budgeted in 1998 (Anazodo, Okoye and Chukwuemeka, 2012). In like manner, with the return to civilian regime, one would have thought that the leaders having been duly elected by the electorates would have acted according to the principles of rule of law and in the best interest of the general populace that voted them into office, but unfortunately, the actions and inactions of Obasanjo showed no departure from the trends in previous administrations. When president Obasanjo assumed office, he stated that corruption is the major problem confronting Nigeria's development that his administration will do everything possible to eradicate corrupt practices in the society. But on the contrary, president Obasanjo for the two terms of eight years he ruled the country did not match his words with action despite the establishment of Economic and Financial Crimes Commission and Independent Corrupt Practices and other Offences Commission (ICPC) to fight corruption in the country.

It is instructive to note however that when Nuhu Ribadu was appointed to pilot the affairs of EFCC, Nigeria's corruption profile gradually declined according to Transparency International rating scale. In a 10 point scale rating in 2004, Nigeria was in 1.6 level, 1.9 in 2005, 2.2 in 2006, 2.2 in 2007 and 2.7 in 2008 (IT. 2008). The administration of Chief Obasanjo was characterized by obvious neglect to the principles of rule of law, lack of due process in the award of contracts. While passively fighting corruption, President Obasanjo in the quest to prolong his stay in power paid huge amount of money to legislators to amend the constitution to allow him contest for a third term. This therefore means that apart from corruption practices by appointees during Obasanjo's administration, he also perpetuated and encouraged corrupt practices in the country. According to Aderonmu (2009), the administration of Obasanjo witnessed unthinkable dimensions of corrupt practices, selective investigation of corrupt public officials and inefficient handling of the economy. It has been revealed that after the expiration of Obasanjo's tenure that he bought some government property and even awarded contracts to himself (Aderonmu, 2009). When Yar'Adua came in as Obasanjo's successor, he showed the commitment to fight corruption but his body language revealed that he was not committed to what he stood for. This was evident in his effort to stop the prosecution of James Ibori former governor of Delta State and the subsequent removal of Ribadu as the EFCC chairman. After the death of Yar'Adua, President Goodluck Jonathan who took over from him did not show courage to fight corruption as most of his political appointees were corrupt. They looted government treasury without conviction. The likes of the former Aviation minister Miss Stella Odua who used the ministry's finance to buy bullet proof cars for her personal use. The immediate past minister of Petroleum Resources Mrs. Diezani Allison Madueke has been accused of stealing a whooping sum of $9.3 billion under the watch of President Jonathan. In the words of Melaye (2003b), the government of President Goodluck was unable to prosecute corrupt political office holder even those that were exposed. Jonathan showed a total lack of political will to fight corruption in Nigeria. It is instructive to note that since the inception of the current administration of President Muhammadu Buhari in May 29, 2015, efforts have been geared towards tackling corruption in the country. So many strategies have been employed by the current administration like the single treasury account for ministries, agencies and departments of government that are revenue generating. From the foregoing, it is clear that corruption is endemic in the Nigerian state and each government despite efforts and commitments to fight it usually fail in its bid to eradicate or reduce it to the minimal level. This has led to argument as to why corruption still persists in Nigeria. Some reasons have been deduced for this to include: greed; poverty, unemployment and poor youth empowerment. Conversely, the resultant effect and implications of these anomalies leads to poor investment; rise in poverty; national crises and ultimately poor national development.

Today, it is said that the worst civilian regime is better than the best military regime. The overall implication of this is that the once cherished culture of probity and honesty in public affairs soon yielded place to a culture of graft and the standard of public morality continued to deteriorate, giving way for serious economic crimes. Globalization and indeed information and communication technology that integrated Nigerian economy into the global economy have thus, provided economic offenders with a tool for both committing economic crimes and laundering the proceeds that their acts generate (Swank, 2002).

With a campaign to fight against corruption, President Muhammadu Buhari after his inauguration embarked on a zero tolerance for corruption through various policies and clamp down on accused corrupt politicians, however, two years down the line to his administration, corruption seems to have taken its firm root in Nigeria, in fact, scholars such as Enweremadu (2012); Lawal, (2012) opined that corruption has already been institutionalized in Nigeria. It is in this effect that we seek to explicitly analyze the effect of corruption on the Nigerian economy.

1.2 STATEMENT OF THE PROBLEM

Corruption is a multifarious phenomenon, which cuts across international borders and affects all countries of the world. It affects both the governing and the governed. It is an age-long plague of human societies. Its dimensions, spread, and severity, though tend to exacerbate with advancement in technology and expansion in human societies, vary from country to country. For over a decade now, in the Transparency International Rating, African Countries have been rated more corrupt than others, with Nigeria being among the leading corrupt African countries (ADR, 2003: 41; TI, 2011:2-5). Likewise, Achebe (1998:54 - 55) observed that:

> *…Nigeria is without any shadow of doubt one of the most corrupt nations in the world…, with a fairly timid*

> *manifestation in the 1960's, corruption has grown bold and ravenous as, with each succeeding regime, our public servants have become more reckless and blatant*

The enormity of corruption in Nigeria in particular, and Africa in general, has raised concerns at both domestic and global levels. In Nigeria, the persistent rise in corruption and its venomous effects on the economy had woken national consciousness, which engendered the formation of the Independent Corrupt Practices and other Related Offences Commission (ICPC) in 2000, and the Economic and Financial Crimes Commission (EFCC) in 2002, as principal Anti-Corruption Commissions, among others. The Corrupt Practices and other Related Offences Act of 2000, upon which the above Anti-Corruption Commissions were established, vested EFCC and ICPC with the responsibility for investigation and prosecution of offenders". The Act seeks to prohibit and prescribe punishment for corrupt practices and other related offences" (FGN, 2000:1). In Nigeria, it is one of the many unresolved problems that have critically hobbled and skewed development (Ayobolu, 2006). It remains a long-term major political and economic challenge for Nigeria (Sachs, 2007). It is a canker worm that has eaten deep in the socio-economic fabric of the nation. It ranges from petty corruption to political / bureaucratic corruption or Systemic corruption (International Center for Economic Growth, 1999).Corruption is endemic as well as an enemy within (Agbu, 2003). It had stunted growth in all sectors. It has been the primary reason behind the country difficulties in developing fast. This is evident in consistent Transparency International's rating of Nigeria as one of the top three most corrupt countries in the world (Ribadu, 2003).The corruption trend in the country is alarming as the list of corrupt practices in Nigeria as well as the people involved is endless. Although, the present civilian Government has embarked on massive war against corruption via Independent Corrupt Practices Commission (ICPC) and Economic and Financial Crime Corruption (EFCC), such effort is yet to have a significant positive impact.

According to the Transparency International (TI; 2005) Report, corruption drains Nigeria, about 20% of her gross domestic product (GDP). Corruption is Nigeria's worst problem; it is responsible for all kinds of woes, such as election rigging, failed promises, abandoned projects, poor quality of implemented projects, dilapidated infrastructure, nepotism, instability in the Niger Delta, and impediment to flow of foreign direct investment (Obuah, 2010b). However, the former Economic and Financial Crime Commission (EFCC) Chairman, Nuhu Ribadu, claims that the over US$400 billion that had been looted from Nigeria by the leaders is "six times the total value of resources committed to rebuilding Western Europe after the Second World War" (Ademola, 2011). Political corruption has derailed meaningful developmental goals, resulting in high level of unemployment and disconnection of the people from the leaders with attendant insecurity such as youth restiveness, arm-robbery, and kidnapping for ransom.

Over the years, successive governments in Nigeria have evolved various measures, policies, and programs to combat the menace of corruption, the most important of these measures according to Ijewereme (2013) are Murtala/Obasajo's Jaji Declaration/confiscation of assets illegally acquired by Nigerians of the 1970s, Shagari's Ethical Revolution to fight corruption through the introduction of code of conduct for public servants of 1981, and the War Against Indiscipline (WAI) by the Buhari/Idiagbon administration in 1984 and the ethical and social mobilization crusade by the Babangida regime in 1986 as well as WAI and Corruption (WAI-C) by Abacha's administration in 1994. These efforts were largely cosmetic and remained at the level of rhetoric, and did not result in any significant change.

Similarly, in recognition of corruption as the worst problem of Nigeria when Obasanjo the former president of Nigeria came to power in 1999, his government immediately put in place different anti-corruption institutions to curb the problem. These include among others, the

EFCC and the Independent Corrupt Practices and Other Related Offenses Commission (ICPC). The institutionalization of these anti-graft agencies, at the inception of Obasanjo's administration, raised the hope of Nigerians with the expectation that the changes will bring to book corrupt public officials and also act as a deterrent on others (Ijewereme, 2013). Unfortunately, these programs and strategies made little impact in the war against corruption in the face of enormous political corruption in the Nigerian public sector. For instance, for three successive years, 2001, 2002, 2003, TI ranked Nigeria as the second most corrupt country in the world (Ijewereme, 2013). Subsequently, when Nuhu Ribadu became the chairman of newly created EFCC in 2003, Nigeria's corruption profile started declining gradually. In 2007, prior to the exit of Ribadu, TI ranked Nigeria 32nd position out of 147 countries surveyed in the world (Eme & Okoh, 2011; Ijewereme, 2013; TI, 2007).

Furthermore, President Umaru Musa Yar' Adua frequently reaffirmed his determination to fight corruption and proclaimed respect for the rule of law and due process, but the actions and body language of Yar' Adua depicted the opposite (Aderonmu, 2009; Ijewereme, 2013). Yar' Adua's administration did not sustain the impressive performance of Nuhu Ribadu. During Yar' Adua's administration, the Minister of Justice and Attorney General of the Federation, Mr. Micheal Aadoanka, worked fervently to undermine effort in the fight against corruption in Nigeria.

Similarly, corrupt practices have continued to increase at a worrisome level since President Goodluck Jonathan assumed office. Jonathan's administration displayed lack of political will, a high degree of lethargy and cluelessness in the fight against corruption in the face of many corrupt practices reported frequently against government officials.

Despite the depth of literature on corruption in the Nigerian public sector, it is only few studies that have interrogated Nigerian political corruption from theoretical and empirical perspectives, for example, “Political Corruption in Nigeria: Theoretical Perspectives and Some Explanations” (Ogundiya, 2009) made tremendous efforts into the interrogation of corruption and economic development from various perspectives.

However, they have failed to establish the impact corruption on economic development in Nigeria. It is from the foregoing that we shall be guided by the following research questions;

1. Did money laundering by public officials lead to low capital formation in Nigeria between 1999 and 2016?

2. Did mismanagement of public fund accounts for the decline in standard of living in Nigeria between 1999 and 2016?

1.3 OBJECTIVES OF THE STUDY

The study has both broad and specific objectives.

The broad objective of this study is to examine the impact of corruption on economic development in Nigeria between 1999 and 2016

The specific objectives of the study are to:

1. Determine if money laundering by public officials has led to low capital formation in Nigeria between 1999 and 2016

2. Examine if mismanagement of public fund contributed to the decline in standard of living in Nigeria between 1999 and 2016

1.4 SIGNIFICANCE OF THE STUDY

This study is of both theoretical and practical significance.

Theoretically, this study set to analyze the effects of corruption on economic development in Nigeria using Elite theory as the framework of analysis.

Practically, this study shall be of immense importance to the policy makers, nongovernmental organizations, and the general public. This study will serve as reference material to researchers and students seeking to understand the impact of corruption on economic development in Nigeria. It shall complement the works of other researchers on this field. On the part of government, the findings of this study shall add value to economic crime regulation policies aimed towards achieving sustainable economic development. It will bring to fore, pragmatic approach to practical reality unraveling the nature and manner which the state and non state actors have managed and/or mismanaged public funds and the fight against economic crimes in the State.

CHAPTER TWO

LITERATURE REVIEW

As a topical area of study, this study adopts the thematic approach to organize the Literature. We shall be guided by the research questions posed in this study to enhance our epistemological understanding of variables under review. The major themes are as follows;

1. Money Laundering by Public Officials and Low Capital Formation in Nigeria

2. Mismanagement of Public Fund and Decline in Standard of Living in Nigeria

Corruption as a phenomenon, is a global problem, and exists in varying degrees in different countries. (Agbu, 2001) Corruption is not only found in democratic and dictatorial politics, but also in feudal, capitalist and socialist economies. Christian, Muslim, Hindu, and Buddhist cultures are equally bedeviled by corruption (Dike, 2005). Corrupt practices are not an issue that just begins today; but the history is as old as the world (Lipset and Lenz, 2000).

According to Ogunlana (2011), Corruption is the single greatest obstacle to economic and social development. It undermines development by distorting the role of law and weakening the institutional foundation on which economic growth depends (World Bank). It is one of the greatest challenges of the contemporary world. It undermines good government, fundamentally distorts public policy, leads to the misallocation of resources, harms the private sector and private sector development and particularly hurts the poor (Transparency International).Empirical studies have shown that African countries exhibit relatively high level of corruption which institutes a major constraint to efforts aimed at effectively allocating resources to growth enhancing project. Funds that would have been invested in infrastructural and development projects are seriously depleted through kickbacks, over and under invoicing of contract amounts, etc. which accounts for why the grants and aids which are given by richer and developed countries are suspended or sometimes out rightly cancelled when it was discovered that these funds are embezzled and end up in corrupt hands.

The World Bank as stated by Basu (1992) defines corruption as the abuse of public office for private gains. Public office is abused through rent seeking activities for private gain when an official accepts, solicits, or extorts a bribe. Public office is also abused when private agents actively offer bribes to circumvent public policies and processes for competitive advantage and profit. Public office can also be abused for personal benefit even if no bribery occurs, through patronage and nepotism, the theft of state assets or the diversion of state resources. A public official is corrupt if he accepts money for doing something that he is under duty to do or that he is under duty not to do. Corruption is a betrayal of trust resulting directly or indirectly from the subordination of public goals to those of the individual.

According to (Gire 1999), A public official is corrupt if he accepts money for doing something that he is under duty to do or that he is under duty not to do. Corruption is a betrayal of trust resulting directly or indirectly from the subordination of public goals to those of the individual. Thus a person who engages in nepotism has committed an act of corruption by putting his family interests over those of the larger society.

In an elaborate analysis, C.B.N (2006) divided corruption into seven distinct types: autogenic, defensive, extortive, investive, nepotistic, supportive, and transactive. Autogenic corruption is self-generating and typically involves only the perpetrator. A good example would be what happens in cases of insider trading. A person learns of some vital information that may influence stocks in a company and either quickly buys or gets rid of large amounts of stocks before the consequences arising from this information come to pass. Defensive corruption involves situations where a person needing a critical service is compelled to bribe in order to prevent unpleasant consequences being inflicted on his interests. For instance, a person who wants to travel abroad within a certain time frame needs a passport in order to undertake the journey but is made to pay bribes or forfeit the trip. This personal corruption is in self-defense. Extortive corruption is the behavior of a person demanding personal compensation in exchange for services. Investive corruption entails the offer of goods or services without a direct link to any particular favor at the present, but in anticipation of future situations when the favor may be required. Nepotistic corruption refers to the preferential treatment of, or unjustified appointment of friends or relations to public office, in violation of the accepted guidelines.

The supportive type usually does not involve money or immediate gains, but involves actions taken to protect or strengthen the existing corruption. For example, a corrupt regime or official may try to prevent the election or appointment of an honest person or government for fear that the individual or the regime might be probed by the successor(s). Finally, transactive corruption refers to situations where the two parties are mutual and willing participants in the corrupt practice to the advantage of both parties. For example, a corrupt businessperson may willingly bribe a corrupt government official in order to win a tender for a certain contract, (Girling, 1997).

