

# NOREF Report

## Who rules Nigeria?

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### Executive summary

Nigeria has experienced military coups, a civil war and very poor economic development, and its population is more impoverished today than at independence. Behind this lies the “oil curse”. The ruling elite has captured the rents generated from oil for personal enrichment and power purposes. Nigeria’s elite formation has three distinct characteristics. It is based on a fusion of elites, with the military dominating. It is consolidated through power diversification (with the conversion of political power into economic power as the most important), and it is enriched through economic extraction (where the usurpation of the country’s oil wealth is pivotal).

The excessive centralisation of power, authoritarianism, and the pervasiveness of patronage and rent-seeking cultures have

developed a political or ruling class. Oil resources have given this class the *incentive* to control the state apparatus (and thus the income), and the *means* to retain control of the state. The main beneficiaries, and thus the main constituent components of the oil-rich elite, are the “big men” (the inner circle of the ruling elite), the military and state governors. Since formal democratisation at the turn of the century, various reforms have been half-heartedly attempted. Despite the nomination of economic reformers to prominent positions, the vested interests of the political class have not been challenged. The current president, Goodluck Jonathan, has nominated a few reformers, but his use of power politics and patronage (in particular to win the 2011 elections) demonstrates that his government is not a particularly reformist administration.

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## Introduction: the oil curse

Nigeria has experienced military coups, a civil war and very poor economic development, and its population is more impoverished today than at independence. Behind this lies the “oil curse”. Despite its large oil reserves, Nigeria has experienced very poor economic development, very low living standards, and persistent governance problems, including corruption and societal strife. The ruling elite has captured the rents generated from oil for personal enrichment and power purposes. The country is a typical “rentier state” because of its oil, and this has had a deep impact on state and elite formation in Nigeria.

## Sociocultural cleavages: “things fall apart”

Nigeria is deeply divided by regional, religious, ethnic, economic and political rifts, and these have been used and abused in local and national politics. Also, the constant pushing and pulling spawned by oil money have weakened Nigerians' sense of law, trust in one another and trust in government.

Political tensions are growing between the ruling elite and excluded groups like the youth, women and local populations in onshore oil-producing and marginalised areas. With oil revenues flowing to a state apparatus controlled mostly by senior male politicians and with popular dissatisfaction with the lack of a broad-based distribution of wealth, conflicts run deep between the “haves” and “have-nots”.

There is a clear generational divide in Nigerian politics. The political scene is dominated by a distinct continuity of individuals from the Abacha regime via Obasanjo and Yar'Adua and into the current Jonathan administration. The ruling Nigerian elite is getting old. The political role of youth is usually limited to that of election campaign foot soldiers, hired muscle or political thugs. Those who feel they have no legitimate political voice are becoming radicalised and are turning to other solutions.

## The north-south divide and Biafra

Nigeria has more than 200 ethnic groups, while Islam and Christianity are the main religions (plus animism and local religions). This diversity has fuelled much tension, e.g. there are basic land use conflicts between those who are settlers and farmers and those who are nomads and pastoralists in the “middle belt”.

One of the most significant cleavages, historically and politically, is the north-south divide, mainly based on the historic and religious divide between the Muslims of the north and the Christians and animists of the south. Northern Nigeria is more arid and less densely populated than the south. The south is predominantly Christian, with a large number of ethnic groups. In the south, Western education and the development of a modern economy proceeded more rapidly than in the north.

Eastern Nigeria was the site of the Biafran war. The colony of Southern Nigeria was divided in two in 1954 (due to British “divide-and-rule” tactics) and the Eastern Region became one of Nigeria's federal divisions with a strong ethnic identity. In the late 1960s Igbo-dominant eastern Nigeria attempted to secede as the independent Republic of Biafra. The civil war lasted from July 1967 to January 1970, when Nigerian federal military forces overwhelmed and reabsorbed the province.

## The Niger Delta

The Niger Delta has been the main area of Nigeria's petroleum extraction and currently produces about 90% of the country's oil. At the same time, the area is densely populated and a nightmare for the oil companies: the last decade has been characterised by a remarkable degree of civil strife, kidnappings, sabotage, environmental degradation, international condemnation, and production stoppages caused by local protesters and criminal gangs.

The best-known protest and violent repression took place in Ogoniland in the 1990s. Ogoniland

is a small region in the oil-rich south-east of the Niger Delta. Ogonis and others were forced to abandon their land without consultation and offered negligible compensation, and people were murdered. The author and activist Ken Saro-Wiwa was arrested in connection with the killings and ensuing riots, and was sentenced to death in 1995 by a tribunal hand-selected by President Abacha, and hanged (Falola & Heaton, 2008: 232-233).

