

FIGHTING CORRUPTION IS DANGEROUS

The Story Behind the Headlines

NGOZI

OKONJO-IWEALA

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This book is dedicated to my mother, Kamene Okonjo, and my father, Chukwuka Okonjo.

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Preface

This was a difficult book to write. In writing it, I relived events, reread articles, and recalled conversations that brought back painful memories I would rather leave behind. I thought that when I left the Nigerian Ministry of Finance the second time, I would write a book on a second wave of real sector reforms in the Nigerian economy—a sequel to my first book, *Reforming the Unreformable: Lessons from Nigeria* (2012), which focuses on macroeconomic and structural reforms. I sat down to write a book about the work done in the Goodluck Jonathan administration to reform various sectors of the Nigerian economy and begin the much-needed diversification of the country's nonoil sectors. I wanted to capture for a wider audience important points we had recorded in the handover notes that the Jonathan administration delivered to the new Muhammadu Buhari administration, in the hope that good practices could be built on to further the country's development. Instead, events following my departure from office with the Jonathan administration in May 2015 led me to write this book, which is a more personal account of an important aspect of my work in government—fighting corruption. There are three reasons for this.

The first is to make sense for myself and the many others who have asked me what was behind the attacks I suffered after leaving government. For one and a half years, I was the object of damaging accusations and lies in the media, on the Internet, and in a vicious whispering campaign at home. The lies and propaganda charged that I mismanaged the economy and even that I diverted and stole billions of dollars. They followed a pattern of attack I had been subjected to throughout the four years of my second term in office, but this time the intensity was unprecedented. It would be a disservice to Nigerians and the international community interested in the development of this important country not to tell the truth, supported by facts and figures,

of what actually happened and the major efforts I and others undertook to fight corruption in Nigeria.

Second, although virtually every administration in Nigeria, including the Jonathan administration, has been accused of corruption, and there is a long history of this scourge predating the Jonathan administration, less is known of the efforts deployed to fight corruption. This book tries to capture part of this story based on my experience during the Jonathan administration.

Third, in the past several years, there have been so many stories of widespread public-sector corruption around the world—from Nigeria to South Africa, Brazil to Argentina and Venezuela, Ukraine to South Korea—that a direct account from someone who has lived the problem in her own country context, such as I have, might shed light on the perils, pitfalls, and successes of confronting corruption.

The corruption we fought against, which is described in detail in this book, ran the gamut from grand or political corruption to administrative corruption, as captured in the framework laid out by William Dorintinsky and Shilpa Pradhan in their 2007 paper, “Exploring Corruption in Public Financial Management.” *Grand corruption* (examined in chapters 3 and 5 of this book) is “the large-scale transfer of public resources for private interests”; *political corruption* (described in chapter 4) is “influence peddling on resource allocations and projects that benefit the decision maker, friends and acquaintances, directing resources to special projects, and abuse of privileged information”; and *administrative corruption* (described in chapter 6) is “misappropriation and misuse of public funds, fraud, waste and abuse.”¹

The book is not an exhaustive account of all the corruption we encountered or of all events that took place in the Jonathan administration. It focuses on the key flash points where I felt discomfort or was at risk physically and reputationally for the work being done. I hope it will give readers a good deal to reflect on and provide lessons for those seeking to stop corruption and enshrine transparency and good governance in their work.

Among those doing this work are finance ministers, especially those from developing countries, who often do a risky job and rarely speak out. They are frequently in the business of saying no to colleagues, cabinet members, civil servants, politicians—and even their boss, the president or prime minister. They are under constant pressure and are rarely liked, even if they are respected. For these reasons, their tenure in office is often short. Gordon Brown, the United Kingdom’s

longstanding and respected Chancellor of the Exchequer and former Prime Minister, himself a twelve-year veteran Finance Minister, once told me that the global average tenure for a Finance Minister is two years. I made it to three in my first stint and completed the four years of my second tenure—seven very tough years.

Development practitioners will also find the book useful. They struggle with the dilemma of how to pursue development in environments where poor governance and corruption need to be confronted and checked. But rarely do they have a firsthand account of what it means to fight for transparency and good governance from within the system.

Finally, citizens and civil society organizations that have tried to expose and fight corruption will relate to the dangers and risks described in this book—the physical and reputational threats and the bullying and harassment from the corrupt and politically motivated. Understanding the tools used by those who seek to entrench opacity and corruption as a way of life—from the attempts to force me to resign and leave the country, which I resisted, to the false accusations in the press of mismanagement and siphoning of monies—is an important step in achieving transparency and good governance.

Acknowledgments

Fighting Corruption Is Dangerous: The Story behind the Headlines is not the book I intended to write. But when I sat down with my laptop, what came out was an account of my mother's ordeal at the hand of kidnapers and their demand that, for her to be released, I had to resign my position as Finance Minister and leave Nigeria. I followed this account with notes about my encounters with the corruption that is pervasive within a certain segment of Nigerian government and society. It was my husband, Ikemba, who insisted that "you have to put all this together into something people can read. You owe it to your mother." I am grateful to him for his insistence and his pressure on me to write a few lines every day until the book was done. The book is dedicated to my mother, Kamene Okonjo, and my father, Chukwuka Okonjo, because they—especially my mother—are the inspiration and the instigation for it. I owe them too much to capture here, but I am grateful to God they are alive and of sound mind and can read the book.

I want to thank my children—Onyi Iweala and her husband, Andrew Spector, Uzodinma Iweala, Okechukwu Iweala, and Uchechi Iweala—for their encouragement, which greatly enhanced my ability to write. I cannot thank my siblings—Njide Udochi, Chude, Onyema, and ChiChi Okonjo—and ChiChi's wife Uju enough for their unwavering and loving support, cheerleading, prayers, and good humor, which kept me going. During some of the most challenging times after I left government and while I was writing this book, they always found a way to share jokes, lighten my mood, and make me laugh.

I owe a deep debt of gratitude to certain colleagues, friends, former economic team members, and former members of my staff for their constant support in my work and particularly in writing this book. I cannot and do not want to mention all their names here. They know who they are. But let me especially mention Paul Nwabuikwu, my

talented media adviser, whose integrity, tenacity, and hard work have been essential to creating the space for me to write as he took on and responded to the difficult press coverage surrounding me. I also want to thank Barrister Uwa Etigwe (SAN), Mr. Bonaventure Mbida-Essama, Prof. Sylvester Monye, Dr. Nwanze Okidegbe, Dr. Bright Okogu, and Mr. Morris Reid for their support and encouragement. Ms. Amy Chang, Ms. Chisom Okechukwu, and Ms. Nicole Mensa, my special assistants, and Mrs. Obi Ibrahim, my personal assistant, provided able research support and tracked down materials at various stages of the book. I am grateful for their diligence.

I want to thank the many African leaders who reached out with encouragement and support after I left government and returned to international work and the international community for their welcome and warm embrace. The numerous assignments, job offers, and invitations to participate in many worthy development endeavors made me feel both humble and special. It certainly made me much more reflective on the development implications of the experiences recounted in this book.

After I started this work, three people believed I really had a story to tell and urged me on. I am very grateful to Nancy Morrison, my gifted editor, for her ability to turn my writing into a readable and accessible narrative. Andrew Wylie, my wonderful agent: thank-you for always believing in me. And Emily Taber, my indefatigable editor at the MIT Press: thank you for your personal interest, drive, and great determination to make this book succeed.

About Nigeria

Nigeria is one of the most interesting countries in the world. It is energetic and sometimes chaotic, and its people are wonderfully entrepreneurial. Nigerian women are particularly enterprising. The actions of a small percentage of Nigeria's population have given the country a bad name—one associated with corruption—and this book talks about that. But the overwhelming majority of Nigerians are honest, hardworking citizens who want what citizens elsewhere want—for their government to provide peace, stability, and basic services and then get out of their way so they can live their lives.

The country is large (924 square kilometers) and complex. With an estimated 2017 population of about 190 million, it is the most populous country in Africa and the seventh-most populous in the world. One in six Africans is Nigerian. Nigeria is projected to be the fifth-largest country in the world by 2030 (estimated population 264 million) and the third-largest by 2050 (estimated population 410 million). Currently, 63 percent of Nigeria's population is under twenty-five years of age, and like the rest of Africa, its youthful population can either be harnessed for a demographic dividend—or it can pose a tough employment and outmigration challenge.¹

Nigeria's complexity arises partly from its more than 350 ethnic groups, which speak as many languages, most of which are not mutually understandable. There are three main ethnic groups—Igbos in the southeast of the country (18 percent), Yorubas in the southwest (21 percent), and Hausa-Fulani in the north (29 percent).² English is the official language, an outcome of British colonial rule when Great Britain amalgamated the northern and southern protectorates of Nigeria into a unified country in 1914. Most Nigerians also speak a version of English called Pidgin English that incorporates indigenous words and expressions.

Further complexity arises from religion. The country is almost evenly divided between Muslims and Christians. The north of the country is mainly Muslim with an important Christian minority, and the south is largely Christian with an important Muslim minority. It is not uncommon in Nigeria to find families that have both Christian and Muslim members. In both the north and south, some groups still practice indigenous religions.

Nigeria is a fledgling democracy patterned on the American style with a powerful elected executive president and vice president. There are several political parties, but the two main ones are the People's Democratic Party (PDP) and the All Progressives Congress (APC), which is currently the governing party. Nigeria gained its independence from Britain in 1960 and briefly tried the British parliamentary style of democracy before going through a civil war (the Nigeria-Biafra war) from 1967 to 1970 and lapsing into military rule for a long period. The current democratic period began in 1999 after almost three decades of military rule were interspersed with brief periods of civilian rule.

The country's 1999 constitution provides for a federal government; a Federal Capital Territory where the capital, Abuja, is located; thirty-six states whose governors are elected; and 774 local governments. The states are grouped into six geopolitical zones—North West, North Central, North East, South West, South East, and South-South. Some of them, such as South East and South West, coincide with major ethnic groups such as the Igbo and Yoruba respectively, and others are home to myriad ethnic groups. The legislature forms an important arm of government, with an upper house or Senate with 109 members and a lower House of Representatives with 360.³ The judiciary makes up the third arm of government. The continuation of traditional forms of governance—emirates in the north, kingdoms and chiefdoms mainly in the south, with sometimes quite powerful traditional rulers—adds an interesting mix to governance in the country, although the constitutionally defined and elected branches of government hold the most power.

Nigeria is Africa's largest economy, with an estimated 2017 gross domestic product (GDP) of \$400 billion.⁴ South Africa, the continent's next largest economy, has a GDP of \$317 billion. Nigeria constitutes 71 percent of West Africa's GDP⁵ and 27 percent of the continent's GDP. GDP per capita is \$2,123, compared to \$5,588 in South Africa, so although Nigeria is classified a lower-middle-income country by the World Bank, poverty remains a problem, as it does for many nations

in this category. An estimated 36.1 percent of the population live below the absolute poverty line of \$1.90 per day.⁶

Nigeria's economy is highly dependent on oil, which makes up over 90 percent of exports⁷ and 70 percent of government revenues. The country, a member of the Organization of Petroleum Exporting Countries (OPEC), was the fifteenth-largest oil producer in the world in 2016.⁸ It has the world's eleventh-largest oil reserves⁹ and ninth-largest natural gas reserves.¹⁰

Nigeria's natural resource wealth has not served its population as well as it should because certain key institutions remain weak or non-existent and a small kleptocratic ruling elite has perpetuated and taken advantage of this vacuum. But the country has had periods of good growth and reasonable economic performance. In the decade from 2005 to 2015, the economy grew at a robust pace of 6.5 percent per year due mainly to three things—good macroeconomic management, high oil prices, and good performance of the nonoil sectors (agriculture, manufacturing, telecommunications, and other services). Economic performance weakened starting in 2015 due to falling oil prices and weak economic management. The economy fell into recession for the first time in twenty-four years in 2016 and contracted by minus 1.5 percent, according to estimates by the International Monetary Fund (IMF). The IMF projects a recovery in 2017, with a growth rate of about 0.8 percent rising to 1.9 percent in 2018.¹¹ However, with a population growth rate of 2.6 percent per year,¹² this implies negative to zero per capita income growth—meaning that more people will be thrown into poverty. Both the IMF and the World Bank have recommended important macroeconomic and structural policy reforms, such as better management of the foreign exchange regime and continued diversification of the nonoil economy to engender a stronger and broader-based economic recovery.

Due to its size and economic importance, Nigeria matters for West Africa, Africa, and the world. This is why good political and economic governance is essential for the country and why the world must pay attention and lend its support to ensure that Nigeria moves onto the right development path. Discussing candidly, as this book does, where and why corruption happens, what is being done to fight it, and what more needs to be done is an important part of clearing the way for Nigeria's entrepreneurial people to fulfill their potential.

1 The Intimidation Game

It was December 9, 2012, a Sunday, between 3 and 4 in the afternoon. I was standing in my bedroom in Nigeria's capital, Abuja, reflecting on how tired I was after working through the night on Ministry of Finance issues and missing church in the morning—a bit of a cardinal sin in ultra-church-going Nigeria. Then my cell phone rang. It was my brother Onyema with some terrifying words—words that made no sense to me at the time. “Mummy has been kidnapped,” he said. “What did you say?” I asked him, stunned. And he repeated, “Mummy has been kidnapped.” My response was sharp. “Kidnapped?” I said. “What do you mean? Where and by whom?”

My brother said he had just received a call from one of my father's assistants saying that at around 12 noon that day, a car had driven into my parents' compound where my mother, just returned from church, was standing near the gatehouse talking to workers. A man had jumped out of the car, asked if she was the minister's mother, and on receiving the answer yes, hit my mother in the face, pushed her into the back of the car, and zoomed off. This all happened so fast that none of the workers near the gatehouse had time to react.

I asked where my father was and if he also had been kidnapped. My brother said that my father was away in Nassarawa state for a meeting. It was not clear whether anyone had yet called and told him. My brother and I quickly traded calls with a couple of my other siblings and decided Onyema should go to Ogwashi-Ukwu to my parents' home to see firsthand what was going on and be available in case the kidnappers tried to establish contact. I would join him as soon as I had established contact with my father and reported the case to the authorities in Abuja to see how they could assist.

For the first few minutes after my brother hung up, I was paralyzed. I tried to imagine my eighty-three-year-old mother in the hands of

kidnappers, and a wave of panic started deep inside me. The kidnappers had asked if she was the minister's mother before pushing her in the car, so this clearly had something to do with me in my position as Finance Minister. The country was going through a wave of kidnappings, but I had always feared that any kidnap attempts might be of me, my siblings, or even the two of my four children who had chosen to move back from America to live and work in Nigeria. We had spoken about this extensively, including the need to be careful and take precautions. But I had never thought my parents could be kidnapped, perhaps because of their age but also because my father was the traditional ruler (Obi) of the Ogwashi-Ukwu kingdom and I felt that the respect this inspired should keep my parents relatively safe.

That this was not the case sent a deep wave of guilt and fear through me! What if these people harmed my mother? How could I live with that? Everyone wants to protect and take care of their parents in old age. In my case, it appeared that it would be quite the opposite, and I would be a source of harm. I fought to calm myself down as I called my father. He answered on the first ring and said he had heard the news and was heading back to Ogwashi-Ukwu. But after he heard my voice and how distressed I was, he said he would come to Abuja first.

My father's arrival had a calming effect. I had expected to comfort and reassure him, but it turned out to be the opposite. He said we needed to have our wits about us to act quickly when the kidnappers made their ransom demand, as he felt they inevitably would. His assessment was that this was part of the kidnapping wave in the country and the ransom demand would inevitably be very high, given the fact that these people had taken the mother of "the Finance Minister." He also asked me to think of the worst-case scenario and confront it—that my mother might not come back alive. He said, "You and your siblings should not fret too much. Your mother and I at eighty-three and eighty-five have lived way beyond the life expectancy in this country, and we have basically outlived our usefulness."

My father, a retired professor of economics and statistics and a demographer, was known for making these kinds of remarks. In the family, we usually laughed them off, but this time, I could not laugh. The rest of the day passed in a blur as we waited for the kidnappers to make contact, but none came. I telephoned the President to inform him, and he immediately said he would ask the Department of State Service (DSS), popularly known as the State Security Service (SSS),

to coordinate assistance. I phoned the Inspector General of Police. A friend suggested I call the Chief of Army Staff, General Azubuike Ihejirika, to see if he could offer some help. I made all the phone calls. At the same time, my brothers contacted Governor Emmanuel Uduaghan of Delta state, where Ogwashi-Ukwu is located, to seek his help and the help of the state security officials. All the security agencies we contacted had already heard the news, and all promised to do their best to assist.

There was no sleep that night. My father and I spent the night by our phones, waiting for the all-important call. Across the country, in South Africa and in America, the rest of my six siblings were waiting by their phones because we did not know to whom the ransom demand would come or with whom the kidnappers would make contact. It was not until 11 a.m. on Monday, the second day, that my brother Onyema called from Ogwashi-Ukwu to say that the kidnappers had contacted him by calling my mother's phone, which she had left in the family room of the house. The kidnappers had asked to speak to me, but Onyema told them that I could not come to the phone and he would be negotiating on behalf of the family. My brother immediately informed the security services, and they set up a system to listen in to the discussion, assigning a lead agent, Mr. Maxson Opede, to handle this. Back in Abuja, I felt paralyzed with dread and gave no thought of going back to work.

Following the initial contact, we heard nothing for hours. Then the kidnappers called my brother back on Monday evening, and the serious discussions began. Their demand? This was where my brother and those listening in were stunned. It was not about money! They asked my brother to tell me to announce on national television and radio that I was resigning from my job as Finance Minister and leaving the country to go back to the United States, from where I came. So my brother called to tell me what the kidnappers wanted—for me to resign publicly before the whole country. I was stunned to find that my mother had been seized as a means of blackmailing me into leaving government.

The first question was, Who could be behind this? I knew that the largest vested interest that I had recently offended in my anticorruption work was an unscrupulous subset of the country's oil marketers. With the President's support, I had convened a task force that audited their fiscal accounts, detecting fraudulent claims for oil subsidy payments that I, with President Goodluck Jonathan's backing, had refused to pay

(see chapter 3). Could they be the ones behind this? Or could it be those benefitting from fraudulent pension payments or even judgment debt scammers whom I had blocked (see chapter 6)? Could it be politicians who were displeased with fiscal reforms or could it even be those trying to block emerging reforms in the ports and customs areas (see chapter 6)? Everywhere I looked, I seemed to have tread on so many toes that it could be any of these groups out for revenge.