Lawal (2012) identifies types of corruption to include: Moral corruption – exhibited in sexual pervasiveness, greed especially in interpersonal relationship, loose tongue, indecent dressing, etc; Economic corruption – example include manufacturing fake drugs, adulteration of drinks, piracy, plagiarism, fraud at all levels, etc; Political and bureaucratic corruption – includes illegal, unethical and unauthorized exploitation of one’s political or official position for personal gain; Electoral corruption – has to do with electoral frauds such as election rigging, manipulations, ballot stuffing, registration of underage, etc (Lawal, 2012). Corruption includes bribery, smuggling, fraud, illegal payment, money laundering, drug trafficking, falsification of documents and records, window dressing, false declaration, evasion, underpayment, deceit, forgery, concealment, aiding and abetting of any kind to the detriment of another person, community, society or nation (Mathew et. al., 2013). The arguments and definitions by the authors affirm that corruption manifests for personal gratification, self-preservation and glory at the expense of general political and economic growth of a particular state, an organization or any establishment.

However, Tolu and Ogunro (2012) further posited on the types of corruption as:

i) Moral Corruption: this is exhibited in sexual pervasiveness, greed especially in inter-personal relationships, loose tongue i.e. uncontrollable tongue such that leaks secrets or slanders or busy-body, indecent dressing or appearance etc.

ii) Economic Corruption: manufacturing fake drugs, adulteration of drinks, piracy i.e. copying another person's intellectual work to illegally enrich oneself (Plagiarism), fraud at all levels amongst others.

iii) Political and Bureaucratic corruption: It is illegal, unethical and unauthorized exploitation of one's political or official position for personal gain. It has to do with public affairs – goods, fortunes, agencies and resources. It is therefore corruption against the state or its agencies by a person holding an official position in pursuit of private or personal profit.

iv) Electoral Corruption: This has to do with electoral frauds such as election rigging, manipulations, ballot stuffing, registration of under age, and many others.

Khan sees corruption as an act which deviates from the rules of conduct governing the action of someone in a position of public authority because of private regarding motives such as wealth, power and status (Khan cited in Amundsen, 1996). Corruption could also be conceived as pervasion of integrity or state of affairs through bribery, favour or depravity (Otite, 2000).

The effects of corruption on a nation's socio-political and economic development are countless. Corruption negatively affects economic growth and reduces the level of investment in the country. Foreign and domestic businesses are reluctant to invest in a nation where public agencies are not functioning effectively and a chance for their investments to be misused. Consequently, poverty and income inequalities are tied to corruption. It is essential for the government to reform the public sector to reduce the level of corruption because of the negative impact that the nation is facing as a result In Nigeria, the embezzlement of public funds is one of the most common ways in which individuals accumulate national wealth which can be attributed to the lack of strict regulatory systems in the country. Likewise, public sector extortion is a type of bureaucratic corruption that deals with the extraction of public funds and other resources by coercion, violence of the use of force, the police and custom officials usually use this means to collect money from civilians (Moseley 1999). Lastly, bureaucrats often use favoritism as a tool of power abuse, this occurs when there is a highly biased mechanism in the distribution of state resources. In Nigeria, some public officials see this as a means to favor their friends, family and people of their own ethnic group. A form of favoritism that is widely common in Nigeria is nepotism, which is an abuse of power, where public officials offer preferential treatment to their kinfolk and family members (Dike 2002)

Charles et al (2016) Manifestation of corruption has remained the most notorious social menace threatening the general growth and development of Nigeria. Exhibition of corrupt tendencies by public officials have bastardized the pace of growth and development in all facets. Nigeria has lost an estimated fifty percent (50%) of what it has generated since independence to public office looters. The most frustrating reality is that these looted funds are not invested in Nigeria but are dumped in foreign accounts to the betterment of the economies of those states.

Manifestation of corruption has broadened the gap between the rich and the poor. While the rich keeps living in affluence, the poor suffocate in abject poverty and illiteracy. The 'praetorian guard' who intervened in Nigerian politics had destroyed all forms of transparency and accountability and as a matter of fact, institutionalized corruption manifestations.

Okoduwa (2006), defining corruption as: The abuse of public office for private gains. Public office is abused for private gain when an official accepts, solicits or extorts a bribe. It is also abused when private agents actively offer bribes to circumvent public policies and process for competitive advantage and profit. Public office can also be abused for personal benefit even if no bribery occurs, through patronage and nepotism, the theft of state assets or the diversion of state revenue. From this definition, it can be deduced that corruption entails

i) The public office and the misuse of public office

ii) Private agents and offering of bribes

iii) Offering of bribes for the purpose of outwitting the intension of public policies

iv) Selfish interest from public officials

The issues of self interest are corroborated by many scholars like (Obayelu, 2007; Amuwo, 2005; Khan, 1996). In recent times, corruption has been viewed to be beyond just the public office to involve matters such as cybercrimes, thuggery, paid assassins, militancy and many more (Rotimi et al, 2013).

Abiodun (2007) enumerated different vocabularies used to describe corruption in Nigeria. Some of these are bribery, extortion (money and other resources extracted by the use of coercion, violence or threats), embezzlement (theft of public resources by public officials. It is when a state official steals from the public institution in which he/she is employed, betrayal of trust, unfair advantages, financial malpractices, egunje, dash, gratification, brown envelopes, tips, emoluments, greasing, softening the ground, inducements, sub-payments, side payments, irregular payments, payment under the table, undocumented extra payments, facilitation payments, mobilization fees, “routine governmental action,” revised estimates, padded contracts, over(under)-invoicing, cash commissions, kickbacks, payoffs, covert exchanges, shady deals, cover-ups, collusion, “10% rule” (bribe surcharge), “50% rule” (sharing bribe within the hierarchy), “let’s keep our secret secret” "highly classified" transactions, customary gift-giving, tribute culture, nepotism(a special form of favoritism in which an office holder prefers his/her kinfolk and family members), etc. he further stated that

Corruption manifests itself in Nigeria inform of abuse of positions and privileges, low levels of transparency and accountability, inflation of contracts, bribery/kickbacks, misappropriation or diversion of funds, under and over-invoicing, false declarations, advance fee fraud and other deceptive schemes known as “419”, collection of illegal tolls, commodity hoarding, illicit smuggling of drugs and arm, human trafficking, child labour, illegal oil bunkering, illegal mining, tax evasion, foreign exchange malpractices including counterfeiting of currency, theft of intellectual property and piracy, open market abuse, dumping of toxic wastes, and prohibited goods” just to mention few.

According to Ogbodo and Mieseigha (2013), in identifying the causes of corruption opined that corruption in developing countries is associated with vices such as lack of values and poverty. The high cost of living experienced in Nigeria brought about loss of values in families, offices and the society as a whole. People are not interested in how you make your money; they are more concerned about making money at all cost. He further explained that the high level of religiosity in Nigeria has not deterred Nigerians from engaging in unlawful practices such as taking of bribes and embezzling of public funds. In furtherance to this, he decries the moral decadency that is affecting both churches and mosques. He said that these institutions hail, honour and give recognition to the wealthy even when the source of their wealth is questionable.

~ Poor remuneration in the public service is indeed sprawling corruption. The meager pay received by public officials cannot take care of their families and other dependants. Unfortunately, these salaries are not regular. States in Nigeria such as Oyo, Osun, Kogi and Imo owe their workers. For instance, the State of Osun In Nigeria owes the workers five months salary and the months paid by the Governor were half of their meager salaries. How do we expect them to survive? These have culminated into a situation of ‘do what you can do to survive'. The public servants now see it as a necessity for them to collect bribe in order to pay their transport from their homes to work and to maintain their homes.

~ Lack of self control by citizens, especially public servants is a problem to the public service. In a training organized by Independent Corrupt Practices Commission (2015), the agency mentioned that lack of self control manifesting in the area of living above their means, lack of moral values, greed for wealth and position, spendthrift and backsliding in religious faith have led to corrupt practices in Nigeria. There have been instances where public servants own houses worth a billion naira in choice areas of Nigeria.

~ Another area that has promoted corruption in Nigeria is the insensitivity of Nigerian leaders to the plight of the populace. The Nigeria populace is neglected by the leaders. A good number of Nigeria leaders amass wealth by embezzling money meant for the constituency and they deprive the electorates from benefitting from government. The representatives of the electorate sit in the Federal Capital Territory, Abuja engaging in social events rather than concentrating on making laws to ameliorate the sufferings of their people. These same leaders are not willing to sacrifice anything for the betterment of the nation. They are not asked to give account of what they have done or are doing to better the lot of their people. These have made the politicians voracious when it comes to public funds. They are less concerned about being honest or having integrity.

Conceptualizing money laundering has gain the attention of many scholars and agency overtime. The draft Article 1 of the European Communities Directive (1990) defines money laundering as the conversion or transfer of property, knowing that such property is derived from serious crime for the purpose of concealing or disguising the illicit origin of the property or of assisting any person who is involved in committing such an offence(s) to evade the legal consequences of his action and the concealment of disguise of the true nature, source, location, disposition, movement, rights with respect to, or ownership of property, knowing that such property is derived from serious crime.

According to Robert '*et al* (2006) money laundering commonly follows the commission of a crime. He said that the process by which criminals attempt to hide or disguise the true origin and ownership of their ill-gotten wealth (an overview for members' guidance for Institutes of Chartered Accountants of Nigeria (ICAN).

Ohanyere (2003) view money laundering as the procedure by which the proceeds of illegal acts are converted into apparently legal activities thus concealing their criminal origin. In a simple language it involves cleansing (laundering) dirty money in order to cover its dirty or illegitimate origin. It is an essential transformation process for the proceeds of crimes such as armed robbery, prostitution, gambling, arm deals, fraud, sales of hard drugs and any other act which the law and society prohibit. Hence, money laundering is the integration of illicit funds into the main stream of legitimate finance in order to conceal the criminal sources and nature of such funds and ultimately making the funds look clean. It is the smuggling in of funds with criminal intention into the channel of the legitimate financial system. The Association of Certified Fraud Examiners defines laundering as the disguising of the existence, nature, source, ownership, location and disposition of property derived from criminal activity. Osisioma (2009) refers to money laundering as a second-order financial crime which derives from an underlying criminal activity often called predicate offence. It generates proceeds which when laundered results in the offence of money laundering. Still in his words money laundering is often a cross-border crime. Salinger (2005) opined that money laundering takes several different forms although most methods can be categorized into one of a few types such as bank methods, surfing, currency exchanges and double – invoicing Financial Institutions over the years have made efforts in detecting and preventing money laundering but the main attribute of money laundering are its processes in which it is carried out. It has be argued that money laundering does not take a singular act but takes a more complex operation, which is completed in three basic steps (Anon, 2006).

According to Ogbodo and Mieseigha (2013), Money laundering works in three phases;

a. Placement

This is a stage the launderer deposits the dirty money into a financial institution such as bank accounts. This is often in form of cash bank deposit; and also the riskiest stage of money laundering process because large amount of money are pretty conspicuous and banks are required to report high-value transactions. However, they make use of a process known as smurfing that is breaking the transaction into smaller amounts to evade reporting requirement. The launderer's intention this stage is to remove the cash from the place of possession so as to avoid any form of detection from the authorities and to transform it to other form of assets such as travelers' cheques, money order etc.

b. Layering

This is a process whereby the launderer engages in a series of conversions or movement of the funds to distance than from their source. Here layers upon layers of transactions are created, moving "dirty" monies between accounts or business or buying and selling assets on a local and international basis until the original source of the money is untraceable or the launderer might simply wire the funds through a series of accounts in various banks across the globe.

c. Integration

Having successfully processed his criminal profits through the two stages discussed above, the launderer then moves to the final stage – integration, in which the funds re-enter the legitimate economy i.e. illegal funds is returned to the economy and masked as legitimate income. The launderer might choose to invest the funds in real estate, luxury assets or business ventures.

In an investigative study, Unger et al (2006) stated that Money laundering has become a growth industry, involving a large number of nongovernmental, multilateral, intergovernmental and supranational organizations. The Bank of International Settlements (BIS), the OECD, the G- 82, G-20, EU members' finance and justice ministers, several departments in the United Nations, the World Bank, the International Monetary Fund (IMF), and the Financial Stability Forum (FSF) are all involved in regulatory efforts designed to assess and reduce money laundering. This has led to a plethora of bilateral and multilateral rules and agreements that have made effective regulation a challenge for all FIUs today. It has also contributed to jurisdictional arbitrage whereby money launderers can take advantage of multiple rules and conflicting agreements. "Their analyses, reports and recommendations reveal a disturbing tendency to quote each other's work; since they enjoy substantially the same membership, this practice amounts to self-corroboration. Moreover, at times they offer overlapping sets of rules and best practices to deal with money laundering. It is ironic that the international community would fail to produce a single, unified set of rules to take on a criminal activity that thrives precisely on exploiting differences in laws and regulations" Nigel-Morris (2001, p.22). Despite these challenges, international progress is being made. The Forty Recommendations issued by the FATF on money laundering have been established as the international standard for effective anti-money laundering measures. This was certainly an important step in fighting money laundering.

However, money laundering is a global menace, and needs a unified and transparent approach by FIUs, using a multilateral integrated strategic information risk management system.

Although money laundering has received increased attention by politicians and International organizations, it is still underrated in the news and in public debate. When money laundering is reported it is usually in association with the underlying or predicate offence such as drug trafficking or terrorist financing, rather than illicit money laundering in its own right. In Dutch criminal law, money laundering can be punished by up to four years in prison in addition to the predicate crime. Lately, terrorism and its financing have been given heightened attention. The Dutch minister of Finance was praised by his American counterpart, Snow, for the excellent way on how the Netherlands cooperates with the US in their approach to the financial side of terrorism. The relationship between money laundering and terrorism is, however, as we will show in chapter 5, indirect and ‘loose’. A comparison of Dutch, Belgium and Australian newspaper articles shows that money laundering is still a topic needing more public debate. The newspapers concentrate on drugs and terrorism, and tend to overlook the many other crimes that lead to money laundering and the variety of economic, social and political effects it can have. In the Netherlands, money laundering only emerged as a topic of public debate when a real estate agent with connections to the Mafia was murdered. Once this news was over, money laundering again disappeared from public view. The newspapers mostly pay attention to money laundering resulting from drug trafficking. The police prefer hunting `real` criminals such as drug dealers, thieves and killers rather than targeting `white collar´ crime committed by lawyers, notary publics and company executives Unger (2006).

(Ikpang, 2011) Describing the effects of money laundering opined that money laundering promotes none or low profit making enterprises which tend to discourage indigenous entrepreneurs who got their funds from legitimate sources. This eventually frustrates these indigenous entrepreneurs out of the system leaving the economy of the countries into the hands to launderer. The resultant effect of this is that the economy of the country depends on the unsteady operators of its economy-the launderers who have no intention of making profit, thereby jeopardizing the economic stability of the country. Another effect of money laundering on the Nigeria economy is that its attacks the reliability of the people on financial institutions. It was observed that between the 80s and 90s the reputation of the financial institutions in Nigeria was very low because the financial institutions relied extensively on the illicit proceeds of economic and financial crimes. These financial institutions only enjoyed these funds for a very short period, before they became disintegrated and some liquidated because they could not stand the test of time. Banks like the National Bank, Allied Bank, Bank for Credit and Commerce International were some of the Banks that were affected during these periods. Foreign investors find it extremely difficult to invest in any venture in the country during these periods due to obvious reasons which are the effect of financial and economic crimes on the economy of the country. These also hindered the growth of the economy of the country. Money laundering could lead to increase in liability and heighten the risks for assets quality in the financial system. When this happens, it may create systemic risks for the financial services industry and consequently lead to loss of confidence and credibility in the financial institution.