In recent years the protests have taken the form of attacks on pipelines and other oil facilities, as well as the abduction of employees of foreign oil companies, mostly by militants associated with the Movement for the Emancipation of the Niger Delta (MEND). In addition to the violent protests, a quieter form of sabotage goes on known as “oil bunkering”. This is the stealing of oil from pipelines and smuggling it out of the country, which is a source of income for the militants (as it is for the military, police, the personnel of private security companies, customs officials and even oil company employees in the Delta).

The current president, Goodluck Jonathan, grew up in the Delta and this fact has given him some credibility and some leeway in endorsing an amnesty programme. However, in February 2010 MEND announced it was ending the ceasefire and claimed responsibility for more bombings in 2010 and 2011. This demonstrates that the region’s structural problems have not been properly addressed.

## Political cleavages: the “political class”

Nigeria’s elite formation has three distinct characteristics: its establishment through a fusion of elites (with the military dominating), its consolidation through various mechanisms of power diversification (with the conversion of political power into economic power as the basis), and its aggrandisement through various mechanisms of economic extraction (where the usurpation of oil wealth is pivotal).

The ruling elite of Nigeria was established through what has been called a “fusion of elites”, which is relatively similar to the pattern in other

African countries. The point is that different elite segments, such as traditional and religious leaders, the nationalists of the independence era, and the upper echelons of the state bureaucracy and the military, have amalgamated into a new ruling elite, primarily based on state power.

The difference from other “fused” elites in Africa is that the Nigerian elite soon came to have a military dominance. Although none of the liberation movement leaders and first leaders of independent Nigeria was a military man, coups and military rule – and, indeed, the Biafran war – placed leadership in the hands of the military (Campbell, 2011: 25).

The second characteristic – elite consolidation through various mechanisms of power diversification – is fundamental to elite formation in Nigeria and most other African countries. Basically, political power is converted into economic power through the appropriation of economic advantages given by political position. Nigeria differs qualitatively from the general trend in two ways: the political elite was dominated early on by the military, and the tendency is to move from political power to economic power, not the other way round. Military men, governors, parliamentarians and higher-level civil servants are setting up private companies because they are well placed to gain government contracts and subsidies.

Given the *rentier* economy, the centrality of the state and the lack of alternatives (the rest of the economy is underdeveloped, state controlled and/or dominated by foreign companies), ambitious individuals will seek to get hold of a “piece of the cake” by striving for positions within the core of the state apparatus. “Typically, this gives origin to an inner circle of main beneficiaries chosen on a religious, ethnic, family or political basis that profits disproportionately from the opportunities created by oil wealth. On an outer ring lie more indirect beneficiaries of state largesse [typically] in the form of a grossly expanded, largely useless civil service” (De Oliveira, 2007: 33).

In other words, the political consequences of oil wealth have been an excessive centralisation of power, authoritarianism, a disregard for agriculture and manufacturing, the non-pursuit

of internal taxation, and the development of pervasive patronage and rent-seeking cultures. This has developed a political class that has captured the rents generated from oil, spent them on personal consumption and reinvested them in its own power preservation.

Oil resources give the ruling class both the *incentives* for controlling the state apparatus (and thus the income) and the *means* to retain control of the state (through patronage and coercion). Oil resources are disbursed according to clientelist political logics. The main beneficiaries, and thus the main constituent components of the oil-rich elite, are the “big men” (the inner circle of the ruling elite), the military and state governors.

## The “big men”

At the top of the system is the “King on the Rock”, i.e. the president in the Aso presidential compound in Abuja. The first military rulers centralised most government functions in the hands of the president, and President Babangida developed the presidency into a personal dictatorship. The height of power concentration was reached under President Abacha, who took full control of the oil sector by taking over control of the national oil company (the Nigerian National Petroleum Corporation or NNPC) and all oil trading. He could then distribute oil concessions on a discretionary basis. Fees and taxes were usually negotiated secretly up front, and were open to usurpation and corruption.

After multiparty elections were introduced at the turn of the century, power is no longer fully personalised in the hands of the president. Weak institutions and an enormous country fragmented by ethnic and religious divides circumscribe the power of the federal president (Campbell, 2011: 24). Furthermore, politics at all levels is extraordinarily pluralistic and competitive, and the control exercised by the president in Abuja is limited, as state governors, legislators, private businessmen and individual bureaucrats all gain individual advantage from the political system.

In the president’s immediate entourage today there are the oligarchs: the “big men” in African parlance, in Nigeria called “king makers” or *ogas*.