When my father heard the demand for my resignation, he said that it was utter nonsense and I should not contemplate resigning. In fact, to show these people that I would not be blackmailed into leaving government, I should return to work the next day. But I secretly felt that I could not concentrate when my mother's life was at stake.

The third morning, Tuesday, unbeknownst to my father, I decided to act as if I was going to work but instead plan to travel to my hometown of Ogwashi-Ukwu to join my brother in the negotiations. Perhaps if I talked directly to these people, I could persuade them to release my mother. I drove to the airport and then realized that I should tell the President where I was going, given the circumstances. Following our rules of engagement as ministers, I phoned "Control," the central telephone system for the presidency, and they put me through to the President immediately.

I told the President about the demand for my resignation. He said he was already aware of that and he was being fully briefed on the situation by the State Security Service. When I told him that I did not think I should resign but wanted to join my brother to negotiate with the kidnappers because I thought it might make a difference, he said "No!" He said that I should not go to Ogwashi-Ukwu because it would be playing into the hands of the kidnappers. Instead, I should turn back from the airport and return home. Negotiations were better left in my brother's hands, ably supported in the background by the State Security Service.

I was torn, but the President had issued a direct order, so I decided to turn back and go to my office. It was difficult to concentrate, but I immersed myself in the work. Meanwhile, the news had spread. My mother's kidnapping was on radio and television everywhere. I was shocked to turn on CNN and see it being reported there, as well. It was now worldwide news.

The third day turned into the fourth, Wednesday, and the kidnappers did not waver. They wanted my resignation. Although the news media knew that my mother had been kidnapped, only the State Secu-

rity Service, the President, and my family were privy to the details of the ongoing negotiations. Wednesdays were cabinet days, and I had submitted memos for presentation to the cabinet. I did not believe I could carry off the presentation, but my father insisted this was indeed what I had to do. Given that the start of most cabinet sessions was televised, he felt that the kidnappers would be watching, and I needed to show them I was not daunted and could not be blackmailed. My father stuck to the upbringing he had given us: "Keep your nose clean, hold your head high, and never allow anyone to intimidate or blackmail you." With this reminder, I held my head high, participated actively in the cabinet meeting, and even presented my memos. It was one of the most difficult acts of my life, but subsequent calls by friends and colleagues indicated that the decision had been a good one. They said it showed strength under pressure, which amazed me, because I did not feel strong at all.

While this was going on, tremendous pressure was being applied on the kidnappers. The security forces, the police, and the State Security Service, working with the state governor, Dr. Emmanuel Uduaghan of Delta state, were searching the areas around my hometown. The then-Chief of Army Staff, General Azubuike Ihejirika, tasked a contingent from the army to join in the search. This enabled searchers to comb an area of several miles around Ogwashi-Ukwu. The news broadcasts announced that the search for the kidnappers was widening and intensifying. The intent was to put maximum pressure on the kidnappers to release their captive or face dire consequences if caught.

The search went on for a fifth day, Thursday, as did the negotiations. When the kidnappers realized that I was not going to resign, they suddenly changed tack and demanded a ransom of ₦100 million (about \$625,000). My brother negotiated this down to ₦10 million and received instructions to deposit it at a certain venue near Benin City. A State Security Service driver and my brother's assistant, Sylvanus, drove the money to the venue on the outskirts of Benin City.

The sixth day—Friday, December 14—arrived with lots of anxiety about whether the kidnappers had picked up the money and my mother would be released. Then came the greatest joy! Early Friday afternoon, my brother Onyema called me to say my mother had just been brought into the compound by a motorcycle taxi. She was free and home—a disheveled, very frightened old woman. My father left Abuja for Ogwashi-Ukwu immediately, with a promise to bring my mother back to Abuja to recuperate. Two days later, they were back.

My mother was subdued and seemed unable to speak. It took another two days to pry the story of the ordeal she had been through out of her. She had been driven about 35 miles from Ogwashi-Ukwu to a forest and walked into a clearing with a small hilly rise. Her arms and legs were bound, and she sat and slept on bare earth on top of the small hill while her captors—four young men—stayed below. She was fed only a sausage roll and water for the entire week.

She tried to engage the young men in conversation and asked why she was abducted. The kidnappers gave her two reasons. “Your daughter refused to pay oil marketers, and she did not pay SURE-P money.” My mother was aware of my battle with a cartel of fraudulent oil marketers who were intent on defrauding the country of billions of Naira under the oil-subsidy program and whom the government had refused to pay. But she was not familiar with SURE-P because she had never heard me speak about it. “I asked them what SURE-P was,” she said, but they did not elaborate.

Essentially, the Subsidy Reinvestment and Empowerment Program (SURE-P) was designed to recycle money saved from phasing out the oil subsidy to public works, the social safety net, and other programs and to use it to build infrastructure that benefits the less educated, the unemployed, women, and people with disabilities. The program was run by a specially dedicated task force outside of the Finance Ministry, with separate payment mechanisms outside my purview. It appeared that someone or some people had not been paid whatever they felt was their due and that my mother was being punished partly for something that was not even my responsibility.

My mother said that the four men guarded her together all day but usually three left at night, leaving behind only one of them as guard. She tried again and again to engage them, not very successfully, in conversation. She noticed that one spoke Igbo, our language, in a dialect that was clearly from our hometown. He seemed familiar with our customs and greeted my mother with our traditional greetings. But beyond that, he refused to engage and was unfriendly. Another spoke Igbo like someone from neighboring Anambra state, she thought. She could not figure out where the other two young men were from but thought one looked and sounded like a northerner. She overheard them speaking frequently on the phone, describing her condition and taking instructions.

On the night of the fifth day, Thursday, she overheard the men on the phone talking to someone in Pidgin English asking how they should

dispose of her body. It was one of the most terrifying moments of her life. That night, three of the men left as usual, leaving behind one guard. My mother wondered whether he had been assigned to kill her that night. But about two hours after his companions left, he left abruptly, as well. My mother thought he had just stepped around the corner and would be coming back. But she waited several hours, and he did not return. In some ways, she said, she felt even more terrified to be alone in that forest clearing in the dark, waiting for an unknown fate.

When she was shoved into the kidnap vehicle on Sunday, the gold jewelry she wore to church, including her cherished wedding ring of sixty-one years, was taken. But the kidnappers left her gold-plated watch, which they deemed was not valuable enough. It was a blessing, my mother said, because she could tell time and count the hours till dawn. It was around 9 p.m. when the man guarding her left, and she waited about four hours for his return. When he did not come back, she started working on the rope that bound her hands behind her back, twisting different ways as she tried to loosen the grip. She continued doing this all night, and by the time dawn arrived, the rope was loose enough for her to wiggle her arms out and untie her legs. She looked around, saw no one, and decided to make a run for it.

My eighty-three-year-old mother ran, jogged, and walked through the forest, terrified that her captors would return, find her, and finish her off. She walked for about two hours before she began to hear what she thought sounded like cars on the highway. It was now almost 7 a.m. on Friday morning, and she continued in the direction of the noise. About forty-five minutes later, she heard vehicles moving nearby. She was on an incline, and when she looked down, she could see a major highway, with trucks and cars moving. But how was she to get down? My mother decided that the only way down was to slide down. By the time she got to the bottom, she was covered with scrapes, bruises, mud, leaves, and grass. She said that she must have looked like the mad men and women that one often sees in Nigeria wandering by the roadside or muttering to themselves in the market square.

She stood by the side of the road, trying in vain to wave down a car or a truck. People took one look at her and moved on. Now crying profusely, she stood on the highway frightened that her captors might still come after her. It was only after 45 minutes that a motorcycle taxi came by, driven by a young man. When she waved, he hesitated for a few moments and moved on. In desperation, she ran after him and he stopped. Sobbing, she told him who she was and about her escape. The

young man had heard about the kidnapping on the radio and believed her, so he drove her the 35 miles home to Ogwashi-Ukwu! As she rode on that motorcycle, my mother said that all she could think of was to recite prayer after prayer asking God to keep her captors away and allow her to arrive home safely.

While recuperating in my house, my mother received several august visitors, including the President, the First Lady, and the Vice President. With the President, she found her voice and agreed to narrate her ordeal from start to finish. This was the first time I saw her able to tell her story without interruption and without breaking down.

The story of my mother's kidnapping was reported by international media such as BBC and CNN, and some reports hinted at a possible political connection to the kidnapping. Will Ross, in a December 14, 2012, *BBC News* article, wrote: "Mrs. Okonjo-Iweala, 58, is an internationally respected economist who has led a high-profile campaign to clean up corruption, particularly in a controversial fuel subsidy programme. She has delayed payment to fuel importers, seeking better verification of claims for subsidies." He added, "Earlier this week finance ministry spokesman Paul Nwabuikwu said that Mrs. Okonjo-Iweala had been threatened recently."¹ Jerome Starkey, in a December 11, 2012, *Times* article, said that "Dr. Okonjo-Iweala, who also served as a managing director at the World Bank, has endured a barrage of death threats."²

But the kidnapping was seen largely as another high-profile event in a country already known for these kinds of unfortunate events. Little has come out until now about the true reasons for the kidnapping. Nevertheless, the media coverage of the event put pressure on the authorities to find the perpetrators. Several months later, we read differing accounts in the newspapers of arrests made by the police (at first it was two men and then three men). One kidnapper turned out to be someone who had worked in my parents' compound, "the Obi's Palace," as a palace guard and had been relieved of his post for bad behavior. He provided the inside information for the job.

Despite the family's repeated attempts to follow up, the investigations have revealed little officially about who exactly employed and directed these men to carry out the kidnapping. Who told them that I was blocking payments to oil marketers and SURE-P contractors and that I needed to resign? Although I have garnered some information about those likely behind it, nothing official has ever been done to question these powerful perpetrators. The likely masterminds behind the

kidnapping have neither been identified nor investigated. In fact, every time I have spoken about my mother's kidnapping, news reports try to make it look like a "regular" kidnapping. For instance, in a December 23, 2015, *Leadership* newspaper article by Kola Eke-Ogiugo, Celestina Kalu, public relations officer for the Delta state police, is quoted as saying that a man arrested for the kidnapping, Peter Nweke, "had been in the kidnapping business for years and claimed poverty drove him to the crime."³

Although all of this could be true, it seemed clear that some people were interested in having the kidnapping presented in this manner.

"You Will Leave Office in a Wheelchair"

My mother's ordeal was not the end of frightening events that occurred in late 2012 and early 2013. A few months after my mother's escape, I had just wrapped up a meeting late one afternoon with some of my staff in my office and was taking a short break, sipping a welcome cup of coffee, when my cell phone rang. It was again my brother Onyema. He sounded panicked. My first thought was that something else had gone wrong in the family. I braced myself as he frantically asked me, "Where are you? Where are you?" I was surprised, and said I was in my office. He said I needed to immediately seek additional security, I must leave work early (my staff and I were notorious for working till very late at night, effectively starting a third shift, as we called it, after the afternoon meetings), and I must vary my route of travel. I asked what was wrong, and my brother told me a strange story.

One of my brother's old friends had called him to say that he had just left a secret meeting where the subject was how to inflict maximum physical damage on me, just short of killing me. The agreement reached at this meeting was to attack me in a way that I would end up paralyzed and bound to a wheelchair and forced to leave the Finance Ministry. The meeting was held by a group of oil importers and marketers to whom the federal government "owed" money. It was held in the house of the chair and owner of one of the oil marketing companies. They were angry that I was withholding the subsidy payments that they thought were "owed" them for their refined petroleum imports (see chapter 3). Because my mother's kidnapping had failed to force me to resign, their next action to force me out of office was to attack and disable me. My brother's friend participated in this meeting but felt what was being planned was unjust and cruel and I did not deserve it.

He therefore resolved to get the information to my brother as quickly as possible.

I was shaken, primarily because a few weeks earlier I had met the woman in whose house the meeting was purported to have taken place, along with her husband. Her husband even announced to me that he was my brother, as is our tradition, because both of us were from the same part of the country. How could a fellow woman do this? I told my brother I would take additional precautions. Over the course of two years on the job, I had received several threats, but in light of my mother's recent ordeal, this one seemed very real and imminent.

When I reflected on the situation, I felt the best way to avoid living in even greater fear and danger was to do the unusual: confront the woman who owned the house in which the meeting took place and tell her I was aware of the plot. I was never one to live easily with blackmail or threats. I told my brother my plan. He thought it was risky but worth a try. This woman would probably deny it, but she would at least be on notice. I felt that if she was innocent, she would probably have her husband, "my brother," call me in outrage with a protest about the accusation against his wife, as would be expected in our Nigerian tradition. If she didn't do this, then clearly something was wrong and could imply her guilt.

We searched for her telephone number through contacts, and the next day I rang her and invited her to meet with me in Abuja to discuss the amounts owed to her company. After she arrived for the meeting a couple of days later, I wasted no time getting straight to the point and informing her that I was aware of the meeting held at her house and the matters that had been discussed. I told her the security services were aware. She feigned ignorance and denied any knowledge of what I was talking about, tried to get on her high horse, and insist that a woman in her position would never be involved in such a plot. But her denials rang hollow. After warnings that I would not be intimidated, I ended the meeting and she left. I could see that she was in a bit of shock. The outraged call from her husband never came, so I knew the strategy had worked. Whatever plot had been hatched, there would be no follow-through!

It was another narrow escape, made possible only through the sheer God-given intervention of my brother's friend. I was in the second year of the ministerial assignment. It seemed like a long stretch ahead.

So why was my mother kidnapped and almost murdered? And why was a group planning to maim me?

The answer to these awful questions was that I had stepped on the toes of some very rich and powerful people who were involved in a corruption scandal known in Nigeria as the oil-subsidy scam. That story unfolds in chapter 3. But first, I need to relay some background and tell the story of my return for my second term as Finance Minister. That is the topic of the next chapter.

2 Return to a Troubled Country

On a nice spring day in the first week of May 2011, when I was in my fourth year as Managing Director, Operations, at the World Bank, my cell phone rang in my office in Washington, DC. It was Atedo Peterside, one of Nigeria's most respected bankers, chairman of Stanbic-IBTC, one of the country's top-rated financial institutions.

Atedo and I had struck up a good professional relationship during my first stint as Finance Minister (2003 to 2006), based on a shared view of the strategic directions that Nigeria's development should take and the role that the financial sector should play within that development. I had not heard from him in months but I was not really surprised by the call, as it was quite usual for me to get calls from private and public sector officials from Nigeria. They would seek to exchange views on economic issues or ask guidance on an economic or financial matter.

Nevertheless, I was totally unprepared for what Atedo had to say. After the usual pleasantries, he said that he was calling to alert me that the recently elected President of Nigeria, Goodluck Ebele Jonathan, would be calling me to request that I join his cabinet as Finance Minister. The President was due to be sworn in at the end of May and he wanted to put together his cabinet as quickly as possible. He added that he and a group of other concerned Nigerians, mostly from the private sector, were responsible for getting the President to seek my return as Finance Minister. My immediate reaction was one of irritation and rejection of the notion. I told Atedo, first, I was enjoying my job and did not want to leave; second, while I considered it a huge honor to be asked to serve, I had already done so and given back to the country twice—first in 2000 as economic adviser to President Olusegun Obasanjo, then from 2003 to 2006 as Finance Minister, and then Foreign Minister in the second Obasanjo administration. I pointed out that the previous Finance Minister, Segun Aganga, recruited from

Goldman Sachs London, had only served for a year and could be asked to continue, or Atedo himself or another of the qualified private sector managers could do the job.

Atedo responded that the consensus among the group pushing for my return was that, in the aftermath of President Umaru Musa Yar'Adua's death in office and the shaky political period that ensued leading up to Goodluck Jonathan's election, there was a need for someone of international stature to take over management of the economy to restore confidence and encourage domestic and foreign investment flows into the economy. Second, the country needed a strong strategic push to encourage nonoil sources of growth. Third, there was need for action to help plug revenue leakages and strengthen financial management. The feeling was that I fit the bill for solving these problems better than anyone else. Atedo requested that, at the minimum, I listen to the President-elect before making up my mind.

A couple of days later, President-elect Jonathan called. I did not know him, although I had seen him at a distance when I was Finance Minister and he was deputy governor of Bayelsa state. So I really did not know what to expect. I heard a gentle but vigorous voice telling me that he was following up on the discussion I had with Atedo. He really would like me to say yes and come and do the job.

In addition to all the reasons given by Atedo, he explained that he felt "the finances were going in the wrong direction" and needed work to straighten them out. There was a need to unleash more resources for capital, especially infrastructure investment. He was very worried about the number of jobless youths and wanted a strategic focus for the economy on job and wealth creation outside the oil and gas sectors.

In the year that Jonathan was interim President following President Yar'Adua's unfortunate demise, he had noticed the need for coordination on economic issues. Some economic issues fell through the cracks, with no follow-up or implementation of actions because they were multisectoral in nature and required the attention of two or more ministers. Typically, issues of ministerial turf came into play, and ministers had different ideas about how to proceed. With the increasing complexity of the economy, he felt more situations like these would arise. So, he felt a need for someone with an overview of the economy to help pull these issues together at the technical level and get to solutions without the need to elevate these to the level of the President or Vice President. He thought that someone of my experience and seniority could help get this done.

Finally, the President-elect ended on a note that touched me. He said, "I am not asking you to come and work for Jonathan. This is not about Jonathan. It is about helping your country." This made his argument even more persuasive than Atedo's. I thanked him for the great honor and repeated some of the points I raised with Atedo, emphasizing that my position at the World Bank entailed many responsibilities from which it would be quite difficult to leave. Nevertheless, I would consult with my family, and my boss, the President of the World Bank, Robert Zoellick, and get back to him. I would need a little time. The President-elect left a phone number where I could reach him directly.

The request to return home to Nigeria from Washington threw my mind—and, in fact my life—into turmoil. I was truly enjoying my job in the international development arena. Although my first term as Finance Minister had been highly rewarding in terms of the opportunity to give back to my country, working with a strong team, and recording many achievements for the economy, it also had been politically and personally difficult, especially toward the end. I resigned when I felt no longer able to serve under adverse conditions, and the resignation was seen as a bold and controversial move on my part. No Nigerian minister resigns; they are only fired. Stepping down from my post had earned me the ire of those at the top.¹

Would it be wise to return, given the tough politics? What exactly were the current circumstances in the Ministry of Finance, and would they be conducive to achieving further advances for the economy? I would need to do some homework and a great deal of reflection. If I said no, as I was inclined to do, I would have to back it up with strong arguments as it can be quite difficult refusing your President a request!