Ogbeidi (2012) opined that “widespread corruption, where government officials looted public fund with impunity and flaunt their wealth with reckless abandon provided the pretext for a group of young middle-rank army officers to sack the Nigerian First Republican politicians from power through a coup d’état on 15th Jan. 1966. He further stated that the next thirteen years after Buhari’s regime saw no serious attempt to stop corruption, that corruption reached an alarming rate and became institutionalized during Babangida regime, leaders found guilty by tribunals under Muritala Muhammed and Mohammadu Buhari regimes found their way back to public life and recovered their seized properties. The magnitude of corruption has been increasing over the years and this has led to retarded growth and development in Nigeria. Though there has been lots of anti-corruption crusade in Nigeria over the years targeted to stem the spread of corruption in the country. Despite the establishment of anti-graft agencies, such as Independent Corrupt Practices and Other Related Offences Commission (ICPC) in 2000, and Economic and Financial Crimes Commission

(EFCC) in 2003 after the Financial Action Task Force on Money Laundering (FATF) named Nigeria amongst the twenty three non-cooperative countries frustrating the effort of international community to fight money laundering (EFCC(Establishment) Act, 2002), corruption has continued to weaken institutions, discourages investment and retards economic development. Corruption has also led to diversion of developmental resources of the society to private or personal use. This has contributed to the leakage of capital from Nigeria for illegal deposits abroad.

Ovat and Bassey, (2014) was of the opinion that penalty system put in place for corrupt practices in a country to a large extent determines the level of corruption in that country. If there are increases in the penalties on those caught in acts of corruption there could be reduction in corruption. However, other analysts argue that imposing stiffer penalties on corruption would rather make corrupt people to demand for higher bribes. Related to the penalty system is the effectiveness of the anti graft agencies established to fight corruption. The more effective are these agencies in arresting, prosecuting and punishing corrupt officials caught, the lesser will be the level of corruption in a country and vice-versa. In Nigeria, the anti-graft agencies, the Independent Corrupt Practices and other related Offences Commission (ICPC), the Economic and Financial Crimes Commission (EFCC) as well as the police and the State Security Services (SSS) are barking more than they bite. These institutions are deliberately weakened by the people in authority due largely to poor funding and/or corrupt tendencies of the officials charged with the responsibility of enforcing the provisions of these institutions. The scholars further stated that the Nigerian societal values have tremendous attachment to money. Once a man acquires wealth, he is the society’s right hand man irrespective of the sources of his wealth. In Nigeria, there is little or no attachment to the values of honesty, integrity and selfishness. Money is more or less worshiped. It is seen not only as a means to an end but an end in itself. The Nigerian societal values that see money as the beginning and the end of everything is the catalyst for corrupt practices.

A report published by ActionAid Nigeria in 2015 made the following findings:

1. Public funds have been mismanaged by the state governors, ministers, legislators, and ministries, departments and agencies (MDAs) at national, state and local government levels that control the machinery of government and are responsible for the deployment of resources for welfare and development.
2. The private sector, which has carried out capital projects on contract basis at national, state and local government levels, has also been involved in corruption, either in the form of kickbacks, non-performance, or under-declaration of internal operations including profits.
3. Money laundering has become a major means through which looted money from Nigeria is taken out to other secret destinations, usually in other countries.
4. Operations in the Nigerian extractive industry are still opaque and are not properly and effectively monitored by agencies and civil society.
5. Massive corruption has diverted funds from wealth and employment generation sectors of the economy, making poverty reduction difficult to achieve.
6. The anti-corruption agencies have not been able to win the war against corruption through effective and diligent prosecution of persons accused of corruption, thus weakening public confidence and support for the agencies and their efforts.
7. The anti-corruption agencies do not have the capacity for systematic data collection, making the building of a comprehensive database of corruption cases difficult.
8. There are legal impediments that frustrate the trial of corruption cases in the country, such as the perpetual injunction granted corrupt politicians against the Economic and Financial Crimes Commission (EFCC).

9. The politicization of corruption by the government, in which people who have been indicted and or convicted of corruption are given state pardon for reasons of political expediency, as well as their rehabilitation by the government weakens the fight against corruption. The shielding of public officials from facing investigation against corruption has also not helped matters.
10. There is a lack of political will at the highest levels of government to reduce corruption.

The Correlation Between Corruption and Poverty in Nigeria

The study found that there is a strong correlation between corruption and poverty in Nigeria in the following areas:

1. Nigeria scores high in the Corruption Perception Index and scores low in the Human Development Index, implying that because the incidence of corruption is high, investment in citizens' welfare is low.
2. Poverty levels in some states where State Governors were found to be guilty of misusing and converting public funds into private use is higher than in states where governors were judicious in the use of public funds. This suggests that if stolen resources were deployed to address the various poverty challenges in these states, the poverty rates should have declined below their present levels.

Thus they advocated the following essential recommendations as follows:

1. There should be investments in civic education for both public office holders and citizens to promote the social contract needed to reduce citizens and leadership's propensity to engage in corruption
2. Corruption should be seen and addressed as a development issue, in which case governments at all levels should pay significant attention to social provisioning as a way of serving as a disincentive for citizens to engage in corrupt behaviours.

3. The Federal Government should implement all aspects of the Procurement Act, including constituting and inaugurating the national Procurement Council. State governments should also enact similar laws, where they don't exist, and ensure effective implementation.
4. The Office of the Attorney General should enforce compliance with the Freedom of Information across all ministries, departments and agencies.
5. The Federal Government should ensure that all anti-corruption agencies are autonomous and given all the powers and resources they need to discharge their mandates of fighting corruption.
6. There is need to strengthen the Nigerian Extractive Industries Transparency Initiative (NEITI) to enable it to discharge its mandate in the area of ensuring accountability in the extractive industry.
7. There is need to visit the public reward system and remuneration of public officials to reduce fear of impoverization upon retirement from public employment.
8. Undue interference in the operations, processes and decisions of anti-poverty agencies should be avoided.
9. There should be adequate funding of anti-poverty agencies and programmes.

The corruption-fighting agencies should be streamlined, reformed and strengthened in order to avoid administrative conflicts from similar agencies; be cost effective; freed from executive and other forms of control; and facilitate optimum performance. The specific actions to be taken include: Merging the Independent Corrupt Practices Commission (ICPC) and the EFCC and harmonizing of their activities

> Reforming the anti-corruption agencies to weed-out non-performing staff and elements that frustrate and weaken the internal operations through their resistance to change (ActionAid Report, 2015).

Goodling (2003) notes, “since 1996, Nigeria was labeled the most corrupt nation three times: 1996, 1997, and 2000: and placed in the bottom five four more times: fourth from the bottom in 1998 and second in 1999, 2001, 2002 and 2003”.The 1996 Study of Corruption by Transparency International and Goettingen University ranked Nigeria as the most corrupt nation, among 54 nations listed in the study, with Pakistan as the second highest (Moore 1997). As this was not too bad enough, the 1998 Transparency International corruption perception index (CPI) of 85 countries, Nigeria was 81 out of the 85 countries pooled (Table 2); (Lipset and Lenz, 2000). In 1999 Transparency International (TI) released its annual Corruption Perceptions Index (CPI) ranking 99 countries in order of their perceived levels of corruption with number one being the least corrupt, Nigeria at number 98, was only one rank above its neighbor Cameroon. In the 2001 corruption perception index (CPI), the position remained unchanged as the second corrupt nation in the World (ranked 90, out of 91 countries pooled) with Bangladesh coming first. In October 2003 reports released in London, Nigeria at number 132 was still only one rank above Bangladesh – even though the number of countries in the latter poll had increased to 133 countries. The 2004 Corruption Perceptions Index, released by Transparency International (TI), the watchdog on global corruption again ranks Nigeria as the third most corrupt country in the world. Up till June 2007 Nigeria has not been exonerated from the list of the top ten leading countries on corruption. On sectoral distribution, the nationwide corruption survey in the Nigeria Corruption Index (NCI) 2007 identified the Nigerian Police as the most corrupt organization in the country, closely followed by the Power Holding Company of Nigeria (PHCN). Corruption in the Education Ministry was found to have increased from 63 per cent in 2005 to 74 per cent in 2007, as against 96 per cent to 99 per cent for the Police in the corresponding period. The Independent National Electoral Commission (INEC), was the only new organization identified as corrupt among the 16 organizations on a list which included Joint Admission Matriculation Board, the Presidency, and the Nigerian National Petroleum Commission (NNPC).While the Federal Road Safety Commission (FRSC) and the Nigerian Railway Corporation (NRC) have been identified as the least corrupt organizations with respect to bribe taking from the populace as at June 2007

(Abimbola, 2007) Another area in which corruption has manifested itself in Nigeria is in the area of project execution. For instance, Ajaokuta, a steel mill in Nigeria, has been under construction for the past seventeen years and throughout that period of time has consumed seven billion dollars. It has produced no steel. The mill is a white monolith of steel and concrete, epitomizing the inefficiency of corruption. Another example is Alscon upper block (an aluminum plant in Nigeria) which has consumed three billion dollars over the past five years. The project was to produce 190,000 tons of aluminum, but, like its predecessor, Ajaokuta, has not produced any aluminum to date.

Ribadu (2003, 2004 and 2006), Corruption has had severe negative consequences on economic growth and development of Nigeria. Even where improper conduct, such as fraud and bribery, does not directly involve government, the public effects are severe. Corruption has adversely affected governance and the larger social structure. It has crippled the state’s ability to deliver for its citizen’s enjoyment of even the minimum social and economic rights, including health and education. This generally leads to a retardation of economic development and to the deterioration of whatever public infrastructure has been put in place. Critically, it has been observed that in Nigeria, unbridled corruption has led to bad governance. Corruption and mismanagement swallow about 40 percent of Nigeria's $20 billion annual oil income (Ribadu 2004). Corruption disrupts the capital flow throughout entire developing nations. Tax income is generally far below what the government requires in order carrying out basic services in corrupt nations. Corruption also stunts international trade. The World Trade Organization (WTO) increases impediments on trade if a country maintains an "out-of-control" level of corruption, or extortion. If a developing nation attempts to deal with these problems, the WTO will decrease the impediments, giving the nation incentive to reduce skyrocketing corruption levels. The anti –corruption crusade of Nigeria might then be one of the reasons while the country is enjoying the support of the international communities. Other specific negative consequences of corruption in Nigeria are: loss of much needed revenue; decrease in the level of Foreign Direct Investment and loss of viable businesses by Nigerian 19 banks. Corruption diminishes national prestige and respect, leads to brain drain, civil arrest, business failure and unemployment, election rigging, absence of law and order, and failure of government institution (Ribadu, 2003).

Most Nigerians are treated with suspicion in most business dealings thereby making some honest Nigerians to suffer the stigma of corruption due to stereotyping. Ribadu (2006) opined that, corruption is worse than terrorism because it is responsible for perpetual collapse of infrastructure and institutions in Nigeria; it is the cause of the endemic poverty (table 4) and underdevelopment and cyclical failure of democracy to take root. Poverty is found to persists in Nigeria because of the mismanagement of resources and corruption, found particularly not only in the public sector (Ayua, 2001). Corruption stifles businesses that are unwilling to engage in this nefarious activity; ironically, it also eventually destroys the companies that yield to this practice, thus halting or at least delaying considerably, the march toward economic progress and ultimately sustained development (Gire 1999).

Gaps in Literature

The text exposition of the first theme in this work explains that poor and slow economic development in Nigeria is caused by corrupt acts of public officials which manifests itself in form of bribery, nepotism, illegal/ inflation of contract award, favouritism, siphoning of public resources- this has led to increase in rate of poverty in Nigeria as elucidated by Agbu, 2001, Lawal, 2012, Charles 2016, Ogunlana, 2011, Lipset and Lenz 2000, Abiodun 2007. They highlighted that key policy actions and implementations are required to ensure rapid economic development in Nigeria thus the EFCC and ICPC should be made more viable as instrument in fighting corruption. However, most empirical studies focus on analyzing how corruption has impacted negatively on the economy, there are some methodological reservations about the results from these empirical studies since we are aware that since the establishment of economic crimes commissions such as EFCC and ICPC corruption has persisted thus economic development has not been achieved thus, what is the impact of mismanagement of public funds on standard of living of the people in Nigeria.

The second text exposition relates effective checkmate of monetary policies in Nigeria as the bedrock of capital formation which will in turn lead to improved economic development in Nigeria. Ohanyere 2013, Ogbodo and Mieseigha 2013, Unger et al 2006, Ikang 2011, Ogbeidi 2012, Ovat and Bassey 2014 all identified money laundering as a catalyst for low capital formation thus proposing stiff punishment for violators of money laundering act. However, their study is bereaved of an in-depth analysis on the impact of money laundering by public officials on capital formation in Nigeria, the Nigerian government has over the years created stiff laws against money laundering thus the question does money laundering by public officials contributes to low capital formation in Nigeria.

Generally, none of the above literature review addressed the impact of corruption on economic development in Nigeria. We shall attempt to fill the gap created from the literature therein.

CHAPTER THREE

METHODOLOGY

This chapter presents a methodological approach to better grasp the basic tenets and propositions of this study. The study like any academic exercise is guided by a methodology which according to Manion (1980) is the specific technique and objective procedure employed in carrying out scientific investigation. According to Kaplan (1964: cited in Ogban-Iyam 1998) methodology is regarded as techniques and the scientific procedures used in a given science or in particular context of inquiry in that science. It deals with the problem, prospects, assets and liabilities of the techniques. However, the methodology for this study contains: the theoretical framework using the Marxian political economic approach of dialectical materialism, hypotheses, research design where the ex-post facto was employed, method of data collection was specifically on secondary data, method of data analysis centered on qualitative descriptive analysis, and a logical data framework.

3.1 THEORETICAL FRAMEWORK

The study employed Political Elite Theory in the analysis and understanding of corruption and economic development in Nigeria. Elite theory's origins lie most clearly in the writings of Gaetano Mosca (1858-1941), Vilfredo Pareto (1848-1923), and Robert Michels (1876-1936). Elites have been regarded as the Chief threat to the survival of democracy. Their existence has been taken to be the very denial of democracy. Elites which have exceptional access to key positions in the society or which appear to wield control over critical and crucial policies disproportionate to their numbers can understandably seem to be living contradictions of the notion of government by the people. The elitist theory stresses that elites are not dependent on the interest of masses; elites own the decision making power in government, corporations, and institutions that shape policy, and in doing so they act in accordance to their own self interest. Vilfredo Pareto in his book "*The Mind of the Society*" (1915-1919) emphasized the psychological and intellectual superiority of elites, believing that they were the highest accomplishers in any field. He discussed the existence of two types of elites: Governing elites and Non-governing elites. He also extended the idea that a whole elite can be replaced by a new one and how one can circulate from being elite to non-elite. Also, Gaetano Mosca in his "*The Ruling Class*" (1896) emphasized the sociological and personal characteristics of elites. He said elites are an organized minority and that the masses are an unorganized majority. The ruling class is composed of the ruling elite and the sub-elites. He divides the world into two groups: Ruling class and Class that is ruled. Mosca asserts that elites have intellectual, moral, and material superiority that is highly esteemed and influential. Furthermore, Robert Michels made a significance contribution in his "*Political Parties: A Sociological Study of the Oligarchical Tendency of Modern Democracy*" (1911) developed the iron law of oligarchy where, he asserts, social and political organizations are run by few individuals, and social organization and labor division are key. He believed that all organizations were elitist and that elites have three basic principles that help in the bureaucratic structure of political organization.