These oligarchs are the members of the fused elite, and in particular those with several sources of power: military position (present or former), high political and administrative office (elected or nominated), senior positions in the ruling party, and a private business fortune (there are now at least 115 Nigerian dollar billionaires). In addition, many of these people will also be “big men” in terms of being patrons at the top of personalised patron-client pyramids. The latter are mostly based on regional and ethnic affiliations, and on religion only to a lesser degree.

## The military

Nigeria has been ruled by the military for most of its post-independence history. This, together with the Biafran war, brought the military deeply into politics and made it into a constituent component of the ruling elite. For instance, “[w]hile Obasanjo’s government was civilian and democratic in outward appearance and the military had ‘returned to the barracks’, the president surrounded himself with retired military officials [and] the ‘command’ political culture at Aso Villa resembled a military installation” (Campbell, 2011: xiii).

When it comes to the military, the “fusion” of elites and the conversion of political power into economic power are also evident in Nigeria. Retired military officers have recycled as presidential advisers, MPs, senators and governors; former military dictators have dressed up in civilian outfits and present themselves for presidential elections (Obasanjo, Babangida); and the military has thoroughly penetrated the business sector. According to Campbell (2011: 25), it became a maxim that all senior military officers became businessmen, and military officers could and did become very rich.

It has also been claimed that the military resurrected the ruling party (the People’s Democratic Party) “as a vehicle for ending overt military rule on terms that would protect officer-specific interests” (Campbell, 2011: 9).

## State governors

Nigeria’s 36 state governors are largely autonomous, partly because they are

independently elected in gubernatorial elections and partly because the states are responsible for about half of all government spending (some estimates say up to 60%).

This transfer of funds to the states is probably the main source of corruption in the country. While the resources devolved to states are significant, accountability in the use of these funds has declined sharply as the implementation of public projects has shifted from the federal level to that of the states. Also, each governor is the main – if not sole – financier of his political party in his state. He leverages his financial control to maintain a stranglehold on the party machinery and the state legislature (Gboyega et al., 2011: 33).

The prominence and independence of state governors can be seen, for example, in the fact that under Obasanjo, the Economic and Financial Crimes Commission (EFCC) investigated 31 of Nigeria's 36 governors. Another example is that in the period leading up to the ruling party's nomination of a presidential candidate for the 2011 elections, Goodluck Jonathan held a meeting with the governors where he asked them to endorse him and desist from supporting his rivals. It was also widely reported in the media that Jonathan promised to give automatic tickets to governors who supported him in the primaries.

## **Economic usurpation**

A key characteristic of Nigeria's political elite is the size of the economic usurpation that takes place. By some accounts, Abacha was responsible for the theft of as much as \$3 billion, which made him among the world's top five embezzlers in modern history (Shaxson, 2007: 150). It is estimated that Nigeria lost some \$380 billion to corruption between independence in 1960 and the end of military rule in 1999, and some records claim it lost a minimum of \$4-8 billion per year to corruption over the eight years of the Obasanjo administration (HRW, 2007: 31-32).

Corruption pervades all levels of government, and is caused by several deep-rooted factors, the most important of which is the "resource curse". During years of authoritarian rule, the ruling elite captured the country's oil income for personal

enrichment and power purposes. Nigerian military power holders were economically and politically independent of their subjects, and could obstruct and dismantle the rule of law and state institutions in order to extract rents and use them for their private purposes.

Another feature is the political character of corruption in Nigeria. Political corruption is two-sided: on the one hand, it is the accumulation or extraction that occurs when the ruling elites use and abuse their hold on power to extract resources from the private sector and government revenues. At the same time, it is the process whereby extracted resources (and other public money) are used for power preservation and power extension purposes, which usually takes the form of favouritism and patronage (Amundsen, 2006: 3-4).

Both forms of corruption are entrenched in Nigeria. Extractive political corruption takes place in the awarding of upstream licences and contracts. Aspiring contractors have, for instance, used fake consultancy firms to channel payments to government, manipulated their companies' financial systems to acquire extra cash and distributed payments to representatives designated by those at the highest levels of government (Gillies, 2009: 3).

In addition, government officials benefit from procedures that favour companies in which they have a financial stake (Gillies, 2009: 3), e.g. the use of private oil companies set up to collaborate with multinationals. These are not always genuine oil companies, however, but "front" companies owned by former and current government ministers, ruling party officials, and military officers. Sometimes they have no funds, no skills and no technology, and default on their initial payments until they get their share of the profits. Nigeria has currently at least 565 private oil companies, most serving as sub-contractors and partners of multinationals.