I remembered just how tough it had been to say no to President Yar'Adua, who had done me the honor of asking me twice to return as Finance Minister. But that had been in 2008 and I had very strong reasons to say no, among them the fact that I had just returned to the World Bank a few months earlier in a very senior position and it would be unprofessional to leave after such a short time. I was relieved when he kindly accepted my regrets the second time and asked me to suggest someone else. He took up my suggestion and appointed as Finance Minister Dr. Mansur Muhtar, an economist, a colleague, and former Director General of Nigeria's Debt Management Office. Although that tricky situation had been resolved relatively well, I had no idea what would happen if I said no again.

In the meantime, I decided to consult with my family because I could not make a move without their support. My husband and children were less than enthusiastic, bearing in mind the stress I had gone through in my earlier stint. But they said if I decided to do it, they would support me. My extended family was definitely not in favor, especially my siblings. Three of my brothers had their own businesses in Nigeria and had suffered from a lot of false accusations and innuendo when I was Finance Minister. They did not want a repeat of that period. Only my parents were positive. My father was very supportive and felt I might have another real chance to make a difference in the country's economy by stemming leakages, improving peoples' lives, creating jobs, and fighting the poverty that surrounded him every day in the village where he and my mother lived. My mother noted that another benefit of accepting the position would be that she would see me more often.

My father's support and reasoning influenced me greatly. He was someone who believed so much in Nigeria and in giving back to the country of our birth, and his influence on me in this matter was profound. He had also always given me good advice and guidance. I decided to find out more about what was going on at home with the economy and finances.

On the finance side, I was surprised to learn that work started in 2004—with the help of the World Bank, the United Kingdom's Department for International Development (DFID), and the United States Agency for International Development (USAID)—to build institutions, systems, and processes to stem revenue leakages from the budget had slowed considerably after I left and had in fact stalled. Government transactions were still largely cash based, leaving plenty of room for corrupt diversion of funds. The three technology-based systems that we had initiated, designed to modernize our payments system, and translated to an electronic platform—the Government Integrated Financial Management Information System (GIFMIS), the Integrated Personnel and Payroll Management Information System (IPPIS), and the Treasury Single Account (TSA)—had not been built. The vested interests benefiting from the old system still seemed to have the upper hand. This was part of the unfinished business of our finances that those familiar with these issues were talking about.

The other serious economic and financial issue was the oil subsidy program that was creating a big hole in the country's finances, costing about \$11 billion a year, equivalent to about 3 percent of Nigeria's GDP.

This was happening at a time when resources for investments in infrastructure or in social safety nets were limited. There were suspicions of fraud in the implementation of this program, with monies being diverted to members of the elite. So not only were the poor people who were the main justification for the subsidies benefitting very little, but they were being cheated twice over by the fraud perpetrated by a privileged few.

A Strange Warning

By now, it was mid-May and I was mulling over these issues when I got a call from another old friend, Governor Donald Duke, former governor of Cross River state. An enlightened governor of the “cleanest state in Nigeria” who had tried to build a tourism and services base for his state, he told me he was in Washington, DC and would like to see me. I invited him to my office. Governor Duke told me there were rumors that I was being asked to return as Finance Minister. He asked if there was any truth to these rumors. I confirmed that I had been asked and was reflecting on it. He then told me that he brought a message from a group of “concerned” people whose advice was that I should turn down the offer. I asked him who the concerned people were and what would be their reason for this advice. He would not give me their names but mentioned that I would know some of them and some even said they were my friends. As to the reason, he said that these people felt that my acceptance would “give Jonathan and his government credibility” and he did not deserve that. If I turned down the offer, the administration would be weak and would likely not succeed.

I was shocked at the cynicism and pointed out that Nigerians had just elected President Jonathan to office with 58.89 percent of the vote, which meant that they had faith in his ability to steer the country. I also mentioned that Jonathan had asked me to join his administration not to support him but to help improve the country’s finances and steer the economy in the right direction to create jobs and improve living standards, especially for the youth. What about all the people who elected Jonathan? Didn’t they deserve qualified people to serve them? He said he was just transmitting friendly advice to me and would counsel me to take it. He left without obtaining my commitment to turn down the offer.

The conversation left me shaken because it meant that despite the clear results of the election, there was trouble at home. There were

people who clearly did not want the newly elected President to succeed, and did not care about the impact of that on the country. It signaled that the deep divisions that emerged in the country during President Yar'Adua's illness in 2009 and his death on May 5, 2010, were likely still buried beneath the surface. President Yar'Adua was elected to office in May 2007, and came to power with a chronic kidney ailment and later heart ailments that Nigerians were not aware of. The President's health was shrouded in secrecy. It was only in 2009, when Yar'Adua left for long periods to Germany and Saudi Arabia for treatment, that Nigerians became aware of the serious nature of his illnesses. His prolonged absence, without transferring power to his Vice President, Goodluck Jonathan, as required by the constitution, left the country adrift with no one in charge. There were protests. As Adam Nossiter reported in a January 12, 2010, *New York Times* article,

Hundreds of angry Nigerians marched down this capital's broad avenues on Tuesday to protest the long absence of their president, who has been away for nearly two months getting medical treatment in Saudi Arabia. Until a few halting sentences were uttered to the BBC from his hospital bed on Tuesday, President Umaru Yar'Adua had been silent and his government uncommunicative about his condition since he left Nigeria on Nov 23, though he is known to have acute pericarditis, or inflammation of the membrane around the heart. Politicians in this ethnically fragile country have met to discuss the constitutional void, there have been repeated calls for a transfer of power to the vice president, federal lawsuits have been filed over Mr. Yar'Adua's absence, the news media have engaged in a frenzy of speculation about his health and Nigerians have been left perplexed about their apparently rudderless nation. ... The Nigerian president's long absence and his failure to transfer power during this period to Vice President Goodluck Jonathan, who comes from a different region, have led to "the complete distortion of the constitution," Mr. Soyinka said in a brief interview. Some protesters alleged that the northerners surrounding Mr. Yar'Adua were reluctant to yield power and its perquisites to those from the ethnically separate south.²

The pressure from the public was such that when President Yar'Adua eventually passed away in May 2010, a constitutional crisis was averted by the Vice President being sworn in as President. Not everyone was happy with this development because it apparently went against an informal power-sharing agreement in the governing People's Democratic Party (PDP) to rotate the presidency between the north and south. Because Olusegun Obasanjo, a southwesterner, had been President for the constitutionally allowed two terms, Yar'Adua, a northerner, was expected to hold office for two terms. If he passed away,

some believed, then another northerner, not the Vice President from the south, should take power.

Jonathan's stint as President in 2010, which completed Yar'Adua's first four-year term in office, was thus seen as illegitimate by some. But surely he had garnered legitimacy in 2011 by contesting the election and winning convincingly over his opponent Mr. Muhammadu Buhari by a twenty-six-point margin. This should have cemented his position. Yet judging from my encounter with Governor Duke, this was not the case. Beneath the surface of the upcoming May 28 inauguration celebrations for Goodluck Jonathan, trouble was brewing.

The Attacks Begin

In the days following Governor Donald Duke's departure from Washington and our extraordinary conversation, I was mulling all this over and trying to figure out what it would mean should I accept the assignment when the attacks began. Friends and family alerted me to a spate of articles that had begun to appear in a Nigerian online news outlet, *Sahara Reporters*, that were attacking me and the notion of my return to government as Finance Minister.

My initial reaction was to dismiss this as a stunt by an attention-seeking news outlet. I had had an unpleasant encounter with *Sahara Reporters* when I was minister. One night I received a call on a private phone line that I had reserved for use only by my family. When I picked up the phone expecting a family member, a voice said this was Omoyele Sowore of *Sahara Reporters* and he had some questions for me to answer. I was outraged and asked how he came about my private number. Sowore, publisher of *Sahara Reporters*, basically told me he had his sources but how he got the number was not the issue; I was a public servant, he had a right to call me on any number any time, and I should answer his questions. I told him in no uncertain terms that he had no right to intrude on my privacy. Shortly after, a tape of our conversation appeared on the Internet. Not only had this man violated all rules of decent behavior, but he had gone beyond to do something as unethical as taping our conversation without my knowledge or permission. I did not think this was a news medium worthy of attention.

Sahara Reporters began publishing negative articles at the rate of almost one a day in late May and through June and July 2011 (see appendix A). Clearly something was afoot. The articles took different approaches in their attacks. Some claimed that I was a failure in

my first term as Finance Minister and therefore not worthy of being invited back. Others saw success in my earlier work but predicted that in a second term I would face such formidable opposition from state governors who did not want me back that I would fail, so I should not bother to come back.

Yet others talked about untoward demands they said I was already making on the new President to, for example, pay my salary in US dollars. This attack sought to resurrect criticisms that followed salary payments for nine returning workers (myself and eight others) from the Nigerian diaspora in dollars from a Diaspora Fund administered by the United Nations Development Programme (UNDP). This fund had been put together with donor contributions, as had been done for other countries such as Afghanistan, at the request of then-President Obasanjo, to enable him to attract qualified Nigerians home to serve. The Diaspora Fund was mischaracterized and politicized by the President's opponents. The then-Minister of Foreign Affairs, Oluyemi Adeniji (also paid by the Diaspora Fund), and I were singled out for criticism. In my case, the fund grandfathered my base World Bank salary, without benefits, for a year and a half, after which I elected to drop out of the program and accept the regular ministerial salary. The temporary salary allowed my husband and me to make alternative arrangements for college tuition for our three children while I served. By falsely claiming that I was making dollar salary demands, the news outlet sought to stir up public sentiment against me.

Other articles wondered why I would leave a good World Bank job to come to Nigeria and speculated that I must be seeking power and control. Two *Sahara Reporters* articles sum up this view. The June 21 article asked,

Would you give up the power and privilege of the position of Managing Director of the World Bank in exchange for a second stint as Minister of Finance of Nigeria? Would you do it if you had no guarantee you could control economic policy? Would you do it for a local salary that is considerably out of tune with that of your current job in Washington, DC? These are some of the questions said to be standing between Mrs. Okonjo-Iweala and the desire of Goodluck Jonathan to see the former cabinet colleague return to the job at Finance, and they have stalled the early release of his cabinet ministers.³

The piece continued by reminding readers that Okonjo-Iweala had "previously been involved in a dollar-denominated salary controversy when she took up a similar appointment with former President Olusegun Obasanjo."

The June 22 article, “Jonathan’s Cabinet and Ngozi Okonjo-Iweala,” simply said,

The news of Jonathan and Ngozi is very nauseating. Ngozi could become a highly paid consultant but not Minister of Finance. She once occupied that position in the recent past and she failed miserably. She carted away raw cash christened unsubstantiated loans and “repaid” her real employers, the International Monetary Fund. These are monies that could be used to repair a section of our completely broken down infrastructure.⁴

That these media attacks were happening before I had even made up my mind as to whether I would take the job was telling! I decided it was time to see my boss, World Bank President Robert Zoellick, to share the news of the job offer, and discuss the situation. Bob was already aware of the *Sahara Reporter* articles and now understood the context. He and I concluded that these were terrible tactics designed to intimidate me and pressure me not to accept the job. In his view, Nigeria under normal circumstances was a tough and complex situation to work in, but these attacks required me to think carefully and weigh the situation before coming to a decision.

I told Bob that I would use my upcoming trip to the St. Petersburg Economic Forum in Russia on June 15–16, 2011, to reflect and return with a decision. At that point, I was angry at the dirty tactics being deployed against me and so were members of my family. Some media in Nigeria, well ahead of the curve, were already purveyors of fake news and alternative facts before these became popular notions in 2017.

But I would not be easily intimidated. In fact, the attacks had the effect of tilting me toward accepting the job. To some extent, it was defiance. Why would some people be so desperate to see the administration fail that they would stoop to lies to stop me from accepting the job?

A few days before I left Washington for St. Petersburg, President Jonathan called again to see if I had made my mind up. I asked for a little more time and said I would do so in the next week while in St. Petersburg. The President’s call was followed by that of the new Secretary to the Federal Government, Chief Anyim Pius Anyim, urging me to say yes. I traveled with my husband, and we discussed the matter extensively, weighing the pros and cons. In St. Petersburg, Atedo Peter-side called and applied even more pressure on me to accept.

By the time I left Russia, I was feeling decidedly more positive than negative about the position. It was clear there was unfinished

business from my first term as Finance Minister. If Nigeria was to fight corruption successfully, it needed not just to arrest and prosecute people—which was vital—but also to build the institutions, processes, and systems that enhance transparency and make corrupt practices more difficult in the first place.

For the management of the country's finances, those were the systems we had started to build in 2004–2005 that had stalled. I felt that here was an area I could really contribute to improve things for the country. It was imperative to finish that work to stem leakages from the budget. The practice of publishing the monthly revenues shared by the federal government and all thirty-six states of the Federation, which had put information in the hands of people, had also stopped and needed to be restarted. And it would be exciting to work on ways to enhance the nonoil economy, diversify our economic base, and create jobs for youth.

The experience so far showed that the new position would involve a great deal of risk. The country was not as united as it looked from the polls. There were people who wished the President to fail. There were people who clearly wished me ill and had shown a propensity to attack. But at that point, I felt that the opportunity for making a positive impact was real and I should take the risk. Unfortunately, I did not know how far people with evil intentions would be prepared to go or which group of people would act with what motives. But the desperation of some of these people was revealed in the events in chapter 1. When my mother was kidnapped, I repeatedly asked myself whether the job was worth the price.

On returning to Washington from St. Petersburg in June 2011, I told my boss that I had decided to accept President Jonathan's offer. Bob told me, "You are brave." He said that although he might not agree with my decision, he respected my desire to help my country. I asked for advice. Two important things he told me became central to my discussions with the President.

First, he encouraged me to ensure that I had systematic access to the President. If I was going to deal with tough issues, then I needed to make sure that I had regular one-on-one sessions where I could discuss difficult issues. He reminded me that in government this kind of access is not a given and after you join a bureaucracy, more people will be intent on stopping you than assisting you to see the boss. Therefore, I should negotiate this ahead of time. Second, I needed to think about the people to work with me. Nigeria was tough and I would need others to

work with me and support me in a team. I should also reach agreement about this with the President before beginning the job.

The advice resonated with me in light of my experiences during my first time as Finance Minister in 2003 to 2006. I traveled to Nigeria to see the President, and my youngest brother, ChiChi, drove me to the Villa (the official office and residence of Nigerian presidents) for that definitive meeting. Arriving at the residence gate, I suddenly felt nervous about the enormity of what I might be signing on to. My brother noticed my unease and parked the car in a corner, and we prayed for God's wisdom and guidance.

At that point, I was almost hopeful that the President might not agree with the issues I would bring up and it would be over. But the meeting went well. President Jonathan was gracious. He listened carefully to all I had to say. We had a good discussion on the economy, and even though he kept saying he did not know economics, he was clear on the direction he wanted to take the country. We went over my terms of reference, including the role I would assume as Coordinating Minister of the Economy (CME), as he wanted it done. He agreed to a regular bilateral meeting at least once a week and accessibility at other times when it might be needed. He also approved of creating an economic team that he would chair that would meet regularly once a month to start and at longer intervals down the line and a smaller economic implementation team that I would chair that would meet once a week to coordinate between economic portfolios and get things done.

As for the composition of the team, I mentioned the need for a small core of reformers. Before my visit, I had received a call from Dr. Akin Adesina, agricultural economist at the Rockefeller Foundation and Vice President of AGRA (the Alliance for a Green Revolution in Africa), who said that he had been approached to be nominated as a minister and he wanted my opinion. I had known Akin from my work on the Rockefeller board, and I was very proud of him. He was one of the best Nigerians I knew in agriculture. He was smart, innovative, and dynamic. I thought he would be an excellent member of the cabinet and the economic team and encouraged him to accept the nomination. I also shared with him that I might join as well. I therefore urged the President to bring Akin on board.

I also suggested that Dr. Muhammad Pate—another passionate and intellectually strong reformer in our health sector from Bauchi state and then Head of the Primary Healthcare Agency—should be promoted

to a cabinet-level position so we could have him as a core member of the economic team. I had known Muhammad at the World Bank and recommended him to President Yar'Adua for a ministerial post when he was forming his cabinet. Although he was not made a minister at that time, he was given the important job of overseeing primary health care for the country. Akin and Muhammad would be a formidable duo in handling real sector issues.

The President was receptive. He thought there might be a problem with Muhammad because there was already another nominee from Muhammad's state—Bauchi state—but he would work it out. In addition, I suggested Dr. Nwanze Okidegbe, an even-tempered and well-respected economist and former colleague from the World Bank, and Professor Sylvester Monye, former Executive Secretary of the Planning Commission, as good additions for the team. The President said he would study their resumes and make a decision.

Finally, I suggested that he might also want to promote to cabinet level Dr. Bright Okogu, currently the Director General of the Budget Office and one of our best macroeconomists. Dr. Okogu had served the country faithfully in a difficult job ever since he left the International Monetary Fund (IMF) to join the government in my first term as Finance Minister. The President said he would consider this but that it might be difficult, again because there were already other ministerial nominations from Dr. Okogu's state—Delta state.

The President mentioned that he would like to add members of the private sector to the economic team and asked my opinion. I was initially reluctant because I thought this could lead to conflicts of interest. But he persuaded me that having the private sector in the room could reveal real sector problems sooner and might lead to innovative solutions and ideas. In addition, they also could explain to their colleagues in the private sector the complexity of policy and thereby help reduce special pleading.

We agreed to discuss the full composition of the Economic Team, including nominations from the private sector, at a later date. I had learned lessons from my first stint as Finance Minister, so one thing we did not dwell on was my remuneration. I had made it clear to the President that I should be remunerated the same as my ministerial colleagues. All my children had graduated from college except one who was in medical school, and we could manage that cost, our mortgage, and other expenses, with my husband still keeping his job in Washington.

The discussion with the President was substantive and reassuring. I left the room with the feeling that I had the tools that I needed to get the job done. I did not know how it would work out with my cabinet colleagues or whether all my suggestions would eventually be taken up, but it looked like there would be a core of reformers to work with. The President requested that I begin the process for clearance by the Senate, even though I had signaled that I would not be able to start work for another six weeks. I needed the time to clear my desk in Washington and pack, so I would begin the assignment on August 17, 2011.

As I drove to the headquarters of the Department of State Service in Abuja to fill out the requisite security clearance forms, I was filled with optimism. The risks were now pushed to the back of my mind, and I had little idea of the tough challenges ahead: the uphill battles with cabinet colleagues, the continued hostility and abuse that would become the hallmark of *Sahara Reporters* and some other papers, the dangers from corrupt and vested interests, the struggles with governors and legislators, and the nonstop attacks from opposition politicians. The chapters that follow describe my journey through this difficult landscape.