Today, elites are not necessarily related to families and name recognition. Power is concentrated in several fields of life, including family, religion, education, professional life, military, politics, etc (Mills, 1954). According to Mills (1956), a major part of power today "resides in the economic, the political and the military domain". Within these areas, it is possible to find what is called "power elite". The power elite are a circle of individuals who make important decisions. The power elite can be concentrated in any of the three institutional areas mentioned above Lopez (2013). Elite theory developed in part as a reaction to Marxism. It rejected the Marxian idea that a classless society having an egalitarian structure could be realized after class struggle in every society. It regards Marxism as an ideology rather than an objective analysis of social systems. According to Elite theory man can never be liberated from the subjugation of an elite structure. The term Elite refers to those who excel. The classical elite theorists identify the governing elite in terms of superior personal qualities of those who exercise power. Later versions of elite theory places less emphasis on the personal qualities of the powerful and more on the institutional framework of the society. They argued that the hierarchical organization of social institutions allows a minority to monopolize power. Another criticism of the elite theories against the Marxian view of distribution of power is that the ruling class too large and amorphous a group to be able to effectively wield power. In their view power is always exercised by a small cohesive group of the elite. Elite theory argues that all societies are divided into two main groups a ruling minority and the ruled. This situation is inevitable. If the proletarian revolution occurs it will merely result in the replacement of one ruling elite by another (http://www.sociologyguide.com/political-system/elite-theory.php).

Application of the theory

Even though every citizen is entitled the right to political participation and membership in different kinds of organizations, only a small portion of the population actually shapes policy and makes binding decisions. This is one of the main assertions made by the elitist theory, Dye and Zeigler (2006). The core political executive elite in Nigeria are understood as the echelon of the national political power structure where major policy decisions are taken and where control lies over the treasury. Analytically, the term ‘core’ is used to designate the apex members of the cabinet and/or military junta. These positions range from Prime-Minister, President, Vice- President, Ministers with portfolio to Military junta chairpersons and members formally responsible for making and implementing important national decisions. Changes in the occupation of these positions over time are a major clue to understanding political power relations and the quality of government Ani (2013).

In Nigeria, the political elite groups can be located at the law making bodies such as the National Assembly, top executive officials such as the Presidency, Ministers, State

Governors, at the judiciary, they can be located at the Chief Justices while in business level they are located at top bureaucrats such as the Chief Executives Officers of Multinational Companies and top industries. Virtually all the past administrations in Nigeria have been indicted of corruption. The establishment of EFCC by Obasanjo's administration was to tackle the cases of corruption ironically; EFCC has not been able to successfully prosecute any accused person. Some corruption cases by the politicians without any indictment are listed below, Hon Faruk Lawan Subsidy scandal of 2012, Haliburton Scandal of 1994, Malabu oil Scandal, the #195B Maina pension scandal, the march 13, 2015 immigration scandal, the former minister of aviation Stella Oduah car purchase scandal, the police pension fund fraud and the kerosene subsidy scandal among litany of other cases. Worst still, cases of money laundering and miss appropriation in court is either thwarted by the judges or frustrated through endless adjournment, the former governor of Enugu State Chimaroke Nnamani is a case study. Multinational Corporations has also aided our political elites on laundering of public funds through frivolous contract concessions and outsourcing. Operation of foreign account is illegal for any public official in Nigerian law, however, our political elites is characterized by not only operating foreign accounts but also owning estates and properties and in most cases having dual citizenship. Moreover, the Buhari's administration is accused of fighting un-holistic war against corruption as his top cabinet members indicted of corruption are either overlooked or exonerated. Moreover, party defecting is a sure way to corruption cleansing.

Nigeria has in recent times, been referred to as the fastest growing economy on the African continent and one of the 10 fastest growing economies in the world. Ironically, the country also harbours some of the poorest people in the world, with as many as 69 percent of the population, which is about 112.47 million Nigerians, living below the poverty line *ActionAidNigeria (2015)*. This is because; the relationship between individuals and society and between markets and the state in Nigeria is critically skewed, in favour of the corrupt elite. Hence, given the country's enormous resources, it is puzzling that such a huge portion of the populace lives in poverty *ActionAidNigeria (2015)*, an absolute indictment on the political economy. The vast incidence of poverty in the midst of plenty has consequently, severally been linked to the endemic corruption in the country, as it involves the massive stealing of resources that would have otherwise been invested in providing wealth-creating infrastructure for the citizens *ActionAidNigeria (2015)*. In the Nigerian political economy therefore, the elite have continued to attempt to play the role of dominion in the relationship between markets and the state.

3.2 HYPOTHESES

The study shall interrogate the following hypotheses:

1. Money Laundering by Public Officials leads to low Capital Formation in Nigeria between 1999 and 2016.
2. Mismanagement of Public Fund contributes to the decline in Standard of Living in Nigeria between 1999 and 2016.

3.3 RESEARCH DESIGN

Research design is a plan that guides the investigator in the process of data collection, analyses and the interpretation of observations. It is a logical model of proof that permits the researcher to draw inferences concerning causal relationships among variables being investigated (Asika, 1999:27). This study is based on a one shot ex-post facto analyses of documentary evidences because it is qualitative and non-experimental. The ex-post facto which is also 'after the fact' research design is based on the examination of the independent and dependent variables after the events have occurred and the data are already in existence

The ex-post facto design, according to Kerlinger (1977) is a form of descriptive research in which an independent variable has already occurred and in which an investigator starts with the observation variable, and then studies the independent invariable in retrospect for a possible relationship to and effects on the dependent variable. In addition, Cohen, Manion and Morrison (2011) noted that ex-post facto means after the fact or retrospective studies which are investigations geared towards knowing the plausible causal factors. In other words, the ex-post facto design attempts to identify a natural impetus for specific outcomes without actual manipulation of the independent variables.

This design is found to be most appropriate for this study because it is a method of testing possible antecedents of the events that have already occurred, therefore, it cannot be engineered or manipulated by the investigation (Cooper and Schindler, 2006). In this method of research design, the researcher can only report what has occurred or what is occurring by holding certain factors constant. This type of design is most utilized when it is not possible to control the experience, exposure or influences which may affect participants (Kerlinger, 1977, Cohen, Mansion and Marrison 2011). The researcher deliberately manipulates a treatment (or independent variable) and measures how it affects the behavior or reaction of subjects (the dependent variables).

The analytical routines involve testing structural causality based on ex-post facto analysis of the independent variable (X) and the dependent variable (Y) is based on the concomitant variations. This is to demonstrate that (X) is the factor that determines or causes (Y). In other words, when (X) occurs there is a tendency for (Y) to occur. This design therefore will guide the research process of testing the independent variable (Corruption) and the dependent variables (economic development). This is because the effect of the former on the later has already occurred before the investigation.

3.4 METHODS OF DATA COLLECTION

Methods are techniques and approaches employed to gather data which are used as criteria for inference, interpretation, explanation and prediction (Cohen and Manion, 1980:26). On the other hand, data are the information, evidence or fact from which conclusion can be drawn. This study relied on the documentary method, whereby data of a qualitative nature are generated. Qualitative research is a set of non-statistical inquiry technique and processes used to gather data about social phenomena (MacNabb, 2005:341).

The qualitative technique is most desirable because this study relied essentially on non-statistically based and numerically immeasurable data which nevertheless can be empirically studied. In other words, the aim of qualitative method is not to establish numeric or statistical relationship between variables. This is because although qualitative data may cover a few numbers of cases, the target is to establish relationship and validity within the social or concrete reality. The qualitative technique also deals with real world situations because it conducts its observations under natural settings, often devoid of artificialities and related computational manipulations. The implication of this is that it studies people's behavior and attitudes using ordinary or natural language rather than mathematical, statistical or numerical forms. Although it does not test hypotheses in the statistical sense of the term, the above hypotheses shall be proven using the deductive logical method.

The study is based on secondary data sources like books, journals, newspapers and magazines, articles, unpublished research materials, seminar papers as well as official government documents and other written works on the internet that deals with corruption and economic development in Nigeria. Beyond the use of secondary data, the researcher has been an keen observer in the trends corrupt activities and economic development in Nigeria from 1999 to 2016 and till date.

3.5 METHODS OF DATA ANALYSIS

The quantum of data generated in the course of this study was analysis using the qualitative descriptive method of analysis which involves the use of deductive and inductive reasoning to arrive at a logical conclusion. According to Asika (2006:118) “qualitative descriptive analysis fundamentally has to do with summarizing the information generated in the research verbally”. The sole reliance on secondary sources of data for this study makes the adoption of this analytical method imperative.

3.6 LOGICAL DATA FRAMEWORK

Research Questions	Hypotheses	Major Variables of the Hypothesis: Independent (x) Dependent (y)	Empirical Indicators of Variables	Sources of Data	Method o Collection/I Design
Did money laundering by public officials lead to low capital formation in Nigeria between 1999 and 2016?	Money Laundering by Public Officials leads to low Capital Formation in Nigeria between 1999 and 2016.	X Money Laundering by Public Officials Y Low Capital Formation	(X) * operation of foreign bank accounts * weak financial regulation * illegal acquisition of assets * smuggling of cash to foreign countries (Y) * poor investment in the economy * poor implementation of financial policies * poor fiscal revenue generation	Secondary sources of data: books, journals, newspapers, official documents, publications, unpublished articles, conference papers/seminars and internet sources.	Qualitative r data collecti on doc sources, pre post test design
Does mismanagement of public fund contributes to the decline in standard of living in Nigeria between 1999 to 2016?	Mismanagement of Public Fund contributes to the decline in Standard of Living in Nigeria between 1999 to 2016.	X Mismanagement Of Public Fund Y Decline in Standard of Living	(X) * illegal award/inflation of contract * diversion of project funds * delay in budget passage and implementation (Y) * increase rate of poverty * poor social service delivery * increase in cost of living		

CHAPTER FOUR

MONEY LAUNDERING BY PUBLIC OFFICIALS AND POOR IMPLEMENTATION OF FINANCIAL POLICIES IN NIGERIA

This chapter sets out to discuss the Nigerian money laundering acts, unraveling cases of money laundering, the financial institutions set up to investigate and prosecute money laundering cases and the cases of illicit financial flows and how it has lead to poor economic investment in Nigeria.

4.1 ANTI-MONEY LAUNDERING (PROHIBITIONS) ACTS IN NIGERIA

Conceptualizing money laundering has gained the attention of many scholars and agencies overtime. The draft Article 1 of the European Communities Directive of 1990, defines money laundering as the conversion or transfer of property, knowing that such property is derived from serious crime for the purpose of concealing or disguising the illicit origin of the property or of assisting any person who is involved in committing such an offence(s) to evade the legal consequences of his action and the concealment of disguise of the true nature, source, location, disposition, movement, rights with respect to, or ownership of property, knowing that such property is derived from serious crime.

According to Robert et al (2006) money laundering commonly follows the commission of a crime. He said that the process by which criminals attempt to hide or disguise the true origin and ownership of their ill-gotten wealth (an overview for members' guidance for Institutes of Chartered Accountants of Nigeria (ICAN). Ohanyere (2003) view money laundering as the procedure by which the proceeds of illegal acts are converted into apparently legal activities thus concealing their criminal origin. In a simple language it involves cleansing (laundering) dirty money in order to cover its dirty or illegitimate origin. It is an essential transformation process for the proceeds of crimes such as armed robbery, prostitution, gambling, arm deals, fraud, sales of hard drugs and any other act which the law and society prohibit. Hence, money laundering is the integration of illicit funds into the main stream of legitimate finance in order to conceal the criminal sources and nature of such funds and ultimately making the funds look clean. It is the smuggling in of funds with criminal intention into the channel of the legitimate financial system. The Association of Certified Fraud Examiners defines laundering as the disguising of the existence, nature, source, ownership, location and disposition of property derived from criminal activity. Osisioma (2009) refers to money laundering as a second-order financial crime which derives from an underlying criminal activity often called predicate offence. It generates proceeds which when laundered results in the offence of money laundering. Still in his words money laundering is often a cross-border crime. Salinger (2005) opined that money laundering takes several different forms although most methods can be categorized into one of a few types such as bank methods, surfing, currency exchanges and double – invoicing Financial Institutions over the years have made efforts in detecting and preventing money laundering but the main attribute of money laundering are its processes in which it is carried out. It has be argued that money laundering does not take a singular act but takes a more complex operation, which is completed in three basic steps (Anon, 2006).

4.1.1. Stages/processes of money laundering

Money laundering works in three phases (see figure 1 below). They are placement, layering and integration.

Placement

This is a stage the launderer deposits the dirty money into a financial institution such as bank accounts. This is often in form of cash bank deposit; and also the riskiest stage of money laundering process because large amount of money are pretty conspicuous and banks are required to report high-value transactions. However, they make use of a process known as snuffing that is breaking the transaction into smaller amounts to evade reporting requirement. The launderer's intention this stage is to remove the cash from the place of possession so as to avoid any form of detection from the authorities and to transform it to other form of assets such as travelers' cheques, money order etc.

Layering

This is a process whereby the launderer engages in a series of conversions or movement of the funds to distance than from their source. Here layers upon layers of transactions are created, moving "dirty" monies between accounts or business or buying and selling assets on a local and international basis until the original source of the money is untraceable or the launderer might simply wire the funds through a series of accounts in various banks across the globe.

Integration

Having successfully processed his criminal profits through the two stages discussed above, the launderer then moves to the final stage – integration, in which the funds re-enter the legitimate economy i.e. illegal funds is returned to the economy and masked as legitimate income. The launderer might choose to invest the funds in real estate, luxury assets or business ventures.

CASH FROM CRIMINAL ACT

PLACEMENT
Cash deposited into accounts

LAYERING
Funds moved into other institutions to obscure origin

INTEGRATION
Funds used to acquire legitimate assets

Figure 4.1 *Adopted from Robert 'et al (2006) "Niger Delta Peace and Security Strategy Working Papers, Money Laundering and Nigeria.*

4.1.2 The Nigerian Money Laundering Prohibition Acts

The section 15(1)prohibits money laundering in Nigeria, thus S15(2) of the Nigerian Money Laundering Prohibition Act defined Money Laundering as an attempt by any person or body corporate in or outside Nigeria, who directly or indirectly: conceals or disguises the origin of; converts or transfers; removes from the jurisdiction; or acquires, uses, retains, or takes possession or control of; any fund or property, knowingly or reasonably ought to have known that such fund or property is; or forms part of the proceeds of an unlawful act; commits an offence of money laundering.

The Nigerian Money Laundering Acts puts the limitations for a person to make or accept cash as thus:

S1. No person or body corporate shall , except in a transaction through Financial Institution, make or accept cash payment of a sum exceeding-

(a) N5,000,000.00 or its equivalent , in the case of an individual; or
(b) N10,000,000.00 or its equivalent, in the case of a body corporate.

S2 (1) a transfer to or from a foreign country of funds or securities by a person or body corporate including a money service of a sum exceeding US$10,000 or its equivalent shall be reported to the Central Bank of Nigeria, Securities and Exchange Commission or the commission in writing within 7 days from the date of the transaction.

2 (3) transportation of cash or negotiatiable instruments in excess of US$10,000 or its equivalent by individuals in or out of the country shall be declared to the Nigerian Custom Service.