Political corruption for power preservation purposes takes place in Nigeria at several levels. Favouritism and politically motivated distribution of financial and material inducements, advantages, and spoils are common. The ruling elite pays off rivals and opposition, and buys parliamentary

majorities. Private companies are “asked” to contribute to ruling party campaign funds, and governmental institutions that are supposed to exercise checks and control are bought off to stop investigations and audits. Judicial impunity is bought. Furthermore, loyal decisions from election commissions are accessible and votes bought to secure re-election (Falola & Heaton, 2008: 271; HRW, 2007: 31-35).

## Reform and reformers

President Obasanjo’s experience as military ruler probably gave him the qualifications needed to embark on a reform process, motivated by pressure from the external world and various economic necessities (a debt crisis, economic sanctions). Obasanjo recruited a small but truly impressive and impeccable team of technocrats (energetic young technocrats forming an economic “dream team”) to clean up some of Nigeria’s decades-long mess. These included the finance minister, Ngozi Okonjo-Iweala, the minister of solid minerals, Obi Ezekwesili, the governor of the Central Bank, Charles Soludo, and the chairman of the EFCC, Nuhu Ribadu (Shaxson, 2007: 150; Campbell, 2011: 18).

However, Obasanjo also remained his own oil minister for six years and micro-managed the petroleum sector from the presidency (De Oliveira, 2007: 135, 136). The Nigerian president is not only president of the Republic, head of government, and commander-in-chief of the armed forces, but the constitution confers on him a vast array of powers of appointment. These appointments run into several hundreds, and in most cases the president can remove appointees at will. Also, all strands of the state and the economy are tied to the presidency, and he has a detailed, personal, day-to-day command of important political affairs, the oil sector in particular.

Obasanjo’s reform team came to understand that it could rule out the most prominent members of the political class, and thus the reforms and anti-corruption actions were limited and rather selective. Some opponents and rivals were subjected to investigation and imprisonment, while other people and some institutions seemed to be left out of the quest for clean government.

This included former president Babangida and certain governors, oil theft by well-connected crime syndicates and military officials, and big spending on elections and electoral fraud (Falola & Heaton, 2008: 271-275; Shaxson, 2007: 151).

Also, favouritist practices continued in the granting of oil concessions to companies owned by people close to Obasanjo, and “power politics” continued. Eventually the reformist team was removed (Okonjo-Iweala was fired when she had done the job of cleaning up the debt burden and later Ribadu was “temporarily removed” from his position at the EFCC). These examples demonstrate the weaknesses of the “reformists” (who were also without a political base of their own) and the limits of the reforms. The vested interests of the political class in controlling the oil state were never challenged.

Obasanjo’s successor, President Yar’Adua, was also a “reformist”, at least in terms of his speeches, but he was far more restrained, less powerful and severely inhibited by his bad health. Today, more positive signals are coming from the presidency, and President Jonathan has already signalled a number of action priorities. Among these is the ambitious Petroleum Industry Bill, which has been years in the making. It can be seen as an attempt at reforming the entire oil industry, although many provisions have been watered down.

On the other hand, Jonathan was handpicked by former president Obasanjo, and it has been suggested that Nigeria’s political class of power brokers agreed to let him become vice-president and acting president only because he was not seen as a threat. But the speed and relative smoothness of his assumption of power suggested more resolve and ambition on his part. Jonathan’s willingness to carry out reform can be seen in his nominations and his handling of the 2011 elections.

The nomination of Alhaji Namadi Sambo as vice-president can be seen as a concession to the powerful group of governors and senators. The appointment of Alhaji Shehu Ladan as the managing director of the NNPC can be seen as a step in the direction of speeding up the restructuring of the company. Ladan, however, with Finance Minister Okonjo-Iweala (she is back)

and the governor of the Central Bank, Mallam Sanusi Lamido Sanusi, is among the very few reformists of the current Jonathan administration. Also, the so-called “PDP Reform Forum” was collectively expelled from the ruling party in 2010.

The ultimate test of Jonathan’s willingness to carry out reform was, however, his decision to stand for president in 2011. Once he had decided to stand, he had to resort to all the usual mechanisms of power politics and patronage, and reforms were put on hold. Many people hoped he would choose not to stand, and to use his presidential powers and personal influence to hold free and fair elections, but he did not. In fact, his reform agenda has been compromised through his extremely expensive political settlements with the northerners and the governors, through his use of power politics and patronage for election purposes, and through his tendency to increasingly staff the ruling party and federal offices with his fellow southerners. Thus, the Jonathan government is not a particularly reformist administration.

And, at least since 2007, the Governors’ Forum has become a major force to be reckoned with. In practice, only candidates with the support of governors can contest elections (Tenuche, 2011: 128).

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