3 Confronting the Oil Scammers

On August 17, 2011, when I began my second term as Nigeria's Finance Minister, I did not know that I would be stepping into one of the biggest corruption scandals in Nigeria's history. For three decades, Nigeria had subsidized the price of gasoline at the pump to make it cheaper for its population. The world's thirteenth-largest oil producer at the time had limited refining capacity, so crude oil was exported, and refined petroleum products were imported and sold to the public at below-market prices. The government covered those subsidies, paying them to the marketers and importers who brought in the products, including its own oil company, the Nigerian National Petroleum Corporation (NNPC). The issue of payments for oil subsidies triggered my mother's kidnapping (chapter 1).

Nigerians were distrustful of government, fed up with politics and corruption, and therefore clung to these subsidies, feeling they were the only direct benefits they enjoyed from their country's oil resources. The subsidies were a heavy fiscal burden, but all attempts to phase them out over the years were strongly resisted by labor unions, civil society, and the general public. During the second Olusegun Obasanjo administration (2003 to 2007), when I first served as Finance Minister, a complete phaseout was achieved in 2004, despite protests by the public, led by the labor unions. But by 2006, oil prices had gone up, so the subsidy was restored, leading to total subsidy payments of about ₦261 billion (\$2 billion at prevailing exchange rates). By 2011, the burden of the subsidies was absurdly heavy on the nation's finances. Net Federation revenues totaled about ₦5.2 trillion, and subsidy payments had ballooned to ₦1.73 trillion (\$11.2 billion), or 33 percent of net revenues.

One of the first briefings I had, on practically my first day on the job, was from Dr. Bright Okogu, who had been retained by President

Jonathan in his position as Director General of the Budget Office. He explained that large payments had already been made for the subsidies that year and that seemingly unending bills were coming in from the more than 143 companies that had been certified by the Petroleum Products Pricing Regulatory Agency (PPPRA) as eligible to import oil. By mid-August 2011, almost ₦1.3 trillion (\$8.4 billion at the prevailing exchange rates) had already been paid to these companies. My colleagues in the Finance Ministry and I were alarmed by the size of the payments. When I left office in 2006 after my first stint as Finance Minister, oil subsidies had only been about \$2 billion. Now a figure four times that amount had already been paid, and there were still four months left in the financial year. Something was clearly wrong! By the end of 2011, a total of ₦1.73 trillion¹ (\$11.2 billion) would come due as subsidy payments on imported oil.

By this time, the country was abuzz with stories of massive fraud within the oil subsidy program. Looking at the nation's finances, I knew that Nigeria could not sustain such a punishing fiscal regime of oil subsidies. So on the basis of suspected fraud and the lack of fiscal sustainability, I supported discussions underway between the President and governors of the thirty-six states of the Federation that oil subsidies needed to be phased out.

From Phaseout to Outcry to Scapegoat: The Tumult of the Oil Subsidy Phaseout

The plan to phase out petroleum subsidies was intensely discussed, debated, and agreed by the Economic Management Team (EMT) chaired by the President (see box 3.1). As members of the National Economic Council, the governors were strong supporters of the phase-out of oil subsidies. The subsidy payments amounted to substantial reductions in both state and federal government revenues, given that the subsidies, which were supposed to benefit all Nigerians, were paid off the top of total revenues before those revenues were shared among the different tiers of government. I understood that governors had been demanding that the subsidies be phased out soon after the Jonathan administration took office in May 2011—well before I joined the administration on August 17, 2011.

With seeming agreement by all concerned in the government that the situation was not sustainable, the issue became rolling out a plan to convince the public that such a policy action was best for the country.

Box 3.1**The Economic Management Team: Delivering on the Reform Agenda**

One of the first priorities that President Goodluck Jonathan and I focused on soon after I started my second term as Finance Minister (2011 to 2015) was the formation of the Economic Management Team (EMT). Such a team of reformers had been created during my first term as Finance Minister (2003 to 2006) under President Olusegun Obasanjo. It formulated and debated critical reform measures, ushered them through the cabinet and legislature, and pushed implementation on the ground—all of which led to improved economic performance.²

The idea was to replicate this success and form an EMT that could deliver on the administration's reform agenda. This time around, with diversification of the economy an important priority, the team would include representatives from key ministries, such as the Ministries of Agriculture, Power, and Trade and Investment, whose portfolios would be vital to the diversification agenda.

The President also put his stamp on the team by including private sector participants. After initial hesitations about possible conflicts of interest, I saw that this addition might help the private sector understand the government's need for reform and persuade them to participate as partners in the reform process. The President also included two state governors to provide input and counsel from the viewpoint of the states.

The EMT was chaired by the President and included the Vice President; the governors of Anambra and Adamawa states; the Ministers of Agriculture, Finance, Health, Petroleum Resources, Planning, Power, Trade and Investment, and Transport; the Minister of State for Health; the Minister of State for Finance; the Governor of the Central Bank; the Chief Economic Adviser to the President; the Adviser to the President on Performance Monitoring; the Chief of Staff to the President; the Executive Chair of the Federal Inland Revenue Service; the Comptroller General of the Customs Service; and the Directors General of the Budget Office, the Debt Management Office, the Bureau for Public Enterprises, the Bureau of Public Procurement, and the Securities and Exchange Commission.

The private-sector members were the President and Chief Executive Officer of Dangote Industries, Aliko Dangote; Chairman of Stanbic-IBTC, Atedo Peterside; Managing Director of Access Bank, Aig Imokhuede; Chairman of Zenith Bank, Jim Ovia; and businesswoman Dr. Wasilat Titila Shittu. The Economic Management Team met monthly with the President as Chair and the Finance Minister as Secretary.

Because the Economic Management Team was rather large, the President also decided to form an Economic Management Implementation Team (EMIT), chaired by the Finance Minister, to meet weekly and follow up on implementation. This smaller group was made up of all the

ministers and DGs in the EMT, the Executive Chair, Federal Inland Revenue Service; the Chief Economic Adviser to the President; and the Adviser to the President on Performance Monitoring.

As chair, I later received permission from the President to add a few more members to the EMIT, such as the Accountant General of the Federation, the Statistician General of the Federation, the Permanent Secretary of the Finance Ministry, and the Minister of Education. These members brought important knowledge and implementation expertise to the EMIT and eventually also to the EMT.

The weekly meetings of the EMIT greatly facilitated my role as Coordinating Minister of the Economy because the EMIT also became a venue where ministers could solve interministerial and cross-sectoral issues at a technical level.

There was some debate within the Economic Management Team as to whether the subsidies should be phased out in stages or in one fell swoop. The consensus was that experience in Nigeria had shown that even a small partial phaseout would draw the same large protests as a complete phaseout, so the feeling of the team was “Why die in stages?” Perhaps it was better to do it all at once.

There was overwhelming agreement that such an action would require a period of communication with and education of the public to build a larger consensus on the matter. To this end, an important televised public debate was organized in Lagos with the help of Mr. Nduka Obaigbena, the proprietor of the country’s most respected daily newspaper, *This Day*. Three members of the Economic Management Team—the Governor of the Central Bank of Nigeria, Mallam Sanusi Lamido Sanusi (now Emir of Kano); the Minister of Petroleum Resources; and me, Minister of Finance—represented the government. Labor and civil society representatives participated on the panel. There was a wide cross-section of the public in the audience, including market women, private-sector representatives, and workers.

The debate was tough but highly successful. The feedback from participants was that members of the public felt better educated about the benefits and drawbacks of the subsidy. The key points were that (1) although the subsidy benefited poor people by lowering transportation and other costs, it benefited the rich far more, and (2) there would be better ways to target low-income people directly with benefits, using the resources that would accrue from phasing out the subsidy.

It was clear from the feedback that the audience felt there was a lot of fraud in the system. One comment that recurred repeatedly was that

if the fraud was eliminated, the oil subsidy program would be cheaper and more affordable, and therefore the phaseout might not be necessary. It also was evident that distrust of government was high. There was great skepticism as to whether government would actually implement programs that would benefit the population, especially poor people, with any monies that might be saved. Based on the public feedback from that first debate, the Economic Management Team planned to hold further debates around the country, perhaps in the six geopolitical zones, before any action was taken to phase out the subsidy.

The debate took place in early December 2011, and it was agreed that the remaining public debates would take place after the Christmas and New Year holidays. There was a tentative understanding that January to March 2012 would be used for further debates and communication with the public, with a tentative implementation of the subsidy phase-out in April 2012. On December 19, 2011, I traveled to Washington, DC, to join my family for the holidays, planning to return to Abuja on January 5.

On the morning of December 31, I received a shocking call from my friend and colleague, Professor Sylvester Monye, Special Adviser to the President on Performance Monitoring, telling me he had just heard something strange and was calling to check if I was aware of it. He had run into a senior official from the Nigerian National Petroleum Corporation (NNPC) in the corridors of the Villa (the Nigerian equivalent of the White House). The man was in a great hurry, but told him that he was scurrying because the President was going to announce the phase-out of the fuel subsidy on January 1 and had asked NNPC to prepare for this. Sylvester was shocked and instantly wondered whether I was aware of what was going on. He therefore rushed to call me.

I was taken aback by the news. It made no sense in light of the agreements we had reached to educate the public further before implementing the phaseout. I felt something was terribly wrong and someone had given the President bad advice. How would Nigerians feel if their New Year's gift from their President was a hike in fuel prices? The timing was all wrong!

I told Sylvester I would try to phone the President to find out what was going on and advise him not to proceed. I tried all day December 31, and stayed up all night trying to get him, but I was always told by "Control," the central telephone exchange in the Villa, that the President was unable to speak on the phone, even though the President was

always exceedingly generous in taking my phone calls. It was almost as if someone (or something) stood in the way of my talking to him.

I was frantic and powerless to stop what I felt was a major mistake and had a great sense of foreboding about the outcome. I tried to imagine who could have given the President such poor advice and wondered if, in the toxic political atmosphere that was Nigeria, such advice was meant to undermine the President and the administration. I told my husband that I was sure that I would be blamed if things did not go right because everyone would feel that in my rush to implement so-called neoliberal policies informed by the International Monetary Fund (IMF) and the World Bank, I had rushed the President into this decision.

The President announced the subsidy phaseout on January 1, 2012, and I advanced my return to Nigeria to January 3. There was an immediate and mounting sense of rage among the public, led by the labor unions. Bus fares for those returning from the villages to town after the holidays virtually doubled—even though most of the intrastate buses operated on diesel fuel and diesel prices were not affected (having been deregulated in 2007 under President Obasanjo's administration). Labor vowed to lead nationwide demonstrations and strikes asking the government to reverse the policy.

Indeed, nationwide strikes began, but the epicenter of public agitation was in Lagos. The demonstrations there were massive and extremely well organized, with food and entertainment, including concerts by famous Nigerian artists, that kept people on the streets. Demonstrators wore printed T-shirts calling for action against corruption. Civil society movements such as Occupy Nigeria were active. It soon became clear that the opposition political parties had seized the opportunity to play politics against the government. The mood was ugly, and it was obvious that the agitation was going far beyond expressions of dissent with the fuel subsidy phaseout to encompass a demand that the President resign or be impeached.

The turbulence in Nigeria was widely covered by domestic and international media. Many protesters were interviewed, and they sharply criticized the government's policy. Yet no one came out to defend the government or explained the basis for the policy action. The state governors who had called for implementation of the policy were nowhere to be seen. The administration's communication failure was so evident that I got calls from concerned friends in the United States and Europe who thought the government was brave to implement such

an important policy but was failing woefully in explaining its actions to its citizens and the world. It would not be the first time the Jonathan administration would have a serious communication failure!

I tried to persuade those responsible for communication within government to take up the challenge, but no one was willing to speak, especially to the international press. I took a risk and spoke to CNN, knowing that my defense of the government's action would probably confirm for some people my culpability for the unpopular policy. By the time the government's communication team presented its case, it was too little, too late. The government had completely lost the public on the issue.

The tense situation led the President to call for negotiations with labor. A team was formed, of which I was a member. Negotiations went on for several days. But unlike previous protests, when labor was eager to engage, this time labor seemed reluctant—even frightened—to negotiate or appear to give in to any government demands. A labor delegate I knew later whispered to me that labor leaders were indeed afraid because they had received threats from unknown sources that if they called off the protests, their families would suffer. Eventually, the President was able to reassure labor representatives that they would be protected. A compromise was reached whereby the government pulled back from a total phaseout to a 50 percent phaseout of the subsidies on refined petroleum and gasoline.

Labor and civil society demanded and government agreed that the money saved would be applied to expenditures in transportation, maternal and child health, and employment creation, which would benefit poor people, and to infrastructure and other investments that would benefit society at large. The monies would be managed transparently. Management also would be separate from the budget to avoid red tape and facilitate faster implementation. A committee headed by an eminent and trusted Nigerian and including labor, civil society, and a cross-section of Nigerians would be set up to oversee and manage the funds. This program would be known as the Subsidy Reinvestment and Empowerment Program, popularly known as SURE-P.

With this agreement, labor called off the protests on January 16, 2012. Demonstrations continued in Lagos for a few more days with a much more political tone, calling for the President to step down. The police and army were deployed on the streets to keep order, and eventually these protests also stopped. But the government and the nation had been scarred by the episode.

One of the most interesting questions in my mind was, Who had advised the President to make the premature announcement on January 1 about phasing out the subsidy? I wanted to know because I had become the scapegoat for that action. That I was “a political figure ... that has attracted an amount of hostility” was noted by former US ambassador to Nigeria John Campbell, in a *Daily Beast* article on December 11, 2012, at the time of my mother’s kidnapping. The article continued, “Okonjo-Iweala is a controversial figure who often is blamed for a sudden slash in Nigeria’s fuel subsidy program early this year.”³

Most of the media reports did indeed blame me—yet I was one of the last to know about the proposed New Year’s Day announcement. No one owned up to giving this poor advice to the President, and Goodluck Jonathan, to his credit, refused to blame anyone, taking total responsibility for the policy action.

It was not until a meeting of the National Economic Council weeks later, when the issue was under discussion, that Governor Babaginda Aliyu, former governor of Niger state and then chair of the Northern Governors Forum, bravely acknowledged that it was the governors who had urged the President not to delay any longer but to announce the subsidy phaseout at the beginning of the year. The mystery was solved, but I found it incredible that none of the governors came to the rescue when the policy roiled the nation and that they were content to let others take the blame!

Nigeria’s oil subsidies in 2011 totaled a frightening ₦1.73 trillion (\$11.2 billion, at the prevailing exchange rate), of which kerosene subsidies were ₦310.4 billion (\$2 billion). This represented 2.7 percent of GDP, 33 percent of net Federation revenues, and 38 percent of the federal government’s budget. With the phase-down, consumers went from paying ₦65 at the pump for a liter of gasoline to ₦97 (\$0.62 or the equivalent of \$2.35 a gallon). Monies saved were channeled into SURE-P and shared between the federal government and the states according to the standard Federation sharing formula of 52 percent to the federal government and 48 percent to state and local governments. Pursuant to the agreement with labor, the federal government invested its savings into safety net programs for transportation, job creation, maternal and child health, and infrastructure development—mainly roads and rail. Oversight for the program was the responsibility of a national committee headed by Dr. Christopher Kolade, Nigeria’s much-respected former High Commissioner to the United Kingdom.

One of the most discussed issues during the protests was alleged fraud in the oil-subsidy program. These fraudulent dealings went beyond the smuggling of oil shipments over the border into neighboring countries such as Benin and Niger, where prices were much higher. Allegations were rife that companies were claiming subsidies for shipments of oil never delivered. For shipments of kerosene, allegations swirled that corrupt payments were being made to assign the rights to import cargos of subsidized kerosene to certain companies, which then sold the kerosene to consumers at nonsubsidized prices.

Fraud, Lies, and Video Tape

The legislature decided to investigate these allegations. In an extraordinary emergency session on Sunday, January 8, 2012, the House of Representatives set up the Ad-Hoc Committee to Verify and Determine the Actual Subsidy Requirements under Resolution No. HR.1/2012. The committee was chaired by the Honorable Farouk Lawan from Kano, a well-known feisty legislator from the People's Democratic Party and former chair of the House Finance Committee. Honorable Lawan was also chair of the self-styled "Integrity Group" within the House, a group dedicated to transparency and good governance. The House described the Committee this way:

The Federal Government had informed the nation of its inability to continue to pump endless amounts of money into the seemingly bottomless pit that was referred to as the petroleum products subsidy. It explained that the annual subsidy payment was huge, endless and unsustainable. Nigerians were led to believe that the colossal payments made were solely on PMS (petrol) and HHK (kerosene) actually consumed by Nigerians. Government ascribed the quoted figures to [an] upsurge in international crude price, high exchange rate, smuggling, increase in population and vehicles, etc. However, a large section of the population faulted the premise of the government subsidy figures, maintaining that unbridled corruption and an inefficient and wasteful process accounted for a large part of the payments. To avert a clear and present danger of descent into lawlessness, the leadership of the House of Representatives took the bold and decisive action of convening the first ever Emergency session on a Sunday (8th January 2012), and set up the Ad-Hoc Committee to verify the actual subsidy requirements of the country. The Committee decided that the scope of this investigation should be for three years 2009–2011.⁴

The Committee held hearings over three months with oil marketers, the private sector, government officials, and all concerned with the oil-subsidy regime. In April 2012, it issued its findings, including sixty-one recommendations. Essentially, the Committee found that

there was indeed fraud and mismanagement in the oil-subsidy regime; subsidy claims for products not delivered; overcharging of the government by oil marketers; requisition of foreign exchange for imports of refined products, with the foreign exchange diverted to other uses; unauthorized deductions by the Nigerian National Petroleum Corporation (NNPC) to itself; and mismanagement by government officials. According to the report of the Ad-Hoc Committee:

We found that the subsidy regime as operated between the period under review (2009–2011) was fraught with endemic corruption and entrenched inefficiency. Much of the amount claimed to have been paid as subsidy was actually not for consumed PMS [petrol]. Government officials made nonsense of the PSF (Petroleum Subsidy Fund) guidelines due mainly to sleaze and, in some other cases, incompetence. It is therefore apparent that the insistence by top government officials that the subsidy figures were for products consumed was a clear attempt to mislead the Nigerian people.⁵

The report made several important recommendations: the sum of ₦1.067 trillion (\$6.8 billion) deemed to have been misappropriated as subsidy payments during the period under review should be repaid to the Treasury by the Nigerian National Petroleum Corporation (NNPC), the Petroleum Products Pricing Regulatory Agency (PPPRA), and oil marketers; government agencies and officials deemed to have participated in the misappropriation or mismanagement of the subsidy regime should be sanctioned; oil marketers involved should be further investigated and prosecuted; NNPC and the Ministry of Petroleum Resources should be restructured to make their operations more transparent; and the kerosene subsidy should be continued, given its impact on poor people. The report went further to make recommendations on the amount of petroleum products the country should consume daily, how much should be budgeted for these, and a revised monitoring process for implementing the subsidy regime effectively.