2 (4) the Nigerian Custom Service shall report any declaration made pursuant to subsection (3) of this section to the CBN and the commission

The S13 (1) gave the CBN and other regulatory bodies the surveillance power of bank accounts over suspicious transactions. Thus, S6 made it mandatory for the disclosure to the EFCC in writing within 7 days of the financial institutions any transactions that contravenes section one of the AML act. The S.11 prohibits the opening or maintaining of numbered or anonymous accounts by any person financial institution or body corporate.

Spelling out the punishments for the offenders, S15 (3) said that any person who contravenes the provisions of subsection (2) of the section is liable on conviction to a term of not less than 7 years but not more than 14 years imprisonment. Subsection (4) of S15 further stated that a body corporate who contravenes the provisions of subsection (2) of this section is liable on conviction to a fin of not less than 100% of the funds and properties acquired as a result of the offence committed and withdrawal of license.

Table 1 Nigeria's Position in Transparency International's Corruption Perception Index

YEAR	POSITION	SCORE
2016	136	28
2015	136	26
2014	136	27

2013	**144**	**25**
2012	**139**	**27**
2011	**143**	**2.4**
2010	**134**	**2.4**
2009	**130**	**2.5**
2008	**121**	**2.7**
2007	**147**	**2.2**
2006	**142**	**2.2**

Source: Research compilations from *Transparency International Corruption Perception Indices: 2006-2016*

The above table shows that among the countries surveyed by the Transparency International, Nigeria is ranked among the most corrupt nations. Nigeria needs to do more in its fight against corruption especially as exhibited by the Buhari's administration. Much is needed to be done as Nigeria had maintained a static position of 136th in the world with only one point move each from 2014-2016 despite the acclaimed fight against corruption.

4.1.3 The Causes of Money Laundering in Nigeria

The factors responsible for the unending upsurge of money laundering in Nigeria are multidimensional, as discussed by Adewale, Adeusi, and Ibitoye on "Combating Money Laundering in Nigeria: Challenges and Solutions"

Corruption as an aid to money laundering

We have identified weak institutions as a major cause of corruption. Corruption as an aid to money laundering has a high propensity to thrive when legal and political institutions are weak and government policies generate economic rents. In most times, there are so many incentives in the public sector, particular administrative and legal institutions that leave public officials with wide unrestricted authority and powers to create avenues for unjust enrichment or use the discretionary powers at their disposal to manipulate the system.

Greed: Covetousness even in the book of the law, i.e. the Holy Bible is an act of insatiable appetite for money and material ownership. Money launderers are very greedy people who are never satisfied with whatever they have, but are increasingly desirous for more legally or illegally at the expense of the economy and society.

Monetary Policy Loopholes: Too many loopholes in the institution and implementation of monetary policies that allows the fraudsters to launder money from one bank to the other, one state to the other and from one country to the other.

Lack of discipline and Responsibility: The un-readiness of money launderers to comply with the rational economic laws of the land for ownership and movement of financial resources.

Love for Easy and Quick Money: Money launderers never want to earn legally justified money. All they want to is to earn easy or quick money most often through illegitimate means.

The Era of the corrupt Political Class: A large proportion of today's political class(particularly in Nigeria) are not in government to serve the people but to convert the resources entrusted into their hands into their private use. In the process of stealing public funds, they find an avenue to stack away stolen resources in money laundering.

The role of formal rules and the criminal justice system: There is hardly any country where corruption is legalized; to the contrary, there are several formal rules and laws prohibiting corruption and corrupt practices with appropriate sanctions and punishments. In addition to organic laws, several public institutions such as the Police, Customs, Immigration etc, in a political economy that is laced with corruption, such formal rules are usually supplanted by informal rules or customs that allow corruption to flourish.

4.2 FINANCIAL REGULATORY INSTITUTION AND POOR IMPLEMENTATION OF FINANCIAL POLICIES IN NIGERIA

Financial law include the legal framework applicable to investors, depositors or lenders, financial intermediaries, borrowers and issuers, financial instruments, transactions and contracts, markets and exchanges, or even public authorities overseeing that process. Generally, financial markets and financial institutions comprise a country's financial system. The financial system is broadly the set of markets and institutions that are involved in moving savings from savers (households and firms) to borrowers, and in transferring, sharing and insuring risks. The financial system consists of several components, which include the banking system, the primary and secondary securities markets, insurance markets, the central bank and other financial supervisory authorities and the underlying infrastructure for the clearing and settlement of payments and trades in financial instruments. Financial law is a branch of a national legal system that regulates the financial activities of the state and its financial relationship with the private sector. The state has at its disposal a large share of the national income, more than half of which is handled by the state budget. Financial law is a form of regulation or supervision, which subjects financial institutions to certain requirements, restrictions and guidelines, aiming to maintain the integrity of the financial system. It also aims at preventing unwelcome developments that might disrupt the smooth functioning of the banking, insurance, capital, market/securities and pension sectors of the financial economy. It is evident from the above clarification of financial laws and the rationale behind them that, in Nigeria the nature and scope of financial laws is broad and diverse as it ranges from laws relating to budget, revenue allocation, finance control and management, fiscal responsibility, debt management/external borrowing, to laws regulating the financial institutions and financial market accumulation, distribution and use of monetary assets and the systematic supervision of finances (Ladan, 2014).

Financial regulation is a form of regulation or supervision, which subjects financial institutions to certain requirements, restrictions and guidelines, aiming to maintain the integrity of the financial system. This may be handled by either a government or non-government organization. Financial regulation has also influenced the structure of banking sectors, by decreasing borrowing costs and increasing the variety of financial products available.

The objectives of financial regulators are usually:

- market confidence – to maintain confidence in the financial system
- financial stability – contributing to the protection and enhancement of stability of the financial system
- consumer protection – securing the appropriate degree of protection for consumers.
- reduction of financial crime – reducing the extent to which it is possible for a regulated business to be used for a purpose connected with financial crime.
- regulating foreign participation in the financial markets.

In the late - 1990s the International Community regarded Nigeria as a pariah state not only because of high level of money laundering but also because of advance fee fraud associated with Nigerians. This state of affairs prompted the blacklisting of Nigeria as a non-cooperative country having limited legal and regulatory framework to tackle Money Laundering and Financing of Terrorism by the Financial Action Task Force (FATF). Nigerian Financial Intelligence Unit (NFIU) is therefore a child of circumstances in fulfillment of the requirement by FATF and was established in June 2004 by the then President Olusegun Obasanjo. Apart from being the coordinating entity for the receipt and analysis of financial disclosure of Currency Transaction Reports and Suspicious Transaction Reports in line with Nigeria's anti-money laundering and combating the financing terrorism (AML/CFT) regime, NFIU also disseminates intelligence gathered thus to competent authorities. NFIU draws its responsibilities directly from the 40+9 Special Recommendations of the Financial Action Task Force (FATF), the global coordinating body for Anti Money Laundering and Combating the Financing of Terrorism (AML/CFT) efforts It also draws its powers from the EFCC (Establishment) Act of 2004 and the Money Laundering (Prohibition) Act of 2004 (2011). The laws require financial institutions and designated non financial institutions to submit records of financial transactions to the NFIU. It is domiciled at EFCC being a law enforcement agency and has three central roles which are receiving, analysis of financial intelligence and dissemination of such intelligence to end-users (EFCC, 2017).

However, the EFCC which is the main financial institution currently active in the fight against corruption in Nigeria was established by the 2004 Act.

The Commission (EFCC) shall be responsible for -

(a) the enforcement and the due administration of the provisions of this Act;

(b) the investigation of all financial crimes including advance fee fraud, money laundering, counterfeiting, illegal charge transfers, futures market fraud, fraudulent encashment of negotiable instruments, computer credit card fraud, contract scam, etc.;

(c) the co-ordination and enforcement of all economic and financial crimes laws and enforcement functions conferred on any other person or authority;

(d) the adoption of measures to identify, trace, freeze, confiscate or seize proceeds derived from terrorist activities, economic and financial crimes related offences or the properties the value of which corresponds to such proceeds; among other functions enumerated in the EFCC Act 2004. The section 7(2) of the Commission is charged with the responsibility of enforcing the provisions of –

(a) the Money Laundering Act 2004; 2003 No.7 1995 N0. 13

(b) the Advance Fee Fraud and Other Fraud Related Offences Act 1995;

(c) the Failed Banks (Recovery of Debts) and Financial Malpractices in Banks Act 1994, as amended;

(d) The Banks and other Financial Institutions Act 1991, as amended; and

(e) Miscellaneous Offences Act

(f) Any other law or regulations relating to economic and financial crimes, including the Criminal code of penal code

Table 4.2 Some Major Corruption Cases in Nigeria 2011-2015

s/n	Corruption case	Nature	F
1	N195 Billion Pension Scam by Alhaji Maina	It is believed that Alhaji Maina misappropriated billions of naira worth of pension funds, which he claimed to have recovered from pension thieves.	N
2	Kerosene Subsidy Scam by NNPC and marketers	The Former Governor of the Central bank and Now Emir of Kano Mr Sanusi's Had shown that the kerosene subsidy was eliminated in 2009 by a directive of the late president Umaru Yar'Adua. Further evidence, in the form of official data from across Nigeria, shows that nowhere in the country is kerosene sold at a subsidized rate. It is bought by the NNPC at N150, sold to marketers at N40-N50, but retails at N170-N250. Mr Sanusi estimates that $100m goes astray this way each month.	N
3	$6bn Fuel Subsidy Scam	Nigeria's parliament has discussed a report said to reveal that $6bn (£4bn) has been defrauded from the fuel subsidy fund in the past two years. Notable members of the PDP or their families were involved in the scam like Mamman Ali and Mahmud Tukur	C c r L
4	123bn Naira Fraud - Stephen Oronsaye	A damning report by the Office of the Auditor-General of the Federation has indicted a former Head of the Civil Service of the Federation, Mr. Stephen Oronsaye, over an alleged N123billion	N t t

		fraud perpetrated during his tenure, between 2009 and 2010.	
5	Police Pension Fund Fraud	6The Economic and Financial Crimes Commission (EFCC) arraigned the ex-permanent secretary in the Ministry of Niger Delta Affairs, now a director in the Police Pension Office, Atiku Abubakar Kigo; the chief accountant, Mrs. Uzoma Cyril Attang, and four others before an Abuja high court on an 18-count charge of conspiracy, breach of trust and embezzlement of N32.8 billion police pension funds.	T y f
6	Stella Oduah car purchase scandal	The committee set up by President Goodluck Jonathan to probe the N255m bulletproof car scandal in the aviation ministry has indicted the Minister, Ms. Stella Oduah.	N
7	NNPC missing $20billion naira.	$20 billion from oil sales that, mysteriously, was not making its way to the treasury, which was revealed by the former CBN governor Sanusi Lamido in a country	V T c l c $
8	$15 million in Private Jet Arm Scandal	A private jet that conveyed $9.3 million cash from Nigeria to South Africa for an alleged arms deal between the two countries, had Nigerian crew members, and passengers from Israel and Austria.	g i N i E n
9	Abba Moro Immigration recruitment scandal	The collection of the N1, 000 amount paid by the applicants and to whose account was the money paid to?	n n e a C 2 P F N t a c
10	Malabu Oil Scandal	The $1.1billion proceeds paid to Malabu oil company was shared by some private firms owned by people very close to the presidency, a report by an anti-graft agency shows.	n
11	Crude Oil Theft Scandal	According to President Goodluck Jonathan, 300,000-400,000 barrels of oil per day, or more than 10% of all Nigeria's production, is being lost at a cost to the state and oil companies of around £1bn a month – more than is spent on education and the health of the nation's 168 million people. Not only is Nigerian oil theft helping to keep the world price of oil high, it is causing corruption and social disorder, says the president.	N c s t t s
12	Arms scandal	Corruption in the Nigerian military is gargantuan and so vicious that even money meant for bullets to fight Boko Haram terrorists is stolen by top generals in the Nigerian army, an American official with inside knowledge made the shocking revelation.	N a r a

			F A s J D c
13	Farouk Lawan $3m bribery scandal.	Lawan had been recorded on Camera collecting a total of $620,000 from Businessman Femi Otedola who was embroiled in the subsidy scandal. Farouk Lawan had allegedly demanded $3m to look the other way	N

Source: http://www.nairaland.com/219748/top-20-corruption-cases-scandals

From the above table, it is pathetic that virtually all those alleged and indicted of corruption in Nigeria either have their case ignored, acquitted, or their prosecution marred by endless adjournment and injunctions. In most case, those indicted of corruption cases abscond the country. The immediate past President Dr. Goodluck Jonathan even went to the extent of granting state pardon to one of the Alamesieghie. This gross abuse of public office by the government officials has plunged Nigeria into economic quagmire tainting Nigeria's image in the international community thus making Nigeria look like a pariah state.

4.2.1 Obstacles to Effective Prosecution of Corrupt Practices and Financial Crimes in Nigeria

Ribadu (2004) stated that corruption and other economic crimes are the bane of Nigeria Economic Development efforts. All the crimes harm the economy in no small measures. That those who are saddled with the responsibility of fighting crimes will do well to rejects to be compromised. If they do, corruption becomes a little monster to be crushed with ease. However; he outlined the following factors that affected the prosecuting of criminals:

(a) Cooperation from persons/institutions who should furnish relevant information.

(b) The quality of evidence gathered at the investigation stage.

(c) The transparency of investigation of the case itself.

(d) The prosecutorial competes of the prosecuting counsel.

(e) The transparency and fairness of the presiding judge in the trail.

(f) Gaps in the law guiding prosecution. The greatest tragedy to any prosecution is when a judge has even before taking and analyzing evidence has made up his mind that the accused is not guilty as charged.

(g) Inadequacy of existing procedural and evidence laws.

(h) Congestion and slow pace of court proceedings.

(i) Jurisdiction problems.

(j) Cost of investigation and prosecution. He concluded that the commission has a lot of bottlenecks as regards investigation and prosecution of cases. That with the support of the judiciary, there will be speed to the trial cases.

4.3 ILLICIT FINANCIAL FLOWS AND POOR INVESTMENT IN THE ECONOMY

Money laundering is a problem not only in the world's major financial markets and offshore centers, but also for emerging markets. Indeed, any country integrated into the international financial system is at risk. As emerging markets open their economies and financial sectors, they become increasingly viable targets for money laundering activity. Over $7.8 trillion was siphoned from the world's developing and emerging economies between 2004 and 2013, and over $178 billion of that amount was from Nigeria, a new report on global illicit financial flows has said. Nigeria is among the world's top 20 countries with the biggest losses from skewed financial transactions, the report noted.

