

# Impact of Corruption Involving Vast Quantities of Assets on Peace and Security: A View from Nigeria

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# Introduction

- “Security is not military force, though it may involve it, security is not military activity, though it may encompass it, security is not military hardware, though it may include it. Security is development and without development there can be no **security**”. *Former US Secretary of Defence, R.S. McNamara -Security in the Contemporary World, Speech delivered to American Society of Newspaper Editors Montreal, Canada, May 18th, 1966*
- This perspective means the impact of corruption involving vast quantities of assets is an impact on development not just peace and security.

# Definitional Dilemma: Vast Quantity Relative to What?

- How do you define vast quantity of assets?
- Monetary value?
- Amount relative to GDP? Big vs Small Economy
- Value selected by fiat or stakeholder consensus?
- Vast in number or nature of physical assets associated with case or defendant e.g. presence of luxury items private jets; yachts; works of art
- Vast because incident unprecedented. E.g. Transaction/amount never seen before in the affected economy
- Vast because transaction involved notorious tax haven?
- Vast by nature of revelation? E.g. reported in Panama or Paradise papers?
- Etc.

- Corruption impacts development and consequently peace and security in multiple ways.
- Diversion of public budget in expenditure side or revenue e.g. by diversion of tax revenue due the state from multinational corporations have huge implications for development
- Summary – the State will be incapable of providing services that promote and enhance peace and security and lead to development –
  - Health, education, housing, food, basic infrastructure like roads, rail etc.,
  - Equipment for security agencies and paramilitary agencies - police, military, neighborhood watches, immigration, customs, civil defense etc.
- Needless to say meeting SDG will be a mirage.

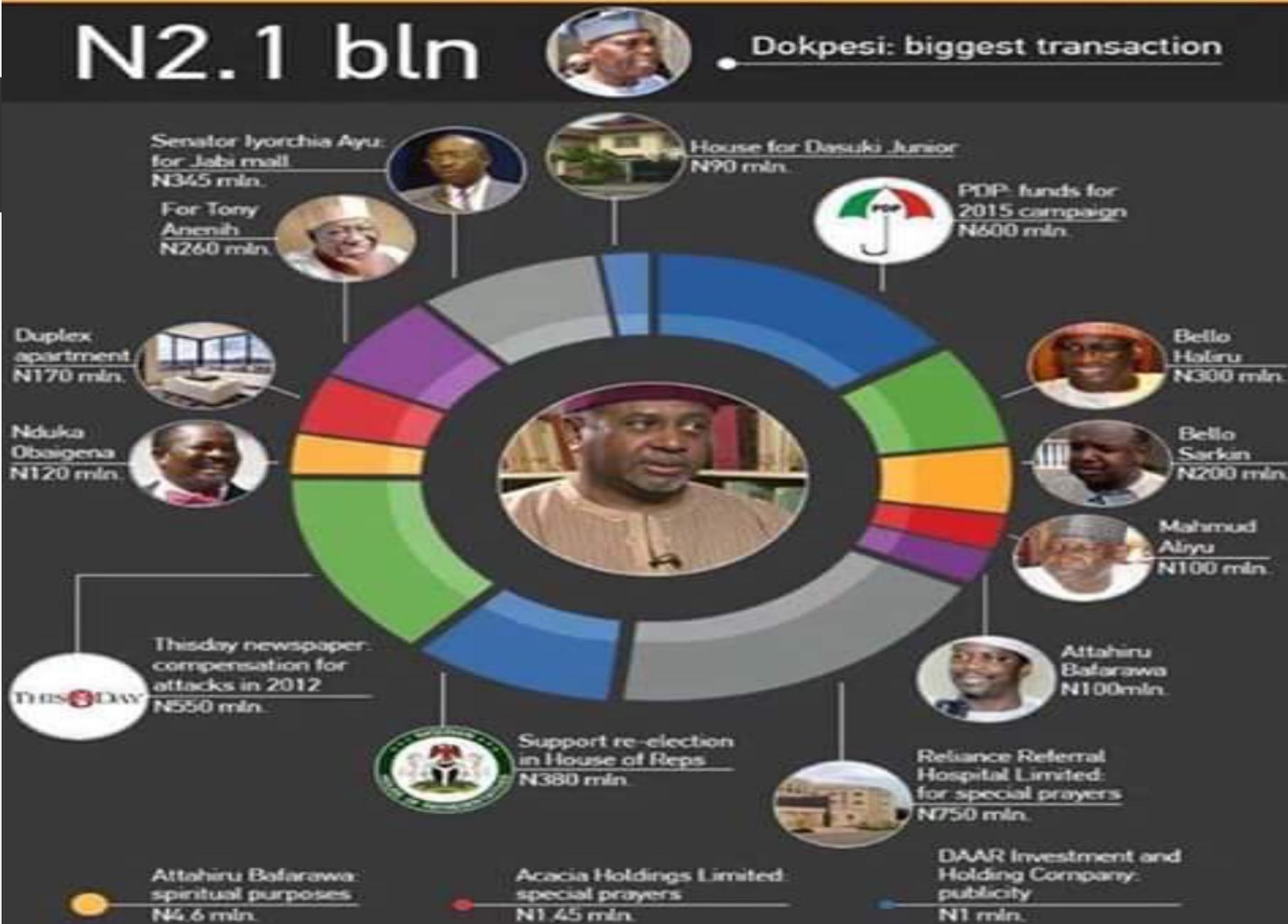
- How quickly will pervasive corruption in defense spending for example impact a country's peace and security?
- This depends on quantity and frequency
- Small bites at the defense budget may not be immediately noticed and may in fact be discountenanced.
- Petty diversion of the budget or misallocation of resources may not make immediate observable impact although there will be inevitable impact medium to long term.
- However a single transaction of diversion of huge sums will have immediate impact that may become irreversible or more difficult and costly to ultimately reverse.