Ironically, as the Ad-Hoc Committee's report was being made available, a new scandal broke. A Nigerian billionaire businessman, Mr. Femi Otedola, accused Hon. Farouk Lawan, the chair of the Ad-Hoc Committee, of demanding a bribe of \$3 million from him to facilitate the Committee's removal of the names of his two companies, Zenon Oil and Gas Ltd. and Synopsis Enterprises Ltd., from the list of oil marketing companies to be sanctioned for receiving millions of dollars in foreign exchange for oil imports that were not made. Hon. Lawan initially denied the charge, but when a video was leaked that showed him and an associate purportedly receiving \$620,000 of the \$3 million

bribe from Mr. Otedola, Hon. Lawan said he had taken this money as proof to show the Economic and Financial Crimes Commission (EFCC) and other authorities the type of blackmail and pressure the Committee was under by oil marketers and others to stop the investigation or remove company names from the list of offenders. The House of Representatives found this explanation less than credible because the record showed that at a House session Hon. Lawan asked for two company names to be expunged from the Committee's report. He was suspended from leadership of the Ad-Hoc Committee while the House undertook an investigation into the new allegations.

In the meantime, strong political undercurrents were building about this report. There was a feeling in the House of Representatives, voiced by some members, that Mr. Otedola's attempted bribe of Hon. Lawan was a move by the executive branch of government to discredit the report and thereby the House and prevent action. On the government side, some felt that the report unfairly targeted certain agencies and persons in government and therefore was an unfair and biased report.

The brouhaha about the bribery scandal quickly eclipsed discussion of the report and its findings. Indeed, the report seemed to have become tainted in the eyes of the public. It became clear that the report's important findings and recommendations might be abandoned, which would suit many of the protagonists. A great deal of pressure was being exerted on the Finance Ministry and on me personally to approve subsidy payments to the dozens of marketers making claims.

The dilemma I faced was on what basis would the Ministry make those payments, knowing that many of the transactions were possibly fraudulent? The Finance Ministry risked public scorn and legislative censure if it paid without having sound verification. My immediate staff and I determined that one possibility could be to conduct our own verification of the subsidy claims, but we worried that the issue had become so politicized that we would not be able to do so without interference. In the end, I decided that we should take the risk and use the cover of the noise still ongoing at the National Assembly to set up a verification committee and find a very brave person to lead it.

In late May 2012, I asked one of the most respected private-sector members of our Economic Management Team, Mr. Aig Imoukhuede, Managing Director and CEO of Access Bank, if he could lead this project. Despite the risk, he saw it as a service to the country and agreed to do so. We formed a Technical Committee made up of various actors

with a stake in finding the truth—Dr. Bright Okogu, Director General of the Budget Office in the Finance Ministry; Dr. Abraham Nwankwo, the Director General of the Debt Management Office; Mr. Jonah Otunla, the Accountant General of the Federation; and representatives from banks, oil marketing companies, the Central Bank, and the Ministry of Petroleum Resources.

The Technical Committee needed experts to perform field visits to petroleum tank farms and depots, ports, and other places where the subsidy-claim paper trail might lead, so it hired about fifteen forensic auditors, accountants, and bank examiners from PricewaterhouseCoopers and other accounting companies, the Central Bank, and elsewhere to assist with the work. We agreed that the Committee's goal would be to verify and reconcile the first ₦1.3 trillion (\$8.4 billion) in subsidy claims by the private oil marketers for 2011, identify all cases of overpayment or irregular payment, identify all likely fraudulent cases for criminal investigations, review any other pertinent issues that might arise from its work, and make appropriate recommendations. We estimated the work might take about five weeks, but it ended up taking almost double that amount of time.

After I briefed the President about the Technical Committee and received his permission to proceed, many fraudulent transactions and other infractions were uncovered, so I briefed him on the interim findings. He decided to transform the Technical Committee into a Presidential Committee and move its activities to the Villa—the President's Office. This would protect the Committee and give it more clout for the next stage of its work, which involved more detailed investigative and forensic work. The Committee was beefed up with State House lawyers and representatives from the Attorney General's office, the police, and the State Security Services. The Presidential Committee had its inaugural meeting on July 6, 2012, and building on the work already completed by the Technical Committee, it submitted a report of its findings in late July.

Many of these findings mirrored the findings of the House of Representatives Ad-Hoc Committee to Verify and Determine the Actual Subsidy Requirements, but this time the findings were meticulously researched and well documented. The Presidential Committee found subsidy claims for shipments by "ghost vessels" that never supplied any products and for shipments by vessels that were in China and the South Pacific at the times it was claimed they were transshipping off the coast of Cotonou, Benin. These were verified by Lloyd's Register, which tracks the movements of ships all over the world. There were

subsidy claims for which there were no shipping documents or evidence of payments for the products in foreign exchange.

Various other overpayments, wrongful claims, and breaches of the Petroleum Subsidy Fund guidelines also were detected. The Presidential Committee found that of the ₦1.3 trillion (\$8.4 billion) verified, ₦382 billion (\$2.5 billion) was fraudulent or questionable and should be recovered from the 107 oil marketing companies whose activities were verified. The door was left open on some questionable transactions for companies that could produce further verifiable documentation to come forward for the transactions to be validated. The report recommended that several procedural and regulatory improvements be implemented to the process for managing the subsidy. It also recommended sanctioning offending agencies and individuals, including the executive secretaries of the main regulatory agency overseeing the Petroleum Subsidy Fund, the Petroleum Products Pricing Regulatory Agency, and the external auditors of the Finance Ministry, Akintola Williams Deloitte, and Olusola Adekonola and Associates,⁶ which were found negligent in their duties.

Based on the report findings and recommendations, it became clear that the Finance Ministry could not make payments to the oil-marketing companies implicated in the fraudulent ₦382 billion (\$2.5 billion) in transactions. This decision was met with tremendous anger and resistance on the part of the companies whose transactions were implicated. There was also anger and impatience on the part of several companies not implicated because they felt the Presidential Committee's investigations and verification had further delayed their payments. The tension was palpable throughout this time, and the head of the Presidential Committee, Aig Imoukhuede, came to tell me that he was moving his family out of the country to London because he felt that these were dangerous times. The refusal to pay fraudulent marketers—many of whom had powerful connections in government and society—was a difficult and dangerous one, as I soon came to know when my mother was kidnapped, and I was threatened with being maimed to get me to leave office (see chapter 1)!

Shortfalls, Funny Numbers, and Other Troubling Issues Related to the Oil Sector

While I battled oil marketers and others outside the government, there were also internal battles related to the oil sector going on within government. The Finance Ministry was at the receiving end of these battles

because at the end of the day, it had to run after the revenues needed to fund the budget, and the bulk of this (70 percent) needed to come from the oil sector. These battles generated a great deal of tension and antagonism between the Finance Ministry and the Ministry of Petroleum Resources and its mammoth parastatal, the Nigerian National Petroleum Corporation (NNPC). NNPC was one of the most powerful, if not the most powerful, government agencies of all time in Nigeria and was seen as one of the least transparent and least accountable. It had been that way since 1977, when it was set up by the military governments to be accountable essentially to the Head of State, who in some administrations also assumed the role of the Minister of Petroleum Resources.

NNPC and the Ministry of Petroleum Resources had absolute control over the country's oil and gas resources. When I became Finance Minister for the first time in 2003, I learned that the Finance Ministry had little or no role to play in the management of the country's oil industry. There were few statutory links between the Finance Ministry and the Ministry of Petroleum Resources, except that the Permanent Secretary of the Ministry of Finance was on the board of NNPC—a board that met only irregularly (depending on the government in power).

The Finance Ministry was responsible for budgeting for the joint-venture cash calls that paid for Nigeria's share of costs for the production of oil in the joint-venture agreements with the major oil companies such as Shell, Total, and ExxonMobil. This was done in consultation with the relevant departments of NNPC and the Ministry of Petroleum Resources. These agencies also were consulted in setting production numbers, oil benchmark prices, and revenue parameters for the budget. But other than this, the Finance Ministry was simply a recipient of whatever revenues were budgeted for the Federation from the oil and gas sectors. It had no control over the sales, marketing, or proceeds of these activities. These usually were presented and discussed at the monthly Federation Accounts Allocation Committee (FAAC) meetings chaired by the Minister of State Finance (Deputy Minister of Finance), which brought together the thirty-six states of the Federation, the Federal Capital Territory (FCT), the federal government, and major revenue-generating agencies (such as the Federal Inland Revenue Service, NNPC, and the Customs Service) to account for and share oil and nonoil revenue proceeds per the Constitution.

In 2012, in addition to the serious issues of the oil subsidy fraud, tensions began to rise in FAAC meetings over the lower-than-projected

disbursements of oil revenues to the Federation accounts. The lower disbursements put states and federal government in the position of not being able to implement budgets fully. The 2012–2015 Medium-Term Expenditure Framework (MTEF) had set the benchmark oil price at which states and the federal government should budget at \$72 per barrel, compared to an average price per barrel for Nigeria's premium crude (Bonny Light) of \$113. With projected production of 2.48 million barrels per day, it was expected that monthly oil revenues to the Federation Account would average ₦808 billion (\$5.1 billion). Further, the difference between the benchmark oil price and the market price per barrel (after deductions of various costs and payments for NNPC transactions—always uncertain as to amount) would accrue as savings in the Federation's Excess Crude Account (a savings fund we developed in my first term as Finance Minister under President Obasanjo's administration to help manage oil price volatility and save for a rainy day).⁷

However, starting at the beginning of the second quarter of 2012, the Accountant General of the Federation (AGF) and the Minister of State Finance began to report serious shortfalls in the amount of oil revenues disbursed by NNPC to the Federation Account. When the senior management team in the Finance Ministry reviewed the accounts, we found a lot of variability from month to month in terms of shortfalls, with an average monthly shortfall of about ₦160 billion (\$1 billion) if budget and Excess Crude Account shortfalls were added together.

FAAC participants asked for an explanation for the shortfalls from the NNPC. The Finance Ministry also convened meetings with officials from NNPC and the Ministry of Petroleum Resources to understand the disturbing trend. Month after month, the explanation was that revenues were being lost to oil theft and pipeline vandalization. At a time of rising oil prices, when Nigeria should have been maximizing its output and revenues, the country was suffering considerable losses. NNPC said that an average of about 150,000 barrels per day were being lost to theft via siphoning from the pipelines. But the impact was well beyond the amounts stolen. Pipeline vandalization, using increasingly sophisticated underwater equipment, was causing companies to implement large shut-ins (shut-downs of an entire pipeline that is carrying petroleum products), up to an average of about 400,000 barrels per day, leading to huge revenue losses of \$1 billion per month.

While we collated the shortfalls and unaccounted-for monies monthly at the Finance Ministry, I started publicly sounding the alarm

about the missing monies as early as mid-2012. A June 27, 2012, article in *Oil Change International* quotes me as saying “Nigeria is losing \$1 billion a month in oil theft.”⁸

The situation worsened in 2013, and by April of that year, multiple reports on Nigerian television channels, on the Internet, and in national and international print media quoted me on the severity of the oil-theft and revenue-loss problems. In addition to loss through theft, NNPC also made deductions for items such as pipeline and other repairs. It deducted oil and kerosene subsidy payments to itself. Many times, the shortfall was so substantial that it led to tensions at the meetings of the FAAC, with state Commissioners of Finance and Accountant Generals walking out of meetings and refusing to accept the figures presented by NNPC for the month.

I called several meetings with NNPC and the Finance Ministry team to discuss the problems and get some accountability. In one such meeting, the then-Group Managing Director of NNPC, Austin Oniwon, challenged my right to ask for information on production volumes and sales or even to try to hold NNPC accountable to deliver the needed volume of funding. In the presence of his colleagues and senior management from the Finance Ministry, such as the Director General of the Budget Office, he aggressively challenged me to the point that I had to walk out of the meeting so that the discussion would not degenerate further.

I took these issues to my colleague, the Minister of Petroleum Resources, and it took some time before she and her team internalized the detrimental impact of the shortfalls on the budget and the economy. But relationships between the Finance Ministry and Ministry of Petroleum Resources were not that good; in fact, they were tense at virtually all levels. Finance Ministry officials had to bear the responsibility for shortfalls in Federation revenues, and the Petroleum Resources colleagues often acted as if they did not need to be accountable to anyone.

The matter went to the President on virtually a monthly basis. With his help and intervention from time to time, some months we received more resources, and others fewer. This process became an enormous strain on Finance Ministry staff and on me personally, and our relationship with NNPC and the Ministry of Petroleum Resource was rarely cordial. The situation spilled over to the National Economic Council, where the state governors also demanded action on the oil-theft and revenue-loss issue. Rumors were rife that vested interests—including

former and serving military officers as well as former employees of oil companies—were involved in the oil theft.

It just seemed a terrible situation, but one that was surely tractable if corrective action could be taken. I discussed the situation with the President several times, seeking a solution, and ultimately, he set up a task force to ascertain the extent and impact of the oil-theft problem, determine the reasons that proposed solutions were not working, and propose and implement new solutions. The task force was chaired by Dr. Emmanuel Uduaghan, governor of the oil-rich Delta state. Other members included the governor of Bayelsa state, employees from oil companies, members of paramilitary agencies, and representatives from the Ministries of Finance, Justice, Petroleum Resources, and Defense and its Joint Task Force. I felt this was the right group to solve the problem and was very hopeful.

But over time, my hopes faded as we continued to meet looking for solutions but without much change. Some oil thieves were caught, and their ships were impounded, but there was no comprehensive approach. The situation would improve for a month and then would degenerate, and revenues would be tight again. Overall in the country, there was an atmosphere of suspicion, accusations, and tension surrounding the oil sector, and it was difficult to dispel, given the continued cash-flow stress the country was under. It was in this atmosphere that the saga of the missing oil-revenue billions was unfolded by Mallam Sanusi Lamido Sanusi, the Governor of the Central Bank and now Emir of Kano.

The “Missing” \$50 Billion? Or Was It \$20 Billion? Or \$12 Billion? Or Something Else?

At 10 p.m. in early October 2013, I was sitting in my office trying to wrap up for the day when an event began to unfold that would damage the reputations of the Goodluck Jonathan administration and the country and place me in a terrible dilemma. It started with a phone call from Sanusi Lamido, the Central Bank Governor, who was responsible for monetary policy through the instrumentality of an independent central bank. To coordinate monetary and fiscal policy, we had the instrument of the Economic Management Team, but Lamido and I also spoke frequently—sometimes once or twice a day. We got on well and respected each other’s views, even if we did not always agree. The Governor had also been very concerned with the shortfalls

and unaccounted-for revenues from the oil sector, since this impacted the quantum of foreign exchange reserves, the stability of the exchange rate, and the conduct of monetary policy. We often lamented the serious impact of this on the economy. It was not strange that he would ring me this late.

However, what he had to tell me on the phone hit me so hard that I froze. He said he was calling to tell me that he had sent a letter to the President some days earlier (September 25, to be exact), alerting him that there was \$49.8 billion missing or unaccounted for from the country's oil accounts for the period from January 2012 to July 2013. This assessment was based on work that had been done by his staff at the Central Bank. He was motivated to tell the President because the large sums involved would have a serious economic impact on the country.

Although I appreciated the alert to the President, the point was the Finance Ministry had been fighting this battle on a monthly basis by sharing with the President how much of a shortfall we were experiencing in the Federation Account. Nevertheless, I was taken aback by the size of the shortfall the Governor mentioned. I told him right away that I thought unaccounted-for monies could not be that large because that sum was 50 percent or more of the total amount earned from oil revenues for that period, and if that much was missing, the country would not be able to function. The fiscal stress would be highly visible. As he was aware of from the FAAC accounts, the Finance Ministry had been keeping track of revenue shortfalls every month. We had a spreadsheet that showed \$10.8 billion to \$12 billion was unaccounted for during the same period—huge amounts for a poor country like Nigeria but far from the almost \$50 billion he was talking about.

I was concerned and completely baffled that he had sent such a letter to the President without mentioning the Central Bank's findings to me or reviewing the figures with me, as he normally would have done. As the government's banker—essentially the banker to the Finance Ministry, he and I had discussed and worried about the unaccounted-for funds many times. I could not imagine why the Central Bank would bypass the Treasury and the Finance Minister with such a serious problem.

My other worry was that such a sensational letter would be leaked to the press and reflect negatively on the country. In which kind of country could \$50 billion go missing or unaccounted for? Surely a banana republic!

Sanusi Lamido Sanusi assured me that only three people knew of this letter—himself, myself, and the President. But I was skeptical. I asked if he had typed the letter himself, and he said no, so other people had handled the information and were in the know. I was sure the letter would leak to the press very soon. I was also surprised that the President had not mentioned the letter to me and resolved to ask him about it the next morning.

At an early morning meeting, the President acknowledged that the Central Bank Governor had indeed sent him such a letter. He said he was astonished at the amount and asked if Lamido had discussed the matter with me beforehand. I said no. When the President asked my opinion about the unaccounted-for amount, I gave him the same answer I had given Lamido the night before—that the Finance Ministry estimate was in the range of \$10.8 billion to \$12 billion.

The President then said that he found the situation troubling and wondered if it was related to an ongoing investigation with the Governor that I had not been aware of. He said that the Financial Reporting Council (FRC), a financial oversight body located in the Ministry of Industry, Trade, and Investment, had drawn the President's attention to irregularities in the 2013 internal accounts of the Central Bank. The President sent the FRC's queries to the Central Bank Governor for action, and Lamido had sent the accounts back with full responses to all the questions raised, but this was still not acceptable to the FRC. According to the President, if the situation became public, it could reflect badly on the Central Bank Governor. So the President wondered whether the letter on missing oil-sector revenues was a way to divert attention from the ongoing situation and get the matter dismissed. I was quite surprised at this narrative, as this was the first time I had heard about alleged irregularities in the Central Bank accounts. The President felt that I should convene a meeting with representatives of the Central Bank, the Ministry of Petroleum Resources, and the Finance Ministry to discuss the Central Bank Governor's concerns and reconcile figures between the three agencies.