African economies have lost between $597 billion and $1.4 trillion in illicit financial flows in the past three decades. That's nearly equal to the entire continent's current gross domestic product. This plunder results in missed development opportunities, increased poverty, and continued injustice. While many African nations are experiencing unprecedented economic growth, illicit financial flows (IFFs) prevent this growth from translating into better overall living conditions for Africans. When money is moved secretly and illegally from one jurisdiction to another, this constitutes an illegal financial flow. For developing countries, the term refers to money that leaves the continent instead of being used to finance development. Such funds may be proceeds from organized crime, smuggling, corruption, money laundering, tax evasion, or international trade manipulations. While concentrated in a few countries such as Nigeria and Ghana, and essentially stemming from extractive and mining industries, IFFs are a burden for nearly all West African countries. Across the continent, only 3 percent of IFFs are derived from government corruption, while 33 percent comes from organized criminal activity and 64 percent from trade manipulations. The outflows are the result of many factors, such as poor (or poorly enforced) financial regulatory frameworks, weak and non-harmonized taxing regimes, international trade mispricing, opaque public procurement and contracting, and an increasingly organized and sophisticated web of multinational criminal networks whose modus operandi are only viable when their finances are untraced. Both the public and private sectors have a role to play in tackling IFFs (Mohamed, 2014)

According to OECD library, "FDI is defined as cross-border investment by a resident entity in one economy with the objective of obtaining a lasting interest in an enterprise resident in another economy. The lasting interest implies the existence of a long-term relationship between the direct investor and the enterprise and a significant degree of influence by the direct investor on the management of the enterprise. Ownership of at least

10% of the voting power, representing the influence by the investor, is the basic criterion used”

Wikipedia defines —Foreign direct investment (FDI) as a direct investment into production or business in a country by an individual or company of another country, either by buying a company in the target country or by expanding operations of an existing business in that country. Foreign direct investment is in contrast to portfolio investment which is a passive investment in the securities of another country such as stock and bond. —In the Federal Republic of Nigeria, foreign direct investment (FDI) is defined as investment undertaken by an enterprise that is either wholly or partly foreign-owned. The Investment Code that created the Nigerian Investment Promotion Commission (Decree No. 16 of 16th January 1995) and the Foreign Exchange (Monitoring and Miscellaneous Provision) also enacted in 1995 give full legal backing for FDI in the country (UNCTAD, 2006). According to the UNCTAD, Nigeria has the third largest FDI stock in Africa -- USD 86.6 billion - after South Africa (USD 145 billion) and Egypt (USD 87.8 billion). This is largely due to the fact that the country remains Africa's largest producer of oil. Some of the country's main advantages are a partially privatized economy, an advantageous taxation system, significant natural resources and the low cost of labour. On the other hand, widespread corruption, political instability, lack of transparency and poor quality of infrastructure limit the country's FDI potential.

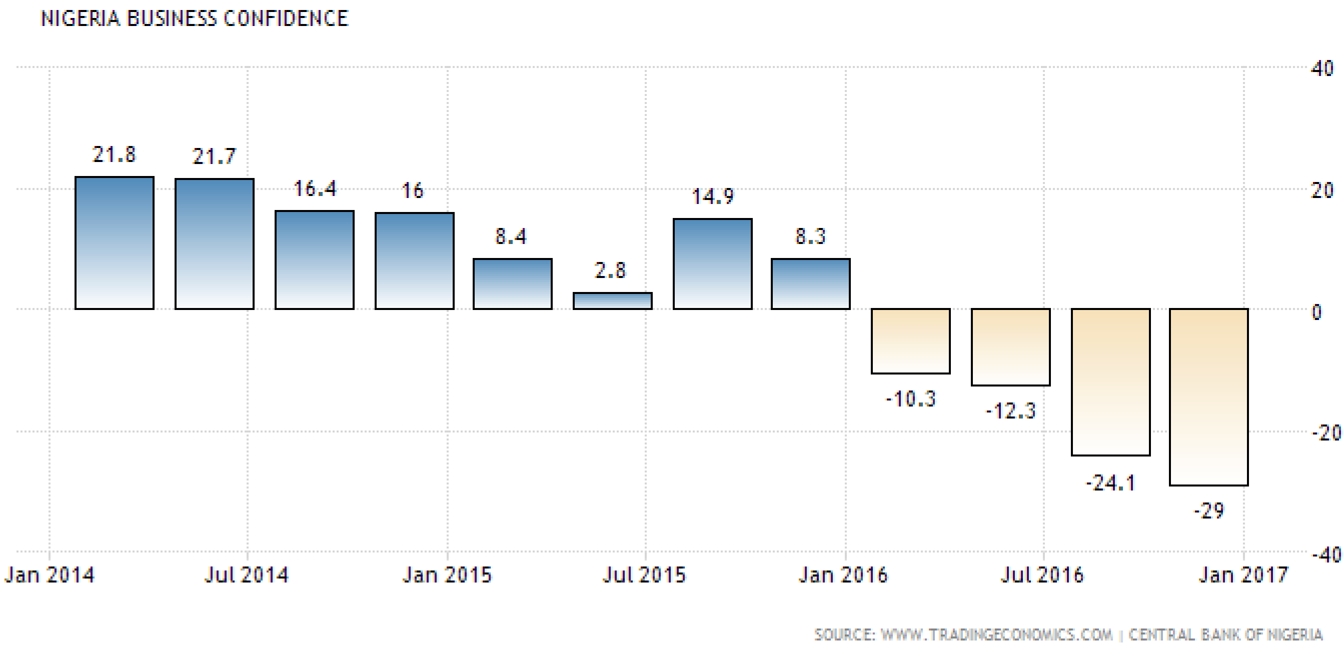
The United Nations Conference on Trade and Development (UNCTAD) has said Foreign Direct Investment (FDI) to Nigeria fell 27 percent from $4.7 billion recorded in 2014 to an estimated $3.4 billion in 2015. According to its latest Global Investment Trend Monitor released on Wednesday, UNCTAD said Nigeria was hit hard by the slump in oil prices. UNCTAD, which is the principal organ of the UN that deals with trade, investment, and development issues, also said FDI inflows to Africa in 2015 was an estimated $38 billion, down 31 percent from $54 billion recorded in 2014. The end of the commodity "super-cycle" had an impact on resource-seeking FDI, the UN agency said (Financial Nigeria, 2016).

TABLE 4.3 NIGERIA BUSINESS ENVIRONMENT STATISTICS

Nigeria Business	Last	Previous	Highest	Lowest	Unit
Business Confidence	-29.00	-24.10	41.10	-29.00	
Industrial Production	0.10	-10.10	20.10	-10.10	Percent
Manufacturing Production	-3.30	-7.00	24.60	-7.00	Percent
Mni Business Sentiment	58.90	60.90	69.60	41.60	
Services Pmi	44.50	49.40	54.00	41.00	
Leading Economic Index	45.90	45.50	53.00	45.50	Percent
Manufacturing Pmi	44.60	48.20	53.00	41.90	
Ease of Doing Business	169.00	170.00	170.00	120.00	
Corruption Index	28.00	26.00	28.00	6.90	Points
Corruption Rank	136.00	136.00	152.00	52.00	
Changes In Inventories	127424.00	110385.00	146214.53	32488.05	NGN Million
Competitiveness Index	3.39	3.46	3.81	3.37	Points
Competitiveness Rank	124.00	127.00	127.00	94.00	
Composite Pmi	52.20	51.90	54.50	46.30	
Capacity Utilization	50.70	53.70	60.50	50.70	Percent

Source: trading economics: Nigeria business confidence

Figure 4.2



Source: Trading Economics: Nigeria Business Confidence, 2017

From the above statistical data, it indicates that Nigeria ranking 136th in corruption perception index experienced an all time loss of business confidence from 21.8 in 2014 to -29 in the first quarter of 2017.

The National Bureau of Statistics recently released its latest report on foreign direct investment (FDI) into Nigeria. Besides foreign portfolio inflows (in equities, stocks, and bonds), Nigeria recorded no direct capital investment inflow in the third quarter of 2016. This is a dramatic fall from grace for a country that has been a major recipient of FDI in Africa. Over the last decade to 2014, however Nigeria consistently ranked among the top three destinations for FDI in Africa – surpassing South Africa, according to the United Nations Conference on Trade and Development (UNCTAD). Total FDI inflows ranged between $5 and $7 billion per year, as yield-hungry investors targeted the oil and gas, real estate, communications, and consumer goods sectors of Africa's largest economy.

The Economic Effects of Money Laundering

Undermining the Legitimate Private Sector:

One of the most serious microeconomic effects of money laundering is felt in the private sector. Money launderers often use front companies, which co-mingle the proceeds of illicit activity with legitimate funds, to hide the ill-gotten gains. These front companies have access to substantial illicit funds, allowing them to subsidize front company products and services at levels well below market rates. In some cases, front companies are able to offer products at prices below what it costs the manufacturer to produce. Thus, front companies have a competitive advantage over legitimate firms that draw capital funds from financial markets. This makes it difficult, if not impossible, for legitimate business to compete against front companies with subsidized funding, a situation that can result in the crowding out of private sector business by criminal organizations.

Clearly, the management principles of these criminal enterprises are not consistent with traditional free market principles of legitimate business, which results in further negative macroeconomic effects.

Undermining the Integrity of Financial Markets:

Financial institutions that rely on the proceeds of crime have additional challenges in adequately managing their assets, liabilities, and operations. For example, large sums of laundered money may arrive at a financial institution but then disappear suddenly, without notice, through wire transfers in response to non-market factors, such as law enforcement operations. This can result in liquidity problems and runs on banks. Indeed, criminal activity has been associated with a number of bank failures around the globe. Furthermore, some financial crises of the 1990s —such as the fraud, money laundering, and bribery scandal at

BCCI and the 1995 collapse of Barings Bank as a risky derivatives scheme carried out by a trader at a subsidiary unit — had significant criminal or fraud components.

Loss of Control of Economic Policy:

Michel Camdessus, the former managing director of the International Money Fund, has estimated that the magnitude of money laundering is between 2 and 5 percent of world gross domestic product, or at least $600,000 million. In some emerging market countries, these illicit proceeds may dwarf government budgets, resulting in a loss of control of economic policy by governments. Indeed, in some cases, the sheer magnitude of the accumulated asset base of laundered proceeds can be used to corner markets — or even small economies.

Money laundering can also adversely affect currencies and interest rates as launderers reinvest funds where their schemes are less likely to be detected, rather than where rates of return are higher. And money laundering can increase the threat of monetary instability due to the misallocation of resources from artificial distortions in asset and commodity prices.

In short, money laundering and financial crime may result in inexplicable changes in money demand and increased volatility of international capital flows, interest, and exchange rates. The unpredictable nature of money laundering, coupled with the attendant loss of policy control, may make sound economic policy difficult to achieve.

Economic Distortion and Instability:

Money launderers are not interested in profit generation from their investments but rather in protecting their proceeds. Thus they “invest” their funds in activities that are not necessarily economically beneficial to the country where the funds are located. Furthermore, to the extent that money laundering and financial crime redirect funds from sound investments to low-quality investments that hide their proceeds, economic growth can suffer. In some countries, for example, entire industries, such as construction and hotels, have been financed not because of actual demand, but because of the short-term interests of money launderers. When these industries no longer suit the money launderers, they abandon them, causing a collapse of these sectors and immense damage to economies that could ill afford these losses.

Loss of Revenue:

Money laundering diminishes government tax revenue and therefore indirectly harms honest taxpayers. It also makes government tax collection more difficult. This loss of revenue generally means higher tax rates than would normally be the case if the untaxed proceeds of crime were legitimate.

Risks to Privatization Efforts:

Money laundering threatens the efforts of many states to introduce reforms into their economies through privatization. Criminal organizations have the financial wherewithal to outbid legitimate purchasers for formerly state-owned enterprises. Furthermore, while privatization initiatives are often economically beneficial, they can also serve as a vehicle to launder funds. In the past, criminals have been able to purchase marinas, resorts, casinos, and banks to hide their illicit proceeds and further their criminal activities.

Reputation Risk:

Nations cannot afford to have their reputations and financial institutions tarnished by an association with money laundering, especially in today’s global economy. Confidence in markets and in the signaling role of profits is eroded by money laundering and financial crimes such as the laundering of criminal proceeds, widespread financial fraud, insider trading of securities, and embezzlement. The negative reputation that results from these activities diminishes legitimate global opportunities and sustainable growth while attracting international criminal organizations with undesirable reputations and short-term goals. This can result in diminished development and economic growth. Furthermore, once a country's financial reputation is damaged, reviving it is very difficult and requires significant government resources to rectify a problem that could be prevented with proper anti-money-laundering controls. (adopted from MacDowell, 2001: The Consequences of Money Laundering and Financial Crime).

CHAPTER FIVE

MISMANAGEMENT OF PUBLIC FUND AND DECLINE IN STANDARD OF LIVING IN NIGERIA

In this chapter, the study set to discuss on issues bordering on project diversions and how it has lead to increase in poverty rate in Nigeria, illegal award of contracts and poor social service delivery and misappropriation of public funds and unemployment rate in Nigeria.

4.1 DIVERSION OF PROJECT FUNDS AND INCREASED RATE OF POVERTY IN NIGERIA

Poverty is not an easy concept to define. As a result, a range of definitions exist, influenced by different disciplinary approaches and ideologies. The dominant Western definition since World War II has defined poverty in monetary terms, using levels of income or consumption to measure poverty and defining the poor by a headcount of those who fall below a given income/consumption level or poverty line‘ (Grusky and Kanbur, 2006). However, this economic definition has been complemented in recent years by other approaches that define poverty in a more multidimensional way (Subramanian, 1997). These approaches include the basic needs approach (Streeten et al, 1981), the capabilities approach

(Sen, 1999) and the human development approach (UNDP, 1990). Their acceptance is reflected in the widespread use of the United Nations Development Programme's (UNDP) Human Development Index (HDI), which is a composite measure of three dimensions of human development: (i) life expectancy, (ii) educational attainment and (iii) standard of living, measured by income in terms of its purchasing power parity (UNDP, 2006). It is also reflected in the Organization for Economic Co-operation and Development‘s (OECD) conceptualization of multidimensional poverty, defined as interlinked forms of deprivation in the economic, human, political, socio-cultural and protective spheres (OECD, 2006). For our purposes here, poverty is also defined by a sense of helplessness, dependence and lack of opportunities, self-confidence and self-respect on the part of the poor. Indeed, the poor themselves see powerlessness and voicelessness as key aspects of their poverty (Narayan et al., 2000). Further, the acknowledgement of the multidimensionality of poverty is reflected in the range of both quantitative and qualitative methodological approaches adopted to conceptualize and measure poverty (Handley, et al., 2009).

A literature survey by Chetwynd et al (2003) shows that there are two broad perspectives or viewpoints regarding the relationship between corruption and poverty. The first perspective or viewpoint argues that corruption is not a major cause of poverty. The second viewpoint argues that there is some correlation between corruption and poverty, but that this relationship is an indirect one. It is argued that corruption by itself does not produce poverty; rather, corruption has direct consequences on economic and governance factors - intermediaries that in turn produce poverty. From this understanding, Chetwynd et al (2003) derived two models: the economic model and the political or governance model. The economic model postulates that corruption affects poverty by first impacting economic growth factors and/or income equality, which in turn impacts poverty levels. Corruption blocks economic growth in a number of ways: rent-taking increases costs and creates uncertainty, thereby reducing incentives to both foreign and domestic investors; entrepreneurs and innovators require licenses and permits, and paying bribes for these cuts into profit margins; public resources are diverted to private uses; standards are waived; funds for operations and maintenance are diverted in favour of more rent-seeking activity, thus lowering the quality of public infrastructure; firms and activities are driven into the informal sector by excessive rent-taking; taxes are reduced in exchange for payoffs to tax officials, thus reducing tax revenues; officials who otherwise would be engaged in productive activity become pre-occupied with rent-taking (in which increasing returns encourage more rent-taking); and rent-seekers pursue those projects for which rent-seeking is easiest and best disguised, and as such divert funding from other sectors, leading to the distortion of the composition of public expenditure.