# Dasukigate: ONSA Only

- Dasukigate typifies corruption in defense spending in Nigeria and aptly demonstrates the implications of deliberate misallocation of resource or diversion of allocated resources on the peace and security of the state.
- The ONSA that is traditionally allocated generous budget in view of the importance of intelligence to stability peace and security of the nation, was used for political purposes and security fund allocation was distributed by the ONSA to party cronies, politicians, prayer warriors, political strategists, friendly media houses and owners, take research etc.

## N2.1 bln

**Dokpesi: biggest transaction**



# Opportunity Cost

S/N	Description	Amount ₦	Remark
1.	Looted under DASUKIGATE	54,659,500,000.00 \$179.211m	Shared by 21 Individuals and Companies
2.	Appropriated for 2015 Zonal Intervention Projects	51,829,913,012.00 \$169.934m	1278 Development projects across 6 geo political zones
	<b>DIFFERENCE</b>	<b>N2,829,586,988.00 (\$9.27m)</b>	

S/N	Zone	Appropriated for Zonal Intervention Projects	% Dasukigate higher than ZIP 2015
1.	South East	7,575,700,000	86.14%
2.	South South	8,461,166,000	84.52%
3.	South West	8,089,621,047	85.20%
4.	North Central	8,452,526,000	84.54%
5.	North West	11,160,382,535	79.58%
6.	North East	7,031,117,430	87.14%
7.	MDA(others)	1,059,400,000	98.06%

# Some Defense Contracts:2007-2015

- Committee on Audit of Defence Equipment Procurement (CADEP) set up by President Buhari in 2015 to audit corruption in Nigeria's defence sector between 2007 and 2015
- Reports revealed pervasive corruption of varied categories involving senior military and civilian personnel and local and foreign companies
- Range of Offences - contract inflation, procurement fraud, purchase of substandard or inferior military equipment, tax evasion, failure to execute contracts paid for, multiple payments for same contract, underperformance against contract provision, award of fictitious contracts, direct looting of funds by military Chief's by unauthorized monthly cash allocations, etc.
- Amount involved – Estimated \$1.25b; N67.934b

# Immediate Impact on Nigeria

- Loss of confidence by international partners e.g US refused to sell military equipment to Nigeria
- Loss of territorial integrity - some LGs were seized by Boko Haram
- Loss of tax and other public revenue. No economy no revenue
- Setback to education in an already educationally disadvantaged region
- Creation of millions of IDPs and health challenges
- Threat to food security. Affected region 100% dependent on agriculture
- Creation of vigilante groups some of which graduate to become ethnic militants
- Disruption of electoral democracy – insecurity undermined conduct of elections in some places
- Irregular internal and external migration to neighboring states and countries
- Loss of revenue reduced capacity to meet fiscal and social obligations e.g. payment of salaries etc.
- Reduction in country capacity to meet SDG

# FGN Response

- Prosecuting indicted military chiefs- NSA, CDS, COAS etc.
- Improving funding of security sector and procurement of military hardware, training and motivation
- Taken measures to block corruption in expenditure and revenue sides of budget e.g.
  - Enforcing migration of payroll to digital platform
  - Enforcing TSA and BVN policies
  - Continuous staff audit eliminating ghost workers
  - started pilot project in tracking procurement using digital platform as part of OGP obligations;
  - Improved MDA revenue returns e.g JAMB, NPA, NIMASA, FIRS
  - Phenomenal increase in tax revenue. N5trn by Dec. 2018;

# FGN Response Contd.

- Asset recovery is a major component of FG anti corruption effort
- Created a dedicated asset recovery account and line in national budget
- Dedicated specific programs to social intervention and meeting SDG - HGSFP, CCT, N-Power, GEEP, etc.
- Recoveries are applied to SIP
- Began focus on IFF and role of private sector in grand corruption especially tax evasion and profit shifting
- Nigeria leading progress at continental level in Africa;
- Working with judiciary and stakeholders to improve criminal justice administration and sanctions and enforcement

# The Security Vote Dilemma

- ❑ Security will remain a major avenue for promoting peace and development or promoting corruption because every country regards budget spending on security as priority.
- ❑ Abuse is rampant in many countries because security procurement and spending are hardly questioned at least not publicly thus leaving room for abuse.
- ❑ Security vote is a major avenue for corruption as it takes funds that could be used for real development.
- ❑ Government at federal, state levels and in fact some CEOs of MDAs allocate huge sums to the head “security vote”
- ❑ This allocation is hardly used for security “stricto sensu” but available for use at discretion of the CEO for “**development**” or promotion of “**peace and security**”
- ❑ A recent TI survey in this area in Nigeria confirms this positions and made some interesting observations and reached some equally interesting conclusions

- Summary of TI recommendations are -
- Security votes should be made illegal or subject to legislative oversight defining their use and quantum
- Audit process should be given to designated legislators or government auditors
- Public education on nature and value of security votes
- Encourage the efforts by state governments to set up security trust funds. The model was pioneered by Lagos State

# Conclusion

- Development, peace and security are mutually reinforcing
- Without development there can be no peace or security and without peace and security development will be a mirage
- In today's world and with the kind of access to intelligence through high level technology it's clear that grand corruption cannot take place without seeping outside the victim economy because culprits hardly keep stolen assets at home except "**compelled**" to do so
- Where grand corruption has resulted in social crisis and insurgency as in the case of Nigeria, assistance from friends and neighbors is crucial to contain the negative consequences.
- As we have seen with the international migration problems of today, one country's problem of today could easily become a global problem of tomorrow
- The moral is where you have the capacity to help – do so without political, economic or other selfish considerations