Later that day, I called Governor Sanusi Lamido Sanusi and told him I had spoken to the President, who asked for a reconciliation of numbers by the three agencies. He readily accepted. I also spoke to the Minister of Petroleum Resources, who said that her ministry was ready to participate. I formed a technical task force made up of senior people from the three agencies and headed by the Director General of the Budget Office, Dr. Bright Okogu, a petroleum economist and

experienced macroeconomist who had worked at both the Organization of Petroleum Exporting Countries (OPEC) and the International Monetary Fund (IMF). The task force was to look at all the evidence on sums that were unaccounted for among the funds that the NNPC should have disbursed to the Federation Account during the period in question, and reconcile all numbers from the three agencies. The task force was given one week to do this work.

The atmosphere was very tense and antagonistic between NNPC and Ministry of Petroleum Resources officials and those of the Central Bank, with the former feeling that this letter by the Governor could only have been written to discredit them and accuse them of corruption. The Finance Ministry was in the middle. We felt that our job was to manage the situation such that we could get numbers we all agreed on, but more importantly, perhaps this exercise could lead to the Finance Ministry recovering unaccounted-for monies. Whatever the unaccounted-for amount was, I was interested in moving the monies into the Federation Account to ease the pressure on federal, state, and local government budgets.

But while the task force was working, my worst fears materialized. I got a call on the afternoon of December 11, 2013, from William Wallis, the Africa correspondent of the *Financial Times* of London, telling me he had a copy of a letter to the President that said \$50 billion was missing from our oil accounts and asking for my views. I told him that I believed the numbers were too large and that the President had asked me to set up a task force to reconcile the numbers. The task force would report in a week. But it was too late. The next day, the missing \$50 billion was headline news in the *Financial Times* and other domestic and international media. Although it was not the first time in Nigeria's history that large amounts of oil revenues had been reported missing, this was huge and was devastating for Nigeria. Other than the missing Chibok girls—the 276 teenage girls kidnapped by Boko Haram militants in the town of Chibok in northeastern Nigeria in April 2014 (see appendix C)—this was the most distressing event that took place during the Jonathan administration.

The task force reported in a week and said numbers had been reconciled and accepted by all agencies involved. Governor Sanusi Lamido Sanusi's letter alleged that \$65 billion worth of crude oil had been lifted (produced and sold) by NNPC between January 2012 and July 2013, that only \$15.2 billion of that money had been remitted to the Federation Account, and therefore that \$49.8 billion was unaccounted

for. The reconciliation showed that the Central Bank colleagues who came up with the \$49.8 billion number had not fully accounted for some of the detailed transfers and arrangements of the oil accounts. For example, about \$15 billion of monies earned had gone directly to the Federal Inland Revenue Service as tax revenues and from there to the Federation Account. NNPC had lifted domestic crude oil worth \$28 billion, which was swapped in exchange for refined oil. There were other third-party transactions, such as crude-oil revenues used to pay for alternative financing provided by joint-venture partners. At the end of the exercise, all agreed that unaccounted for funds were within the range calculated by the Finance Ministry of \$10.8 billion to \$12 billion and perhaps closer to \$12 billion, the outer end of that range.

Nevertheless, by this time the country was in an uproar over the missing \$50 billion, and the Senate Committees on Finance and Petroleum (Upstream and Downstream) had called for hearings in the National Assembly. I thought that an engagement with the press to announce the task force findings would help clarify matters. To his credit, Governor Sanusi Lamido Sanusi agreed to attend a joint press conference with me and the Minister of Petroleum Resources to announce the task force findings. At the press conference, the Governor graciously admitted that his staff had made a mistake, and after reconciliation the Central Bank of Nigeria accepted that the unaccounted-for funds due to the Federation Account were about \$12 billion.

The press conference helped clear the air, and I thought we now could focus on how to recover the unaccounted for \$12 billion. This was still a very large amount for the Treasury, and would plug a serious fiscal drain. We all agreed that we would present a joint front at the National Assembly hearing the following week, given that we now were all on the same page. There was an air of cordiality among us all that I had not seen in some time.

Unfortunately, this cordiality was shattered the day after the press conference by a television advertisement paid for by the Nigerian National Petroleum Corporation that declared that the NNPC had been absolved from the wrongful accusations of missing monies that had been made by the Governor of the Central Bank of Nigeria. The minute I saw this, I knew there was trouble. I phoned the Group Managing Director of NNPC, Mr. Andrew Yakubu, and asked him to take the ad off the air, as it was provocative and even humiliating for the Governor, who had graciously accepted the revised figures. That same evening, the Governor called me to complain about the ad, and I assured him

that I had already asked NNPC to pull it. But the ad continued for another full day before it was pulled.

I can only surmise that this ad must have played into the drama we witnessed subsequently. The task force submitted its report on December 18, 2013. On February 4, 2014, we appeared before a Senate ad-hoc committee chaired by the very able Chairman of the Senate Finance Committee and former Governor of Kaduna state, Mallam Ahmed Markafi. Senator Markafi was clever and had a no-nonsense reputation. He had command of the material, so I hoped the session would go smoothly and quickly now that the executive side of government was all on the same page.

We were each called to testify in turn about the missing \$50 billion. The Minister of Petroleum Resources went first and spoke to the facts we had all agreed on. The Central Bank Governor was next and gave us a surprise. In his testimony, Governor Sanusi Lamido Sanusi said that although the unaccounted-for funds might not be \$50 billion, they were not \$12 billion either but about \$20 billion. He then tendered exhibits illustrating why he now thought the amount was \$20 billion, including the nondisbursement to the Federation Account of up to \$6 billion by a subsidiary of NNPC, the Nigerian Petroleum Development Corporation.

This bombshell caused the room to erupt because only a few days earlier the Governor had accepted that the unaccounted-for funds were in the neighborhood of \$12 billion. I could see reporters making a dash for the exit, no doubt to send off the hot news!

Again, Governor Sanusi had not indicated to me—as he could have prior to the meeting—that he had now come to a new conclusion about the unaccounted-for funds. Once again, the government looked disorganized. A government whose major officials could not agree on amounts unaccounted for from government coffers was unacceptable.

For me as a Finance Minister, this was too much. When it came to my turn, after testifying to the reconciliation and the Finance Ministry's own findings, I simply made the case that the only way this government could regain credibility on this issue and put the matter to rest was to request an independent forensic audit.

The Senate took this on board. It initially indicated that it would manage this audit, but later decided that the executive branch of government should commission the audit. In the following days, the NNPC submitted an accounting for the \$20 billion, but the public did not see or accept this as credible, and the missing \$20 billion became

global financial news. It was spreading even more rapidly than the initial \$50 billion.

The situation was made worse by the President's suspension of Governor Sanusi for "financial recklessness," ostensibly linked to the Central Bank of Nigeria's problems with the Financial Reporting Council. The timing could not have been worse, as the move was interpreted domestically and abroad as punishment for whistle blowing on the missing billions. It helped give the story even more credence!

With the saga of the unaccounted-for monies, history seemed to repeat itself with ever larger numbers. As far back as 1978, when President Muhammadu Buhari was Minister of Petroleum Resources in the administration of General Olusegun Obasanjo, there was an allegation of a missing \$3.5 billion not remitted by NNPC to the Treasury. In the 1990s, under the Ibrahim Babaginda administration, \$12 billion was found to be unaccounted for by NNPC. And now the figures in question were \$50 billion, \$20 billion, and \$12 billion. The importance of an independent forensic audit was paramount.

The Forensic Audit: A Lost Opportunity to Regain Good Governance

Getting the concurrence of the Senate to do a forensic audit was one thing. Actually commissioning the audit turned out to be extremely difficult because no one wanted ownership. Ultimately, the Senate decided to do its own investigation but have the Jonathan administration take charge of the forensic audit. But who in the administration could take charge? Neither the Finance Ministry nor the Ministry of Petroleum Resources could oversee the audit because they both were interested parties. As the issue languished for weeks, I worried that the audit would never get done and the country's reputation would suffer further.

But interest in the forensic audit was very high, and the media kept asking about it. I met with President Jonathan to discuss the matter. It was eventually agreed that the Office of the Auditor General of the Federation should commission the audit. The Auditor General said that some aspects of the audit law might prevent him from launching such an independent audit and was initially reluctant to involve independent auditors. There also were unspoken career and personal risks to engaging in such sensitive work. After several discussions, the Auditor General agreed that it was in the best interests of the nation

to have independent rather than in-house auditors conduct the audit. He engaged PricewaterhouseCoopers (PwC) for the job on June 5, 2014.

The scope of work for PwC, as summarized in its report, was: “a) Analysis of remittance shortfalls from NNPC into the Federation Accounts; b) Analysis of submissions made by key stakeholders in relation to the alleged shortfalls; c) Producing an independent Forensic report detailing our findings.”⁹ PwC submitted its report on November 28, 2014, based on materials received through October 31, 2014. In a letter dated January 7, 2015, the Auditor General for the Federation subsequently asked PwC to consider additional information tendered by the Nigerian National Petroleum Corporation up to January 29, 2015. The forensic audit report was thus amended to take into account the additional information. In its cover letter to the report, PwC warned that “the procedures performed did not constitute an examination or review in accordance with generally accepted auditing standards or attestation standards.” Nevertheless, it made the following findings:

- Total gross revenues generated from crude-oil liftings in the period in question (January 2012 to July 2013) were \$69.34 billion and not \$65 billion (as initially stated by the Governor of the Central Bank) or \$67 billion (as stated by the Reconciliation Committee).
- Total cash remitted to the Federation Account in the same period was \$50.81 billion and not \$47 billion (as stated by the Reconciliation Committee).

The Nigerian National Petroleum Corporation provided information to account for the difference not remitted, including deductions for various operation and maintenance costs, management costs, and deductions to pay itself for subsidies for petroleum motor spirits (\$5.32 billion) and subsidies for dual-purpose kerosene (\$3.38 billion). These deductions were contestable and were noted by the audit report as such. They were the substance of the \$10.8 billion to \$12 billion unaccounted-for funds recorded by the Ministry of Finance. For example, the deductions for petroleum and kerosene subsidies (\$8.70 billion) were contested by the Federation Accounts Allocation Committee and the Finance Ministry. They felt that transparency would be enhanced by having NNPC first pay the Federation Account all monies due and then submit a bill for subsidy expenses, which then would be verified before payment.

The kerosene subsidies were not budgeted for, which the Director General of the Budget Office and I had told the President at our

prebudget discussions in 2012 and 2013. The reason was simple. The kerosene subsidy clearly did not benefit the majority of poor people targeted. Whereas kerosene was supposed to retail at ₦50 per liter (with a subsidy of ₦100 per liter paid by government), a survey conducted by the Finance Ministry in 2012 showed that retail prices across the country ranged from ₦97 to ₦200 per liter. Budgeting for a nonexistent subsidy therefore constituted in our minds a source of revenue leakage, so NNPC should not deduct any monies for a kerosene subsidy.

Our position was buttressed by a 2009 memo from President Umaru Yar'Adua abolishing the kerosene subsidy. But the NNPC contended that the memo was never published in the *Federal Republic of Nigeria Official Gazette*, as required by government regulations, and therefore carried no formal weight. In other words, they contended that a kerosene-subsidy regime was still in place and that they could withhold revenues to pay themselves for it. After review and reconciliation of all the numbers, the forensic audit team concluded that NNPC should refund the Federation Account a "minimum of \$1.48 billion." If certain deductions were deemed not valid and disallowed, this amount could rise to \$2.07 billion, and if remittances due to the Federal Accounts Allocation Committee from the Nigerian Petroleum Development Corporation, the NNPC subsidiary, were to be added, the amount could rise to \$4.29 billion. Although these were less than the amounts put forward as unaccounted for by the Finance Ministry or the Governor of the Central Bank, they were nevertheless substantial.

More important was what the forensic audit report had to say about the structure and functioning of NNPC: the report saw it as a model that does not work. Section 2.1 of the report concluded that

the Corporation operates an unsustainable model. Forty-six percent of proceeds of domestic crude revenues for the review period was spent on operations and subsidies. The Corporation is unable to sustain monthly remittances to the Federation Account Allocation Committee (FAAC), and also meet its operational costs entirely from the proceeds of domestic crude oil revenues, and has had to incur third party liabilities to bridge the funding gap. Furthermore, the review period recorded international crude oil prices averaging \$122.5 per barrel (average Platts prices for 2012). As at the time of concluding this report, international crude oil prices average about \$46.07 per barrel, which is about 62 percent reduction when compared to the crude oil prices for the review period. If the NNPC overhead costs and subsidies are maintained (assuming crude oil production volumes are maintained), the corporation may have to exhaust all the proceeds of domestic crude oil sales, and may still require third party liabilities to meet the cost of operations and subsidies, and may not be able to make any remittances to FAAC.¹⁰

The report further recommended

that the NNPC act be reviewed as the content contradicts the requirement for the NNPC to be run as a commercially viable entity. It appears the act has given the Corporation a “Blank” cheque to spend money without limit or control. This is untenable and unsustainable and must be addressed immediately. The Corporation should be required to create value, and meet its expenses entirely from the value created. Proceeds from the FGN’s [Federal Government of Nigeria’s] crude oil sales should be remitted entirely to the Federation Accounts. Commissions for the Corporation services can then be paid based on agreed terms.¹¹

In the noise and politicization that followed the claims and counter-claims about the unaccounted-for monies, the audit’s most important findings—that the Nigerian National Petroleum Corporation lacked transparency and that its structure and mode of operation lacked sustainability—were ignored and never debated. This may be partly because the release of the forensic audit report became mired in controversy. Some people within the government did not want the report released, so it was unduly delayed. A press conference to share the results was held in early February 2015. The President finally accepted my arguments that holding on to the report was bad for the government and was leading to unwarranted speculation. It was eventually released on April 27, 2015, close to the presidential elections and too late for a genuine debate on the findings, particularly regarding the structure and functions of NNPC.

NNPC began life as the Nigerian National Oil Corporation (NNOC) in 1972, transforming into the present-day NNPC in 1977. Its design and the act underpinning it gave it such latitude and flexibility in the management of its finances that one can only surmise it was designed to act as a source of extrabudgetary funds for those who controlled it.

Throughout the years, Presidents controlled NNPC and the Ministry of Petroleum Resources either directly as Ministers of Petroleum Resources themselves or with a Minister of Petroleum Resources and Managing Director closely aligned to them. Managers of the petroleum sector felt no need to share information or be accountable to anyone except the President. Requests for information made by the Finance Ministry or others were often ignored or treated with disdain. The Finance Ministry was kept at a distance, with little knowledge of and no role in the production and sale of oil and gas resources, and the ministry had limited access to the revenue numbers before they arrived in the Federation Account.

In my first term as Finance Minister (2003 to 2006), I found this so anomalous that I created an oil and gas unit in the Finance Ministry, directly in the minister's office, to interface with the Petroleum Resources Ministry and the oil companies, gather data that could enable us to model our oil and gas sector better, and improve our budget and financial planning. The unit was difficult to implement and received little cooperation from the Petroleum Resources Ministry or NNPC. It eventually began to work under the leadership of Dr. Bright Okogu, who at that time served as my Special Adviser.¹²

In 2012, I reengineered the Oil and Gas Unit and moved it to the Finance Ministry's Technical Department, again with support from the UK's Department of International Development. We still struggled to form working relationships with or to benefit from knowledge sharing with our colleagues in the oil and gas sector.

The lack of transparency in oil-sector institutions and their lack of linkage to other agencies such as the Finance Ministry and NEITI (Nigerian Extractive Industries Transparency Initiative) that should have a voice in the sector was one of the reasons why so many of us felt that it was essential to secure passage of the Petroleum Industry Bill (PIB)—designed to transform and improve the efficiency of the oil and gas sector—during the Jonathan administration. This never happened because vested interests inside government and outside, including international oil companies, blocked the bill as not being in their interest. If it had passed, this bill would have led to sweeping structural changes in the NNPC and the oil and gas sector toward more commercialization, partial privatization, and hence more transparency in the generation and management of oil revenues. The Petroleum Industry Bill was not perfect. It had many problems, but it could have moved the oil and gas sector toward more openness and accountability.

In the new Muhammadu Buhari administration, it appears that a different restructuring approach to NNPC and the oil and gas sector is being implemented. The hope is that this restructuring will lead to more commercialized, more independent, financially sustainable, transparent, and accountable petroleum-sector institutions. This is the only way Nigerians will ever gain confidence in their oil and gas sector and stop the saga of unaccounted-for monies!

To this day, under the new Buhari administration, claims and counterclaims continue to be made about unaccounted-for monies. Over the course of seven days, three separate claims were made. On March 15, 2016, the Auditor General of the Federation claimed that its 2014

audit showed that ₦3.2 trillion (\$16 billion) was unaccounted for by NNPC in terms of remittances to the Federation Account. On March 17, 2016, NNPC countered that it owed only ₦326 billion and was in fact owed ₦1.37 trillion by the Federation Account. On March 22, 2016, the Revenue Mobilisation and Fiscal Affairs Commission claimed that ₦4.9 trillion was unaccounted for by NNPC. What country can operate like this?

The story of Nigeria's oil and gas sector is ugly. Although revenues from the sector have, to a substantial extent, helped finance the country's development, the impact of the sector has fallen far short of expectations because of inappropriate policies, inefficient and nontransparent institutions, corruption, capture by leaders, and rent-seeking internal and external elites. This makes the sector a minefield for anyone seeking transparency, accountability for revenue flows, or simply the honest and straightforward conduct of government business. Trying to block fraudulent oil marketers from access to government oil subsidies, pushing for accountability for revenues due to the Federation from the oil and gas sector, managing competing sectoral interests, and dealing with the noxious politics surrounding the sector has meant stepping on many powerful toes. Trying to bring transparency and accountability to this sector was probably one of the most stressful and dangerous tasks of my job as Finance Minister!

4 A Twisted Budget Process

Making Government Revenues More Transparent: Reviving the Most Boring Bestseller Ever

Nigeria's group of thirty-six state governors is powerful. Governors control the 48 percent of Federation revenues that are allocated to the states and local governments. The Constitution not only gives them virtual autonomy in the use of their state revenues but also gives them oversight of local government revenues. By mandate, these are disbursed into the accounts of the states. The monies are supposed to be passed on to the local governments, but in most cases, they are not because states claim they spend these monies to defray local government expenses.

Nigeria's deep fiscal decentralization means that governors have tremendous freedom and little accountability in the use of monies under their control. There are few checks and balances because state legislatures are typically weak. In addition, the Constitution provides for immunity for governors while in office, making it difficult to hold them to account. Although some governors behave in a fiscally responsible manner, others do not. A few have been arrested, convicted, and jailed after they left office for diverting state resources into their own pockets and the pockets of their relatives and cronies. This has taken resources away from important state and local government services such as primary and secondary education, health services, and basic infrastructure. Money also has been diverted for political campaigns.