Further, Chetwynd et al (2003) also show that corruption exacerbates income inequality in the following ways: corruption may create permanent distortions from which some groups or individuals can benefit more than others; and the distributional consequences of corruption are likely to be more severe the more persistent the corruption. The impact of corruption on income distribution is in part a function of government involvement in allocating and financing scarce goods and services. Corruption also aggravates income inequality because lower income households pay a higher proportion of their income in bribes. The governance model (also known as the political model) contends that corruption affects poverty in the sense that corruption reduces governance capacity. Corrupt behaviours erode the institutional capacity of government to deliver quality public services; divert public investment away from major public needs into capital projects; lower compliance with safety and health regulations; and increase budgetary pressures on government. The above factors, which are caused by corruption, are in turn responsible for producing poverty.

Nigeria has been variously described as a country with strong growth potential. Reports indicate that the Nigerian economy has been growing at an average of 6% per year consistently for over 7 years. Yet despite this growth in the gross domestic product (GDP), unemployment, poverty and inequality have continued to expand (UNDP, 2010; FGN, 2010). The National Bureau of Statistics (NBS) reported that the percentage of people living in poverty increased from 27.2% in 1980 to 46.3% in 1985, dropped to 42.7% in 1992 and then increased to 65% in 1996. By 2010, the poverty level was at 69%, indicating that about 112.47 million Nigerians are living below the poverty line (NBS, 2010). Nigeria is therefore aptly described as a paradox of poverty in the midst of plenty. Eradicating poverty and extreme hunger is at the core of the Millennium Development Goals (MDG). MDG reports in Nigeria have been very consistent in showing the difficulties of achieving this goal. In the year 2000, when the MDGs were declared, 60% of Nigerians were officially recognized as living in relative poverty. With the introduction of MDG programmes and initiatives, this rate was expected to drop to 21.35% by 2015. Based on this 15-year projection, it was expected that the rate would be at 28.78% by 2007, the midpoint of the MDG's lifespan. Instead, the actual percentage of poor people in 2007 was reported to be 54.40%, indicating a variance of about 25.62%. Estimates for 2008 and 2009 were set at 52.4% and 51.58% respectively, indicating a variance of 28.89% and 30.5%. Based on this trend, the updated projection suggested that by 2015 the incidence of poverty would possibly fall to 37.5% against the original target of 21.35% (FGN, 2010). However, with the current level of poverty estimated at 62.8% (NBS 2010), it is almost impossible to achieve even the 37.5% projection in 2015 (Abdu, 2014). Existing alongside this high rate of poverty in Nigeria is a high rate of corruption. Mega corruption has grown to a level of impunity in the last two decades, with the country being variously rated as the most corrupt in the world (ActionAid, Concept Paper 2014). This endemic corruption is linked to the huge incidence of poverty in the country.

Corruption is related to the massive stealing of public resources that would have been invested in providing wealth-creating infrastructure and social services for the citizenry, thus reducing poverty.

The poverty situation in Nigeria is quite disturbing. Both the quantitative and qualitative measurements attest to the growing incidence and depth of poverty in the country (Okunmadewa, et al., 2005). This situation however, presents a paradox considering the vast human and physical resources that the country is endowed with. It is even more disturbing that despite the huge human and material resources that have been devoted to poverty reduction by successive governments, no noticeable success has been achieved in this direction. Although, predicted poverty reduction scenarios vary greatly depending upon the rate and nature of poverty related policies, actual evidence suggests that the depth and severity of poverty is still at its worst in Nigeria, SSA and South Asia (Okunmadewa et al., 2005). Within these regions, poverty is largely a rural phenomenon with an average of between 62 and 75 percent of the population living on less than a dollar a day and also tends to be deeper than urban poverty in these regions (Apata et al., 2010). Besides, it has become increasingly evident that within the African region the poor are heterogeneous and that some element of dynamics does exist with a clear distinction between chronic and transitory poverty (Barret et al., 2000). Chronic poverty is considered the component of total poverty that is static and transitory poverty component that is attributable to the inter-temporal variability (Jalan and Ravallion, 1996). The isolation of the process underlying chronic and transitory poverty is considered essential in understanding the extent to which each poverty type may obscure the other or even distort the effects of government anti-poverty programmes. A national poverty survey carried out indicates that the high tropic areas have moderate poverty while the northern regions have poverty levels that are as high as 60 percent (NBS, 2009). The average national poverty incidence indicates that this situation has not improved during the last 20 years in a majority of SSA countries. According to Garcia, Kohl, Ruengsorn and Zislin (2006), Nigeria‘s main challenges include, reducing poverty, diversifying its economy from the oil and gas sector towards more labor intensive sectors, and improving health and education. The oil has increased economic volatility and inflation while those living in poverty being most vulnerable to volatility and inflation. To add to it, instability of government revenues and a crowding out of agriculture (which provides the source of income to the poor) have made the situation worsen. The oil industry does not employ a sizeable number of unskilled workers, thereby contributes little to reducing poverty. Ford (2007) discusses the oil crisis in the oil producing region of Nigeria. He states that poverty has been linked to high crime rates, especially in the Niger delta region where there is a sharp contrast between the rich and the poor. The masses cause social unrest because the wealth gotten from their territory does not get to them. In the Nigerian society, the best way to acquire wealth is to enter the political sphere. Most of the time political success is tied to criminal activities. He ends the article by stating that the link between economic and political power must be broken for progress to be made.

4.2 ILLEGAL AWARD OF CONTRACTS AND POOR SOCIAL SERVICE DELIVERY

Nigeria has a serious problem of corruption. It is very widespread and it manifests itself in virtually all aspects of national life. Practically every government since the 1960s came into power with a promise to address corruption. In its Annual Report for 2012, the Economic and Financial Crimes Commission (EFCC) observed that corruption in the public sector remains a sore spot in Nigeria’s quest to instill transparency and accountability in the polity. The failure to deliver social services, the endemic problem of the power supply and the collapse of infrastructure are all linked with corruption.

Service here implies tangible and intangible goods and services provided by the government in order to improve the well being of the citizenry. Carlson et al (2005) conceptualized service delivery as the relationship between policy makers, service providers and poor people. According to them, it encompasses services and their supporting systems that are typically regarded as a state responsibility. These include social services (primary education and basic health services), infrastructure (water, sanitation, roads and bridges) and services that promote personal security (justice, police etc). In Nigeria, government constitutes the major service provider through the Public Service. The Public Service refers to all organizations that exist as part of government machinery for implementing policy decisions and delivering services that are of value to the citizens. It is a mandatory institution of the state under the 1999 Constitution of Nigeria. The Nigerian Public Service includes the Civil Service, often referred to as core service, consisting of line ministries and extra-ministerial agencies; the Public bureaucracy or the enlarged Public Service made up of service of the State and National Assembly, the Judiciary, the Armed Forces, the Police and other security agencies, paramilitary services (i.e. Customs, Immigration, Prisons Services, Civil-Defense Corps etc); parastatals and agencies i.e. regulatory agencies, educational institutions, research institutions, social services, commercially oriented agencies etc. it is also used to refer to Public Servant who are direct employees of those ministries, extra-ministerial agencies, parastatals, corporations and institutions.

Despite periodic fluctuations in Nigeria’s major export (crude oil) prices, the country earns enough foreign exchange/revenue to “modernize” and provide infrastructural facilities to develop the economy. In the last decade, Nigeria has experienced remarkable growth in Gross Domestic product and perhaps its per capita component at an average of 6.5 percent and 2,600 US dollars respectively (African economic outlook, 2012). This growth is not completely unconnected with the revenue windfall from petroleum which normally should be used to provide and modernize existing soft-core and hard-core infrastructures in Nigeria. To the contrary, the oil earnings has led to the execution of ambitious and unviable projects which have served as a conduit pipe for the emerging business class and the bureaucratic/political bourgeoisie to siphon public funds into personal pockets at the expense of infrastructural development. Perhaps, this explains why Nigeria's assumed impressive economic growth has nothing to show in terms of concrete development as basic macroeconomic indices such as unemployment is high, 23.9%, inflation rate is double digit high, 12.1%, per capita income is low and below the African average of 3,000 US dollars, investment is barely 18.8% of GDP and above all, 70% of the population live below the poverty line (Atuanya, 2012). Infrastructural decay around the country can to a greater extent be traced to corruption and lack of accountability and transparency by public/private office holders in Nigeria. Corruption as a phenomenon is a global problem and exists in varying degrees in different countries (Agbu, 2003). Irrespective of the type of government, be it democratic or dictatorial, capitalist or socialist, corruption exists. Corrupt practices are as old as the world (Lipset and Gabriel, 2000). In Nigeria, it is one of the many unresolved challenges that have made development not to be human centered. Corruption is a long-term major political and economic challenge to Nigeria in the provision of infrastructures (Ayobolu, 2006). World Bank studies put corruption at over $1 trillion per accounting year for up to 12% of the Gross Domestic Product of nations like Nigeria, Kenya and Venezuela (Nwabuzor, 2005, Ubi *et al,* 2012). It has been the primary reason behind the country's difficulties in developing fast. This is evident in Transparency International's consistent rating of Nigeria as one of the top three most corrupt countries in the world (Ribadu, 2003, ICPC, 2006). Although, corruption is rife in public organizations than private, corruption and inefficiency are characteristics of service delivery in Nigeria (Amadi, 2004). Up till

2011, Nigeria has remained among the top ten leading countries on corruption according to transparency international. Thus, the fact that the country has not achieved success in significantly reducing or wiping out official corruption from our polity cannot be denied. It is argued that this seeming failure has been due largely to the fact that the transmission mechanism by which official corruption is perpetrated (practiced and condoned) and by which the perpetration impairs infrastructural development and by extension “concrete” economic development has not been properly articulated and documented.

5.3 MISAPPROPRIATION OF PUBLIC FUNDS AND UNEMPLOYMENT IN NIGERIA

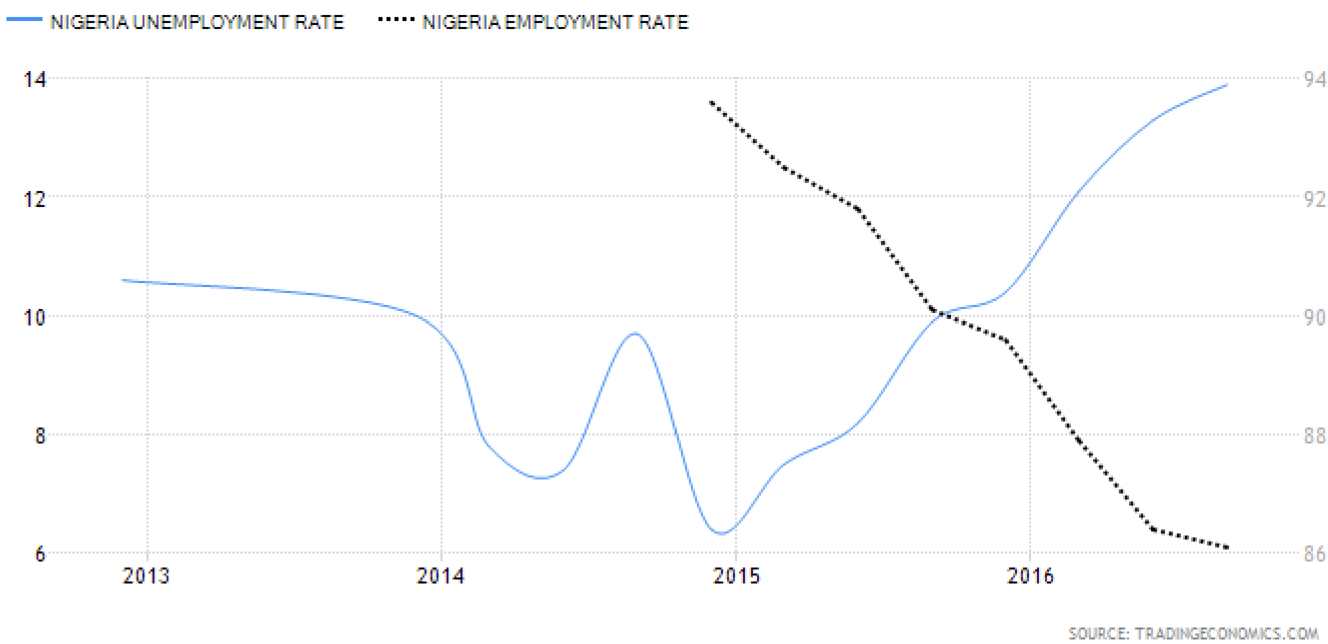
One of the greatest challenges facing the Nigeria economy is unemployment which has maintained a rising trend over the years. The total labour force in Nigeria is made up of all persons aged 15-64 years excluding students, home keepers, retired persons and stay-at-home to work or not interested. Unemployed refers to people who are willing and a capable of work but are unable to find suitable paid employment. The classical school of thought that provided the earliest thinking on economic issues did not fail to give a central point of reflection on the undesirability of unemployment. The Keynesian revolution of the 1930‘s, which commanded the explosive attack on economic orthodoxy apparently, treated unemployment as a central issue of great concern. Following the path of the predecessors, economists at all times and in all ages have expressed various degrees of concern over the threat of the monster called unemployment. The population of every economy is divided into two categories, the economically active and the economically inactive. The economically active population (labor force) or working population refers to the population that is willing and able to work, including those actively engaged in the production of goods and services (employed) and those who are unemployed (Njoku and Okezie, 2011). The next category, the economically inactive population refers to people who are neither working nor looking for jobs. There seems to be a consensus on the definition of unemployment. The International Labour Organization (ILO) defines the unemployed as numbers of the economically active population who are without work but available for and seeking work, including people who have lost their jobs and those who have voluntarily left work (World Bank, 1998:63). Examples include housewives, full time students, invalids, those below the legal age for work, old and retired persons. However, the application of this definition across countries has been faulted, especially for the purpose of comparison and policy formulation, as countries characteristics are not the same in their commitment to resolving unemployment problems (Akintoye, 2008). More so, the preponderance of housewives who possess the ability and willingness to work, the definition of the age bracket all stand as limitations to the definition by ILO (Douglason and Gbosi, 2006). The unemployment rate is expressed as a percentage of the total number of persons available for employment at any time. This paper will focus on the relationship between unemployment and poverty as they relate to growth of Nigerian Economy. Unemployment has been categorized as one of the serious impediments to social progress. Apart from representing a colossal waste of a country's manpower resources, it generates welfare loss in terms of lower output thereby leading to lower income and well-being (Raheem, 1993). Unemployment is a very serious issue in Africa (Rama, 1998) and particularly in Nigeria (Umo, 1996). The need to avert the negative effects of unemployment on poverty has made the tackling of unemployment problems to feature very prominently in the development objectives of many developing countries.

Unemployment is a major factor contributing to poverty in Nigeria. There is a strong correlation between unemployment and poverty. When people are unemployed, their source of livelihood depletes over time. The cost of living becomes high and the standard of living goes down. There are many people in Nigeria who lack the opportunity of being employed.

The formal unemployment rate in Nigeria as estimated by the World Bank in 2007 was 4.9 percent and Nigeria ranked 61st across the worlds countries (CIA Fact book). As reported by Teshome (2008), the then newly released *African Development Indicators* report of the World Bank showed that “education, once seen as the surest, undisputed gateway to employment, no longer looks so certain.” This is very true in the case of Nigeria. The fact that you are an educated Nigerian is no guarantee that you will be employed. Furthermore, according to the World Bank report, unemployment in Africa is higher among those who have attained a higher education of some kind, and also those in wealthy households because they depend solely on the wealth of their families and do not consider employment a priority. Many graduates in Nigeria wander the streets without anything reasonable to do for a living. The government is capable but unwilling to provide jobs for them. Employment in Nigeria is usually not based on merit but depends on how connected you are with people that have power. This leaves many highly qualified people in poverty as seemingly no one cares to know what they are capable of achieving. These people are missing out on the income they would have gotten if they were employed. The number of quality jobs in the economy is low and many government resources are misallocated. Unemployment-induced poverty tends to increase the crime rate and violence in the country. Most unemployed youths resort to crimes such as armed robbery, kidnapping for ransom, internet fraud and other forms of fraudulent activities. The reservation wage they get from these activities is typically barely enough to take care of their basic necessities.