When people in the states complain about lack of services, they often are told that the federal government has not disbursed state revenues, which generates a great deal of hostility toward the federal government. I experienced some of this firsthand when I visited states during

my first term as Finance Minister. During both my tenures as Finance Minister (2003 to 2006 and 2011 to 2015), I trod on the toes of some of these powerful state governors.

My problems began in 2004, when I won the support of then-President Olusegun Obasanjo to begin a revenue transparency drive by publishing in the newspapers the monthly amounts allocated to the federal government and each state and local government. The numbers were compiled and published in the newspapers monthly by the Office of the Accountant General of the Federation and also loaded onto the ministry website. This was an instant success with the public.¹ They finally had information with which to hold their leaders to account. No longer would they entertain lies on why teachers or health workers were not paid or rural roads were not constructed.

Amounts received annually by several states were substantial (see appendix B, table B4.1). In some cases, such as Akwa Ibom, Delta, Rivers, Bayelsa, and Lagos, they were comparable to or higher than the yearly revenues of some West African countries with similar or larger populations, such as Benin, Guinea, Liberia, Sierra Leone, and Togo (see appendix B, table B4.2). Yet several of these countries could boast better infrastructure and services.

Public demand for the state allocation numbers was so high that we began to compile the numbers into annual booklets, that even though free, could be deemed the most boring bestsellers ever. They flew off the shelves as fast as we could print them.

These compilations also became an important input into the investigations of the Economic and Financial Crimes Commission (EFCC). Although state governors could not be prosecuted in office, some of them were investigated and later successfully prosecuted after they left office. The increased transparency put governors on the defensive and generated a great deal of animosity for me and the Economic Management Team at the time. But as the originator and implementer of the revenue transparency idea, I felt hostility from some governors, often manifested in subtle and not so subtle threats and attacks in the press.

When I resigned from government in 2006, the publication of the monthly revenue allocations became sporadic and then stopped. As soon as I returned to government, these were revived. By January 2012, they had become a regular feature again.

Building the Excess Crude Account and Sovereign Wealth Fund: A Direct Threat to the Financial Power of the State Governors

If transparency in revenues was an irritant to the governors, the next set of policies to manage Nigeria's volatile oil revenues and stabilize the economy was perceived as a direct threat to the governors' control of and autonomy in managing fiscal resources in Nigeria's extreme version of fiscal decentralization. The damage done to the Nigerian economy by the country's heavy dependence on volatile oil revenues and its inability to manage this volatility, leading to boom and bust cycles of development, has been well described in my previous book, *Reforming the Unreformable: Lessons from Nigeria*.

To solve the problem of volatility, we introduced an oil-price-based fiscal rule that essentially delinked the oil price at which the budget was constructed from the market price. The idea was that during good times, when the price of oil was high in the international markets, Nigeria could budget domestically at a lower price, save the difference, and then have these resources available during bad times when international oil prices were low. In this way, the budget could help smooth out government expenditures and consumption.

The idea worked well during my first term as Finance Minister under President Olusegun Obasanjo. We were able to save about \$22 billion from 2004 to 2007. These savings, owned by the Federation, were held in an account we created in the Central Bank known as the Excess Crude Account. During the global financial and economic crisis of 2008 to 2009, some of the savings were used to administer a fiscal stimulus (equivalent to about 4.5 percent of 2009 GDP) to the Nigerian economy, thus giving it a boost and warding off a recession. I was at the World Bank at this time, and I was proud that Nigeria was one of the few developing countries hit by the crisis that did not have to ask the World Bank for a budget support loan because it could draw on its own savings.

Despite the success of the oil-price-based fiscal rule and the Excess Crude Account, governors opposed these mechanisms and effectively sabotaged their inclusion in a Fiscal Responsibility Bill that would have enacted them into law. They were adamant that the Excess Crude Account was unconstitutional and that all monies therein should be shared with federating units (the states and local governments) and not saved. Governors often quoted section 162, subsections 1 and 3, of the 1999 Constitution, which stipulates in part that "The Federation

shall maintain a special account to be called The Federation Account into which shall be paid all revenues collected by the Government of the Federation" (subsection 1) and "Any amount standing to the credit of the Federation Account shall be distributed among the Federal and state governments and the local government councils in each state on such terms and in such manner as may be prescribed by the National Assembly" (subsection 3).

Our counterargument from the Finance Ministry and the Economic Management Team was that Section 16 of the Constitution enjoins the state to "a) harness the resources of the nation and promote national prosperity, and an efficient, dynamic and self-reliant economy; b) control the national economy in such a manner as to secure the maximum welfare, freedom and happiness of every citizen on the basis of social justice and equality of status and opportunity; and c) without prejudice to its right to operate or participate in areas of the economy, other than the major sectors of the economy, manage and operate the major sectors of the economy." Such broad powers to manage the economy for the welfare of all Nigerians surely meant that if we needed to save during good times so that the nation would have the resources to weather bad times, we should.

But the governors never accepted this logic and continued to argue against the proposed fiscal rules. Through force of will and political maneuvering, President Obasanjo held the governors off from using up all of the saved resources. However, during the global financial crisis of 2008 and 2009, under President Umaru Yar'Adua, the savings in the Excess Crude Account were shared with the states as part of the fiscal stimulus administered to the economy when oil prices fell precipitously from \$147 to \$38 a barrel.

Although this was a correct use of the monies to smooth out expenditures and manage volatility as envisaged, the sharing did not stop even after Nigeria had successfully weathered the crisis. The states soon got used to receiving the additional resources each month. By the time the Jonathan administration started, in May 2011, the Excess Crude Account had been seriously depleted. By the time I joined government for the second time in August 2011, savings in the ECA were down to about \$4 billion.

Of this amount, \$1 billion had ostensibly been set aside for the newly created Sovereign Wealth Fund (SWF), but it had yet to be implemented. The Sovereign Wealth Fund, underpinned by law, was intended to replace the Excess Crude Account as a mechanism to better

manage savings generated by the application of the oil-price-based fiscal rule. The Sovereign Wealth Fund envisaged three windows: a Stabilization window for short-term, more liquid management of funds; a Future Generations window, with a longer-term investment horizon; and most interesting, an Infrastructure Fund, an investment window intended to allow the Sovereign Wealth Fund to invest to help lift the most binding domestic constraint to development—infrastructure.

My predecessor as Finance Minister under the Yar'Adua/Jonathan administration, Segun Aganga, oversaw the creation of the Sovereign Wealth Fund and shepherded the Nigerian Sovereign Investment Authority (NSIA) bill through the National Assembly in 2010 with great difficulty. When I succeeded Segun Aganga, I oversaw the implementation of the NSIA act and thus the practical creation and launch of the Sovereign Wealth Fund.

Governors were opposed to the creation of the Sovereign Wealth Fund for the same reasons they opposed the Excess Crude Account. They did not want resources held back—even if this meant a better and smoother functioning of the economy in the medium to long term. The hope had been that application of the oil-price-based fiscal rule would ensure a steady stream of resources to fund the Sovereign Wealth Fund, thus obviating the need for the Excess Crude Account. But the governors objected to this.

In the end, the \$1 billion set aside for the Sovereign Wealth Fund was the result of a compromise. The creation of the Sovereign Wealth Fund and passage of the underpinning Nigerian Sovereign Investment Authority act was difficult because considerable effort was needed to persuade legislators charged with shepherding and passing this bill in the National Assembly. Notwithstanding the passage of the bill and the compromises reached between the federal government and the states, the state governors revived a suit they had filed against the federal government in the Supreme Court in 2008 (suit SC60/2008) seeking to stop the federal government from withholding funds for savings in either the Excess Crude Account or later the Sovereign Wealth Fund. That Supreme Court case was kept active throughout the Jonathan administration.

My reaction (and that of my Finance Ministry team) to the low level of savings in the Excess Crude Account in August 2011 was great unease. An economy the size of Nigeria's that depended on one volatile commodity for 70 percent or more of government revenues needed more robust fiscal savings than this. It also needed to diversify

its economy and revenue sources. Oil prices had recovered from their 2008 lows and were hovering near \$86 a barrel in August 2011. There was no reason not to save more.

I sounded the alarm right away and continued to press the point at every opportunity. A report by Nigeria's Channels Television on April 13, 2012, captures the essence of my insistence:

The Coordinating Minister for the Economy, and Minister of Finance, Dr Ngozi Okonjo-Iweala, has accused the state governors' demand for distribution of the nation's resources and opposition to the establishment of the SWF [Sovereign Wealth Fund] as reasons for the depletion of the Excess Crude Account. She noted that the withdrawal and sharing of the monthly allocation has depleted the ECA to just about \$3.6 bil as against the over \$20 bil saved in the reserve account in 2006. The Minister warned that if the price of crude oil drops, the nation has no cushion for the economy because \$3.6 bil is not enough to take the economy to any length of time. She also allayed fears that the \$1 bil SWF would be mismanaged by the Federal government pointing out that the SWF act adequately provides for accountability in its management.²

An online blogger added that beyond savings, I insisted on the "Federal Government's efforts to diversify the economy as the only viable option open to pursue in the face of dwindling revenues from crude oil exports as well as increasing volatility in the global oil market; ongoing transformation programs in the agricultural and entertainment industries hold the key to Nigeria's economic development and competitiveness in the rapidly changing global market."³

My insistence on savings was backed by President Goodluck Ebele Jonathan and Vice President Namadi Sambo. The Vice President was Chair of the National Economic Council, the monthly forum designed to bring the federal and state governments together to discuss national economic policy. This issue of savings, the rationale for it, and modalities for doing so were most often debated at the National Economic Council. The strong support of the President and Vice President enabled us to engage the governors in 2012 and 2013 and to rebuild the country's fiscal buffers. As a result, the country had saved about \$9 billion in the Excess Crude Account by the end of 2013.

But by the beginning of 2014, the governors began to argue constantly in the National Economic Council that there was no need to save money for "these rainy day funds"—as I had termed them—because it was already raining, the roof was caving in, and money should be spent to take care of the multiple needs of their states. A former Deputy Governor of the Central Bank, Mr. Tunde Lemo, captured the situation

in a speech on the Nigerian economy, where he confirmed, "During some of the National Economic Council sessions, where I was present, the issue of saving funds in the ECA came up, but most of the governors at the time firmly opposed the idea. They opposed it so that more money could be available to fund many bogus budgets at state level, often arguing that there was no need for saving for the rainy day, since as some of them said the day was already rainy. They insisted that the funds be shared among the states. Unfortunately, it greatly depleted the funds the Federal Government tried to save."⁴

The chief opponent of these arguments to deposit savings in the Sovereign Wealth Fund or the Excess Crude Account was Governor Chibuike Amaechi of Rivers state, chair of the Nigerian Governors' Forum (NGF). He was strongly supported by Governor Adams Oshiomole of Edo state, who was very vocal in voicing his disapproval and his suspicions of the federal government's management of the Excess Crude Account; Governor Babatunde Raji Fashola of Lagos state, a lawyer and Senior Advocate of Nigeria (SAN), who objected on constitutional grounds; and Governor Godswill Akpabio of Akwa Ibom state, later chair of the People's Democratic Party (PDP) Governors Forum. Others, such as Governor Peter Obi of Anambra state, argued for savings but were not supported. Their voices were drowned out, and National Economic Council (NEC) sessions became unpleasant when this topic arose.

I recall one session early in 2014 where I was quizzed, harangued, and bullied by some governors and then verbally assaulted by Governor Rauf Aregbesola of Osun state. The Vice President had to intervene to tell Governor Aregbesola that people might carry on aggressively in his state capital but that such behavior would not be tolerated in the meeting or in Abuja. The Vice President's firm stance and his support ended the abuse. Although some of Governor Aregbesola's fellow governors apologized to me after the meeting, I felt very uncomfortable after the verbal attacks and decided to limit my attendance at National Economic Council meetings as much as possible and to keep my distance from the hostile governors. Some of these same governors—particularly Adams Oshiomole of Edo state—spearheaded attacks against me after I left government in 2015, trying to tarnish my name with false accusations of corruption.

The pressure from the governors to share the accumulated savings was overwhelming. Over the months, money that should have been safeguarded to secure the country against a fall in oil prices was shared

with the states. By the end of 2014, the Excess Crude Account had been spent down to \$2.3 billion. There was pressure to share even that as the 2015 elections drew closer. But we held the line, leaving some resources in the coffers for the new government.

The pressure to share savings from the Excess Crude Account was compounded by fiscal losses due to the theft of crude oil and vandalization of pipelines. In early 2013, the Director General of the Budget Office, Dr. Bright Okogu; Central Bank Governor Sanusi Lamido Sanusi; and I sounded the alarm on various occasions about the adverse impact of this phenomenon as losses mounted (see chapter 3). A task force set up by the President that was chaired by the governor of Delta state, Dr. Emmanuel Uduaghan, and included all governors from the oil-producing regions, the armed forces, and relevant ministries and agencies provided no respite.

As noted in chapter 3, by April 2013, we estimated about \$1 billion a month in losses. As was reported on April 19, 2013, following a news conference I held on the sidelines of the spring meetings of the World Bank and International Monetary Fund in Washington, DC, “the Coordinating Minister for the Economy Dr Ngozi Okonjo-Iweala has said that the government loses N160 bil (\$1 bil) revenue every month to oil theft. A great deal of the loss in production is closely linked to oil theft and illegal bunkering, which have been going on for some time.”⁵

Although crude-oil theft was estimated at about 65,000 to 150,000 barrels per day, the daily loss in production was much higher, averaging about 400,000 barrels per day (inclusive of losses due to shut-ins). This was due to the fact that oil companies typically shut down entire pipelines vandalized for theft for repairs for days and months at a time and these pipelines carried much more oil and gas than the amounts actually stolen. The impact on the Treasury was thus equivalent to the total amount lost through both theft and shut-ins. Pipeline vandalization and crude-oil theft had a negative impact on Excess Crude Account savings and on federal and state government budgetary expenditures.

Nigeria’s economic hardship from 2015 onward, including the recession of 2016, can be seen as something of a self-inflicted wound. Although no one could tell exactly when it would happen, history had taught us and analysts had predicted that the high oil prices from 2011 to mid-2014 were unsustainable. Countries dependent on the commodity, as Nigeria was, should have prepared for a period of lower prices. Such preparation would involve short- to medium-term fiscal

measures to build buffers, as well as longer-term structural reforms to diversify the economy, including diversification of revenue sources.

Nigeria had the mechanisms—in the oil-price-based fiscal rule, the Excess Crude Account, and Sovereign Wealth Fund—to build the buffers. But they were blocked by governors—some of whom are key members of the current Muhammadu Buhari administration—due to their lack of political will. Many were partisan and focused narrowly on the present at the expense of future growth and development.

The absence of buffers at a time of low oil prices when the new administration took over was compounded by the lack of a substantive economic manager for several months. Ministers were not appointed for about six months. A disjointed monetary and exchange-rate policy did not help matters because it damaged investor confidence, led to capital flight, and ultimately led to economic contraction in 2016 with a growth rate of –1.5 percent—the first such contraction in the Nigerian economy for two decades.

On the longer-term structural reforms to diversify the economy, the Jonathan administration took important steps to implement policies supportive of the agricultural, manufacturing, and service sectors, especially the entertainment industry. Supportive industrial policies spurred the cement, car assembly, rice, and cassava value chains. Innovative programs—such as NIRSAL (Nigeria Incentive-based Risk-Sharing System for Agricultural Lending), YouWIN (Youth Enterprise with Innovation), and Nagropreneurs (Nigerian Agricultural Entrepreneurs)—supported small and medium enterprises (SMEs) and created jobs. The international consulting firm McKinsey & Company was hired to help diagnose and support implementation of measures to broaden the tax base, improve tax administration, and diversify revenue sources within the economy.

These and other measures to diversify both the economy and revenue base need to be sustained over the next two decades by incoming administrations if Nigeria's economy is to experience the structural changes it truly needs. There must be a social and political compact to focus on policies that will bolster the long-term sustainability of the economy.

Sustained Attacks for Trying to Control Unsustainable State Debt

Another tricky area of interaction with state governors was on the issue of state borrowing and state indebtedness. Many governors sought to

borrow to augment the monthly revenue flows from their states. They usually claimed that borrowing was for capital expenditures to build infrastructure and meet other needs, but the states borrowed quite a bit of money—typically from domestic sources—for recurrent spending and state consumption for which the benefit for citizens was not always clear.

Nigeria had an unpleasant history of unsustainable external indebtedness, caused largely by borrowing by state governments and parastatals owned by the federal government. The long, painful, but ultimately successful exit from \$30 billion of Paris Club debt in 2005 has been recounted in detail in my 2012 book *Reforming the Unreformable: Lessons from Nigeria*. That experience led to the creation of guidelines on borrowing for the country and for states—including benchmarking the country against good practices for debt-to-GDP ratios (the guideline for Nigeria was not to exceed a debt-to-GDP ratio of 40 percent, which was much lower than the 56 percent norm suggested for other countries at that level of development); monitoring debt-service-to-revenue ratios; and carrying out a debt-sustainability analysis for the country and for states against each demand for loans.

All these guidelines required states to work closely with the Finance Ministry and the Debt Management Office (DMO) for both domestic and external borrowing needs. States seeking to borrow had to get the approval of their state assemblies and undergo a debt sustainability analysis by the DMO to ascertain the state's ability to service existing and additional debt under the terms set out for the loan. Tensions often arose when states sought to take out expensive short-term domestic credit facilities from banks or float domestic bonds for amounts far exceeding the state's ability to service the debt.

I had the unpleasant task of informing governors when the DMO's analysis found that their states either did not meet the debt-sustainability thresholds for additional borrowing or had to borrow substantially lower amounts than they were seeking to stay within the guidelines. Although some governors took the news in their stride and tried to comply, others did not take kindly to these restrictions, which they saw as the Finance Minister exercising undue power and financially constraining the states.

In 2014, in the run-up to the 2015 elections, there was unusually heavy demand for borrowing by states. Seventeen states sought to borrow amounts ranging from ₦10 billion to ₦100 billion (\$60 million to \$600 million). But there was a problem: the level of state indebted-

ness was rapidly increasing. There were fewer concerns on the external debt side because states could not borrow externally without a federal government guarantee (see appendix B, table B4.3), though some states such as Edo showed sizable increases. Most of the external debts incurred were with the multilateral development banks on concessional terms, usually at interest rates below 2 percent, with a five- to ten-year grace period and a twenty- to forty-year repayment period. The debt-service burdens were thus manageable. More worrying were the high levels of domestic debt, which rose from a total of ₦1.53 trillion (\$9.5 billion) in 2013 for all states to ₦2.50 trillion (\$12.7 billion) in 2015. Domestic borrowing rose very rapidly in some states (Bauchi, Delta, Enugu, Imo, Jigawa, Kaduna, Katsina, Kebbi, Kogi, Osun, and Yobe, among others) (see appendix B, table B4.4), at the same time that state revenues were stagnant or decreasing as a result of the drop in oil prices. Many states (except maybe Lagos) have little recourse to additional revenue sources because most have little in terms of internally generated revenues.