Unemployment and Poverty in Nigeria have attracted the attention of various categories of institutions; government, corporate bodies and individual alike. To this end, government in Nigeria over the years had embarked on a number of programmes to eradicate the twin plagues of unemployment and poverty. As such, programmes that featured in Nigeria in the past include; Directorate of Food, Roads and Rural infrastructure (DFRRI), Better

Life Programme (BLP), Family Support Programme (FSP), National Directorate of Employment (NDE), Family Economic Advancement Programme (FEAP), Peoples Bank of Nigeria (PBN), Federal Urban and Mass Transit Programme, National Agricultural Land Development Authority (NALDA). Despite the laudable programmes outlined above and the urge scarce resources devoted to poverty alleviation, the level of poverty and unemployment and the general wellbeing of many Nigerians have failed to improve. Obadan (2002), thus referred to the situation as embarrassing paradox of poverty in the midst of plenty in Nigeria. In addition, Akinmulegun (2013) opined that all these are as a result of poor implementation of the various programmes in the nation Nigeria. He further stressed that the programmes were ineffective due to the endemic corruption prevailing in the nation especially among the ruling class and the misappropriation of resources of the country.



Source:http://www.tradingeconomics.com/nigeria/unemployment-rate

Nigeria's unemployment rate rose for the seventh straight quarter to 13.9 percent in the third quarter of 2016 from 13.3 percent in the previous period. It was the highest level since 2009, as the number of unemployed rose by 5.2 percent to 11.2 million, employment rose at a much slower 0.6 percent to 69.5 million and the labour force increased 1 percent to 80.7 million. Meanwhile, youth unemployment rate increased to 25 percent from 24 percent in the previous period. A year earlier, the unemployment rate was recorded at 9.9 percent. Unemployment Rate in Nigeria averaged 9.52 percent from 2006 until 2016, reaching an all time high of 19.70 percent in the fourth quarter of 2009 and a record low of 5.10 percent in the fourth quarter of 2010.

Reasons for Unemployment in Nigeria

The reasons for the increased unemployment rate in Nigeria are quite enormous. Below are some of the major reasons:

CORRUPTION

Corruption is another big contributor to the cause of growing unemployment in Nigeria, this unlawful practice has invaded every nook and cranny of the Country; both in the private and public sector. The high rate of corruption in Nigeria is a product of bad leadership, which has been spread from the top echelon to the grassroots.

Despite the vast mineral resources Nigeria has at its disposal, corruption has robbed the Country of becoming a vibrant economy. Public funds supposed to be used for implementing projects have been siphoned and embezzled by politicians and administrators of public enterprise and parastatals. According to (Okafor, 2011) Political leaders, administrators and project contractors come together and inflate contract fees. This act has robbed Nigeria’s treasury revenue worth billions of dollars from the sale of oil in the last fifty years. The former Minister of Petroleum, Allison Madueke still has unanswered cases with the anti-corruption agency following the misappropriation of public funds that rocked her administration

The Nigerian Leadership sphere in the last sixteen years has failed the citizens due to the trail of corruption that has witnessed each successive administration and this has led to the failure of creating jobs and forming competitive public private partnership; nowadays Nigerian Politicians no longer serve in the best interest of the public but in the best interest of their family and friends; only a handful of them are principled while the vast majority of them go into office and abuse entrusted power for their private gain.

A vivid example of this case is the Subsidy Re-investment and Empowerment Programme (SURE-P), a supposedly economic intervention that reduced the amount of subsidy paid on the premium motor spirit (PMS), these funds were expected to be channeled into a combination of many programmes to promote and provide quality life-changing development to the benefit of Nigerians and alleviate poverty through provision of l jobs opportunity and safety net projects.

SURE-P has been described by many Nigerians as a drain pipe on Nigerians economy after it failed to meet up with its objective and misappropriation of 180 billion Naira ($904,636,260,836.79) fund it received from the government in 2013 for the implementation of project (Okwudili & Emmanuel 2014).

LACK OF POLITICAL WILL

The abandonment of vocational/technical education with much emphasis now placed on the formal education, which gives no entrepreneurial training, has been making Nigeria miss out of the potential contributions of young working class group to national development and economic growth.

The incompetence of lawmakers to make logical and well informed decisions has led Nigeria to the stage where the Country is today. (Dike 2009) argues that the state under-employment in Nigeria could be associated to the neglect to vocational education institutions in spite of the fact science & technology has been a part of the Country's National Policy on Primary Education (NPE) since 1981. Like most public policy in Nigeria, the implementation phase has always been the major challenge which many have termed as the lack of political will by our leaders, simply because they aren't ready to make sacrifices and pay the political cost it may require.

SKEWED BUDGETARY ALLOCATIONS

Even though Nigeria prides herself to have the largest economy in Africa with the highest GDP, the average Nigerian standard of living is still all time low as most are underemployed or unemployed, leaving wealth to revolve around few political elite and associate. This has brought about a wide margin between the poor and the rich in the Country, which also encourages class and segregation system.

The Federal Government of Nigeria allocation of distributable revenue is 54%, while that of the state stands at 25% and the local government gets 19%; out of the 54% share the Federal government gets, only 20-30% go to capital expenditure, while the remaining share goes to recurrent and overhead cost; in comparison with a state like Lagos that allocates between 40-45% to capital expenditure on a yearly basis (Salami, 2013).

One can therefore come to conclusion that there exists a reverse relationship between the capital expansion and income system. A suggestion is that the Federal government should pay the price of investing additional resources and committing more funds to infrastructure development in order to yield increment in the income of Nigerian workers, especially the underpaid; additional infrastructure will also bring about job creation for the millions of unemployed people in the Country.

LACK OF ADEQUATE INFRASTRUCTURE

Nigeria is repellant to investors and investment due to lack of constant and sustainable power supply/energy.

In spite of the several attempt made by the Federal Government to provide the necessary infrastructure that will encourage a private driven economy, the government has failed. This situation has forced firms and organizations in the Country to depend on generators and alternative power supply for their daily operations, adding to the cost of production, which leads to an increase in overall running cost of the business.

Besides the epileptic power supply and lack of infrastructure, most organizations in the Country also bear the burden of multiple taxations being paid by these business owners to the government at the three tiers (Federal, State and Local) (Adeloye, 2010). These combined factors have made the cost of managing business organization in Nigeria very difficult.

All these factors have made a very high number of companies fold up while some others have relocated to a more enabling and economic-friendly environment. When this happens workers are laid off and the hopes of employment are dashed.

RURAL-URBAN MIGRATION

Rural urban migration also referred to, as urbanization is easier explained with the push-pull technique. The push –pull factor involves the pressure resulting from a man or woman having no choice but to leave behind his current residence, city or Country as a result of the unemployment or underemployment in that rural area arising from cycle of little or no infrastructure amenities and development facilities, which generally makes the life in the rural area very unattractive.

Bairoch (1976) opined that excessive supply of labour cannot be separated from the issue of the population growth rate due to the fact that size and growth rate of labour force is said to depend primarily on the size and growth rate of the population. He further added that both have been growing too rapidly in developing countries to the extent that employment expansion could not keep pace and thus resulted in the growing unemployment. Youths move to urban areas in search of greener pastures with the hope of securing lucrative jobs in the cities and advanced countries of the world. This has brought about brain drain, leaving the Country/rural areas intellectually barren.

The major cause of rural-urban migration is concentration of social amenities in limited areas such as the urban centers which result to lack of social and economic opportunities in the interior and rural areas leading to overcrowding and high crime rate in the urban area.

RAPID POPULATION GROWTH

Nigeria's population was put at 140,431,790 based on the 2006 population and housing census conducted by the Nigeria National Population Commission; by October 2011 the Commission reported that Nigeria's population had reached 167 million. The prediction for the future shows that the population could increase to over 221 million by 2020, given the 3.2 percent annual growth rate (National Population Commission and ICF Macro, 2009).

According to the World Bank (2013), Nigeria is the most populous Black Nation in the World. It is asserted by researchers that the increasingly high population growth has resulted in the rapid increase of the work force, which has led to unemployment leaving just a handful of jobs for the millions of youth to struggle over. The implication of the increasing population growth coupled with high level of unemployment in Nigeria is disastrous to the economy and will only bring about a state of insecurity that is unsafe for the working class and those who fall within the other age grade.

LOW STANDARD OF EDUCATION

The average Nigerian graduate is unemployable due to the fact that they do not possess the quality skills required by most employers of labour or for their desired employment.

In Nigeria of today, no employer of labour is ready pay or spend unnecessarily except on human resource that can contribute positively through their skills and hands on experience to help achieve the long and short term goals of the organization; since the primary goal of every business organization is to make profit.

Often times, unemployment is attributed to the low standard of Nigeria’s education system. The courses taught in Nigeria tertiary institution lack proper entrepreneurial contents that can help the students become entrepreneurs instead of job seekers upon graduation.

Another factor that has contributed to this long-term crisis is the hindrance of access to entrepreneurial training caused by limited and stringent access to capital and funds to establish small and medium-sized enterprises after the training.

This lack of opportunities for young graduates makes them idle and constitutes a nuisance in the society.

CHAPTER SIX

SUMMARY, CONCLUSION AND RECOMMENDATIONS

6.1 SUMMARY

This study was fundamentally established to analyze the issues on corruption and economic development in Nigeria. Accordingly, the study examined the history of corruption in Nigeria, its effect on the economic development of Nigeria such as on foreign direct investment (FDI), capital formation, and standard of living, poverty and unemployment rate. It analyzed the money laundering act and other financial institutions especially Economic and Financial Crimes Commission (EFCC) set by the constitution to checkmate corrupt practices and illicit financial flows. To systematically investigate this study, we raised two fundamental research questions: It is therefore for this reason that this research is being proposed to address the following research questions:

1. Did money laundering by public officials lead to low capital formation in Nigeria between 1999 and 2016?

2. Did mismanagement of public fund accounts for the decline in standard of living in Nigeria between 1999 and 2016?

In line with the statement of the problems, this study was guided by the broad and specific objectives. The broad objective was to examine the impact of Corruption on Economic Development in Nigeria, 1999 to 2016. The specific objectives however include to:

1. Determine if money laundering by public officials has led to low capital formation in Nigeria between 1999 and 2016

2. Examine if mismanagement of public fund contributed to the decline in standard of living in Nigeria between 1999 and 2016

We analyzed, reviewed and evaluated existing literatures to elucidate what other scholars have written in the field and the hypotheses were raised which formed the basis of our study, they include:

1. Money Laundering by Public Officials has led to Low Capital Formation in Nigeria between 1999 and 2016

2. Mismanagement of Public Funds contributed to the decline in Standard of Living in Nigeria between 1999 and 2016

The study was discussed using the analytical framework of Political Elite Theory in the analysis and understanding of corruption and economic development in Nigeria. Elite theory's origins lie most clearly in the writings of Gaetano Mosca (1858-1941), Vilfredo Pareto (1848-1923), and Robert Michels (1876-1936). Elites have been regarded as the Chief threat to the survival of democracy; the elite class also called ruling class is seen taking major decisions and actions guiding their sole interest at the detriment of the larger society. In Nigeria, political elite groups are located in the executive among the presidency, in the legislature and the judiciary, top bureaucrats and military personnel. Majority of them indicted of corruption either escape unharmed or have their case with indefinite adjournment, more so, they divert funds, award illegal contracts and execute elephant projects at the detriment of the suffering masses. Documentary method of data collection and descriptive method of data analysis were employed in the study while we relied on secondary sources. We explored the two major research questions in chapter four and chapter five of this study.

6.2.1 CONCLUSION

The study explored the root causes of corruption, its legacies, and effects on the economy. The study analyzed Money Laundering and low Capital Formation in Nigeria and mismanagement of public funds and its consequent effects on Standard of Living in Nigeria. It is in this light that the following findings were made:

- Money Laundering by public officials leads to low capital formation in Nigeria
- Mismanagement of Public Funds by Public Officials contributes to decrease in Standard of Living in Nigeria

6.2.2 RECOMMENDATIONS

Given the above findings, we put forward the following recommendations which will be of immense help to government at all level, policy makers and Nigerians in general:

- Corruption should be seen and addressed as a development issue, in which case governments at all levels should pay significant attention to social provisioning as a way of serving as a disincentive for citizens to engage in corrupt behaviours.

- The Federal Government should ensure that all anti-corruption agencies are autonomous and given all the powers and resources they need to discharge their mandates of fighting corruption.

- Undue interference in the operations, processes and decisions of anti-poverty agencies should be avoided.

- There should be adequate funding of anti-poverty agencies and programmes.

- Merging the Independent Corrupt Practices Commission (ICPC) and the EFCC and harmonising of their activities.

- Reforming the anti-corruption agencies to weed-out non-performing staff and elements that frustrate and weaken the internal operations through their resistance to change.

- Adequately funding the agencies, including designing and employing modern systems to enable them to conduct their affairs in a transparent and professional manner.

- Granting the agencies relative autonomy from the executive and legislature

- The immunity clause should be removed from the 1999 Constitution of the Federal Republic of Nigeria (as amended) in order to deny public office holders the opportunity to engage in corruption and other forms of impunity and escape unsanctioned, and to serve as a deterrent to public officers from engaging in corruption. The specific action to be taken is the review of the 1999 Constitution to make it mandatory for the president, governors, and chairmen of local government councils and other political office holders to be tried in the court of law for criminal offences committed while in office.

- The extant laws in the Penal Code should be reviewed to increase penalties, which will serve as a deterrent to public officers from engaging in corrupt behaviours.
- There is need to review and reform the current tax system as a way of reducing corruption. Many government agencies, especially the gateway agencies, collect money that never gets to the treasury.
- The Whistle Blowers Protection Bill should be speedily passed.
- Anti-corruption agencies must institute a programme of robust documentation and the building of a reliable database on corruption.
- A process of monitoring for corruption should be instituted to facilitate the taking of proactive measures, rather than wait for people to make complaints.
- The Code of Conduct Bureau should ensure the compliance of the law with respect to the declaration of assets by public officials and promptly prosecute defaulters.
- There is need for the anti-corruption agencies to mobilise various stakeholders around a strategic programme of fighting corruption in the country.

- There is a need to strengthen local level accountability; citizens should be at the centre of demanding for transparency and accountability in the conduct of public and corporate affairs.

- Civil society organisations (CSOs) should scale up the education of citizens to facilitate the understanding that public funds are not resources for government officials but resources for the provision of public good. CSOs should partake in continued advocacy for the passage of all anti-corruption related legislations at all levels.

- CSOs should advocate for the full and effective implementation of the Freedom of Information Act.

- Monitoring of compliance with all anti-corruption laws, including the Freedom of Information and Public Procurement Acts, should be undertaken by CSOs.

- Social protection programmes should be introduced and social services expanded, most especially education (both academic and vocational) and health care programmes.

- Appropriate economic policies to promote sustainable growth in vital sectors capable of reducing poverty, inequality and expanding employment and entrepreneurship opportunities should be introduced.

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