Against this backdrop, domestic borrowing on much harder (non-concessional) terms meant a heavier debt-service burden. For example, yields on domestic bonds in 2013 to 2014 ranged from 11 percent to 14 percent. Commercial loans were much more expensive and very short term, with nominal interest rates often in the range of 15 to 19 percent, even after inflation dropped to the 9 to 10 percent range.

Many states also were borrowing commercially without the knowledge of the Finance Ministry and in contravention of the Debt Management Office guidelines. Worse still, some states negotiated overdraft facilities at even higher rates of interest (19 to 22 percent in some cases), ostensibly for short-term needs, but diverted this funding to capital projects, resulting in very high-cost resources with a total mismatch of maturities.

Despite the burden of high-cost loans, many governors were still trying to borrow late in 2014 and into early 2015 with the rationale that they needed to complete unfinished projects—but with the consequence that they could leave burdensome debt obligations for their states and their successors in office. The Debt Management Office reviewed the requests for borrowing. For most of the seventeen states that sought to borrow at this time, the analysis was unfavorable with respect to their capacity to service their accumulated loans adequately, including the new ones in question. This led to advice from the Finance

Ministry either not to borrow or to reduce the amount borrowed to manageable levels—in some case, by 80 to 90 percent.

Although most of the state governors accepted the analysis and advice, Governor Adams Oshiomole of Edo state rejected it. On December 9, 2014, Governor Oshiomole sent a letter (as required by our state borrowing guidelines) requesting a “No objection” response from the Finance Ministry so that the state could borrow ₦15.37 billion (\$92 million) from commercial banks. As reported by *This Day* newspaper on July 15, 2015, the loans were for the following purposes:

A ₦13.2 bil term loan from Ecobank Plc to enable the state government meet its payment obligations to contractors; a ₦1.03 bil term loan from Fidelity Bank Plc to meet the Edo government’s State Universal Basic Education (SUBEB) counterpart funding obligations; and another ₦1.14 bil term loan from Ecobank Plc to meet the state’s 50 percent counterpart funding obligations to SUBEB.⁶

The average interest charge for the loans would be about 18 percent per year, with an expected tenure of about twenty-three months. Following normal procedures, the request was forwarded to the Debt Management Office for the requisite debt sustainability analysis and recommendation to the finance minister. The analysis came back that the loan would amount to a sizeable 38 percent increase of Edo state’s existing domestic debt burden. Against stagnant and declining Federation Accounts Allocation Committee revenues of about ₦5 billion a month, it would be difficult for the state to carry the additional debt and debt-service burden.

I sent a letter to the Governor conveying the Debt Management Office’s findings and recommendation not to borrow or, if absolutely necessary, to consider lowering the loan amount to a more manageable ₦5 billion. The recommendation did not sit well with the Governor. A few days later, the Governor visited me in my office and explained that he was waiting for a World Bank budget support loan, whose disbursement had been delayed but was now expected within weeks or months, so the commercial bank borrowings would be for a very short duration as he planned to repay them with the World Bank loan proceeds. I was aware of the delayed World Bank credit, but as a former World Bank official myself, I explained that World Bank rules would not allow him to use loan proceeds to repay a commercial bank loan. Given that the World Bank loan itself would be on very favorable terms—a twenty-five-year tenure with five-year grace period and a 1.25 percent per year interest rate—it would be much better for Edo state if he could wait

for that loan disbursement. But the governor insisted that he needed the commercial bank loans right away and that was why he had come personally to my office to explain. When I repeated that professionally, I had no grounds on which to go against the Debt Management Office recommendations, the governor took it personally and left my office very displeased.

Headline-Grabbing Attacks and a Whispering Campaign

Then began a series of headline-grabbing attacks spearheaded by Governor Adams Oshiomole against me and the federal government, which escalated when I left office in May 2015. On December 25, 2014, in a *Premium Times Nigeria* article, the governor accused the federal government of failing to account for about \$30 billion that he claimed would have accrued to the Excess Crude Account in the last three years.⁷

On June 30, 2015, *Information Nigeria* published an article that revealed that the National Economic Council (comprising the thirty-six state governors and federal government representatives) accused me, as the former Finance Minister, of “spending \$2.1 bil from the Excess Crude Account without authorization.”⁸ The article quoted Governor Oshiomole as saying, “We looked at the numbers for the ECA. The last time the former Minister of Finance and Coordinating Minister for the Economy Mrs Ngozi Okonjo-Iweala reported to the Council, and it is in the minutes, she reported by November 2014 that we had \$4.1 bil. Today, the Accountant General’s Office reported we have \$2.0 bil which means the honorable minister spent \$2.1 bil without authority of the NEC and that money was not distributed to the states, it was not paid to the three tiers of government.” The article went on to say that “According to the NEC the unauthorized spending was among the several anomalies discovered in the management of the nation’s economy between 2012 and May 2015.”

Based on this, the National Economic Council set up a committee to investigate my management of the nation’s finances. The chairmanship was not exactly friendly. The committee was cochaired by Governor Adams Oshiomole of Edo state and Governor Nasir El Rufai of Kaduna state. Those familiar with the investigations from the Accountant General’s Office indicated that a scrutiny of the Excess Crude Account amounts, which are routinely under the management of the Accountant General of the Federation’s office, showed no diversion or misuse of these resources. The details of the Excess Crude Account were already public knowledge: they routinely were made available

to the press and published at the end of each monthly meeting of the Federation Accounts Allocation Committee.

On July 5, 2015, an online Nigerian news medium published an article accusing me of renting out a building I own to the Pension Transition Arrangement Directorate (PTAD), an agency reporting to the Finance Ministry.⁹ On July 13, 2015, the *Premium Times* continued the attack in an article in which Governor Oshiomole accused me of making an unauthorized withdrawal of \$1 billion from the Excess Crude Account to help finance President Goodluck Jonathan's reelection.¹⁰

This was followed by August 10, 2015, reportage in most Nigerian news media highlighting queries from newly elected President Muhammadu Buhari to the Finance Ministry about the alleged diversion of a \$1 billion railway loan from China. *Information Nigeria* was typical of most: "The diversion of foreign loans obtained for rail projects in the country under the watch of former Minister of Finance Dr Ngozi Okonjo-Iweala has earned the Ministry of Finance a query from President Muhammed Buhari. The president's query followed an instance of the diversion of a substantial part of the loan of USD 1.005 bil from the Chinese Exim Bank meant for the construction of a standard gauge rail line linking Lagos and Kano states to somewhere else."¹¹

The attacks continued in the following months with many more damaging allegations and headlines. In early December 2015, there was an attempt to link me to a breaking arms-purchase scandal said to involve the Office of the National Security Adviser. This was on the basis of a January 20, 2015, memo I sent to President Jonathan seeking his written approval to carry out his instructions that the Finance Ministry disburse the sum of \$322 million of returned Abacha funds to the National Security Adviser to enable him purchase arms to fight Boko Haram (see box 4.1). The approval had been given, and the monies had been disbursed following Finance Ministry guidelines. But there was an attempt to conflate this with the separate, alleged \$2.1 billion arms scandal, and to link me to the scandal.

According to a December 10, 2015, article in the *Daily Post*, "Edo State Governor Adams Oshiomole has called on the Presidency to arrest and prosecute the former Minister of Finance Dr. Ngozi Okonjo-Iweala over her alleged role in the \$2 bil arms deal. The governor insisted there was no way Okonjo-Iweala was not in the know as Coordinating Minister for the Economy under Jonathan."¹²

By January 2016, the allegations of involvement in the arms scandal had been picked up by a politically connected lawyer, Mr. Femi

Box 4.1**Recovery of Funds Looted during the Abacha Presidency**

In the five years of General Sani Abacha's rule of Nigeria from 1993 to 1998, the military dictator, his family, and his associates are estimated to have looted \$3 billion to \$5 billion of public assets and transferred much of this money abroad. Efforts have been underway since 1998, when General Abdulsalami Abubakar succeeded General Abacha, to recover these funds. General Abubakar and President Olusegun Obasanjo were particularly active in their administrations, and amounts in three currencies (\$1.8 billion, ₦10.90 billion, and £111.95) had been recovered as of May 2007.

I was part of the team, in the second Obasanjo administration, that worked with the Swiss government to repatriate \$505 million of this amount in 2005 and 2006 from Switzerland. Those monies were channeled back to the federal budget and spent through the budget for capital projects under the monitoring of Nigerian and Swiss nongovernmental organizations and the World Bank.

In the Goodluck Jonathan administration, further progress was made to recover some of the Abacha funds. The funds were transferred to the Bank for International Settlements in Basel, Switzerland, and placed in a special account named Recovered Looted Funds of the Federal Government of Nigeria.

On February 1, 2012, Jersey (in the Channel Islands) repatriated to the Bank for International Settlements account the sum of £22,559,560. On December 23, 2013, Lichtenstein transferred \$10,120,510 and followed this with a transfer of \$226,393,567 on June 25, 2014. In September 2014, Citibank London transferred the equivalent of \$22,741,966 in three different currencies. In addition, there are monies that have been negotiated but still need to be repatriated from Luxembourg, where former President Abacha's sons, Mr. Mohammed Sani Abacha and Mr. Abba Abacha, were the beneficial owners of nine bank accounts that have been frozen at the request of Nigeria since 2000 and at the request of the canton of Geneva since 2005.

On July 14, 2014, the Federal Government of Nigeria concluded a repatriation agreement in cooperation with the Attorneys General of Luxembourg and Geneva. Through this, the assets in Luxembourg were forfeited and transferred to the accounts of Geneva canton, where they were allocated to Nigeria by order of the Geneva Attorney General dated December 11, 2014. On December 4, 2017, Nigeria and Switzerland signed an agreement to repatriate \$321 million to Nigeria under the oversight of the World Bank.

Also during the Jonathan administration, Jersey indicated interest in repatriating a further \$313 million of funds looted by Abacha in their institutions. A team from the federal government entered into negotiations with Jersey for the repatriation of these funds but was subsequently

informed that Mr. Mohammed Abacha and Mr. Abubakar Bagudu had instituted a new lawsuit in Jersey courts challenging the seizure of these funds by Jersey. Again, these funds need to be pursued and recovered for Nigeria.

Finally, the US District Court for the District of Columbia on August 6, 2014, issued a forfeiture default judgment against assets of Sani Abacha and his companies totaling about \$480 million. These assets in Jersey, France, and the United Kingdom are yet to be repatriated to Nigeria.

Source: Office of the Accountant General of the Federation, May 2015, Record of Transactions in the Bank for International Settlements account obtained through the Central Bank of Nigeria.

Falana, who, without any facts, included my name in a list of names of “indicted” people he sent to the International Criminal Court in The Hague demanding their prosecution for crimes against humanity. According to the *Vanguard* newspaper of January 25, 2016, Falana informed the International Criminal Court that the former National Security Adviser, Colonel Sambo Dasuki (retired), and others who had been “indicted” in the arms theft scandal should be held “responsible for crimes against humanity perpetrated against Nigerians.”¹³ In particular, “the failure of former Finance Minister, Dr Ngozi Okonjo-Iweala to prevent widespread and systematic corruption including the re-looting of the Abacha loot amounts to complicity under the Rome Statute, and therefore fits the legal requirements of a crime against humanity.” Nothing came of this preposterous allegation.

To compound the impression of a former Finance Minister under siege, on February 8, 2016, the *Nation* newspaper prominently displayed a photo of me and claimed that “The former finance minister, Dr Ngozi Okonjo-Iweala, is being investigated by the Economic and Financial Crimes Commission in connection with corruption cases perpetrated during the last administration, the chairman of the anti-graft agency Ibrahim Magu said on Monday.”¹⁴ It mattered little that the actual statement the EFCC chair made in response to a question from a Parliamentarian at a House committee hearing referred to broad investigations of the petroleum sector and did not refer to me and that I had had no contact with the Economic and Financial Crimes Commission.

The year-long ordeal of unwarranted and orchestrated attacks was politically motivated and had a single objective—to punish me for the actions taken while doing my professional job in office by

denigrating and indeed destroying my reputation nationally and internationally. The cost of standing firm and remaining principled against fiscal wrongdoing was high. The public media attacks were accompanied by a nasty “whispering campaign” against me in Abuja and Lagos. My relatives living in these places would run into members of the Nigerian elite, who would recount one false and exaggerated story after the other that they had heard about my misdeeds. One such ridiculous story was that I had used \$1 million of corruptly stolen money to redecorate and change the curtains in my house!

The ordeal was not mine alone but greatly affected my family and many members of my former staff who had left jobs in different parts of the world to serve with me. They were verbally attacked throughout the year and had difficulty finding jobs in Nigeria because of their association with me.

But I fought back! With the help of friends and family, I responded publicly to every one of the false accusations leveled against me in the media. I was able to put forward the facts and document that the accusations were without merit.¹⁵ Fortunately, few in the international community believed these accusations, and I received a lot of support and validation through a series of high-profile assignments. Nevertheless, the experience left me wondering: what if it were someone less known to the international community—could they have survived the assault on their reputation?

Battling Federal Legislators on the Budget: The Underbelly of the Budget Process

If governors were a tough political group to deal with, federal legislators were hardly easy. They are indispensable in the budget process and it was in that context that difficult battles took place on budget process and content. In *Reforming the Unreformable: Lessons from Nigeria*, I wrote about the second Olusegun Obasanjo administration’s successful efforts to put in place a budget framework and process that would enable the executive and legislative branches to deliver a workable budget for each new fiscal year. With a strong finance and budget team, we put in place budget planning tools such as the Fiscal Strategy Paper (FSP), the Medium-Term Expenditure Framework (MTEF), and the Medium-Term Sector Strategies (MTSS). These tools allowed the cabinet to have difficult discussions about expenditure tradeoffs and then enabled the executive and legislative branches to dialogue

productively about the size of the budget and short- to medium-term spending priorities.

Nigeria's fiscal year is the same as the calendar year. The Constitution requires the budget to be tabled for approval before the end of the year so that the new year can start off with a budget in place. In practice, the budget process was not so neat. Whereas the Medium-Term Expenditure Framework would be tabled for approval by September and the budget typically by October, it was rare for the budget to be approved on time by the end of December because of disagreements and tussles between the executive and legislative branches on budget substance and roles.

The legislature was concerned largely about three things—the size of its own budget; the nature and size of the capital budget, particularly investment projects; and the number and geographic location of these projects. Senators and representatives felt that their role, as appropriators of the budget, was not just to vet and approve budget parameters and oversee budget implementation but also to shape the size and content of the budget, including details of specific projects. The executive felt that after budget parameters were approved by the legislature through the Medium-Term Expenditure Framework, then budget details and specifics, particularly the introduction into the budget of properly costed and scoped out investment projects, were the purview of the executive.

These differing views on budget roles led to a great deal of tension. Under the Obasanjo administration, interactions with most legislators were often tense and unpleasant, but in the uneasy balance of power that emerged, the Finance Ministry managed to operate. The legislature demanded a generous budget to cover National Assembly salaries and other expenses, and in 2004–2005, negotiations led to a National Assembly budget of about ₦44 billion (\$333 million at prevailing exchange rates).

But this did not deal with the issue of interference by legislators to add or eliminate some projects and increase or decrease the size of others, thereby introducing distortions in the budget. To handle this problem, we reached agreement with legislators to allocate to them about ₦66 billion (\$500 million) as resources to cover what we termed “Constituency Projects.” These were projects—many of them smaller scale—that legislators could conceive and include in the capital budget to cover their desire to meet geographic distribution goals and the needs of the communities that elected them. The idea was that this

provision would help diminish the tendency of some legislators to tamper with investment projects in the capital budget, often to squirrel away additional monies.

The approach worked, and an uneasy calm was maintained until March 2005, when the Bribe for Budget scandal erupted. This concerned another aspect of nontransparent, corrupt behavior—the solicitation and payment of bribes to facilitate the passage of a sector’s budget. The Economic and Financial Crimes Commission alleged that the Senate President and six other members of the National Assembly solicited and received bribes from the Education Ministry to facilitate the passage of the education sector’s budget. The legislators denied the charges, and the National Assembly decried the rush to judgment and trial by media.

But an irate President Olusegun Obasanjo addressed the nation, stating that the Economic and Financial Crimes Commission had uncovered the scandal, and fired the Education Minister. According to an *IRIN* article dated March 23, 2005, “Nigerian President Olusegun Obasanjo has fired Education Minister Fabian Osuji for bribing the leader of the Senate and six other members of parliament to smooth passage of his annual budget. He has also strongly criticized Senate President Adolphus Wabara for accepting the bribe, paving the way for his likely downfall. Obasanjo, who is on a crusade against rampant corruption, went on television Tuesday night to tell the country that the education minister withdrew ₦55 million (\$417,000) from government coffers, which he shared out between Wabara, five other senators and a member of the House of Representatives—the lower house of parliament.”¹⁶ President Obasanjo continued: “It is an action that violates all known norms of good governance, progressive leadership, integrity and credibility.” The Bribe for Budget scandal represented a new low in the budget preparation and approval process, but the President’s move to hold people accountable shook up and stabilized the system for the rest of the time I was in government.

On my return to the Finance Ministry on August 17, 2011, as we struggled to put together the 2012 budget, I had the sense that the budget preparation and approval process had deteriorated substantially in the five years since the Bribe for Budget scandal and slipped largely out of the control of the executive. The balance of power seemed to have shifted in favor of the legislature during the Umaru Yar’Adua administration, and the budget process was strained almost beyond recognition.

Two major signs of this strain struck me almost immediately. First, members of the National Assembly Finance and Appropriations Committees felt they had the right—indeed, the duty—to get into the details of the budget formulation and preparation process all along the budget value chain. Second, National Assembly members had negotiated large increases in the National Assembly budgets and would brook no discussions or challenges on this issue. Their operational budget had ballooned to ₦150 billion or 16 percent of the budget and almost 3.5 times the 2006 budget (in Naira). The budget for constituency projects had increased by about 50 percent to ₦100 billion. Slightly less than 10 percent of the operational ₦150 billion budget was for basic salaries and benefits, which was a smaller percentage than was seen in the budgets of several other developed, developing, and emerging-market countries (see appendix B, table B4.5). The difference was in the additional 90 percent—or ₦135 billion—ostensibly for the running costs of the National Assembly and other expenses for which there was little public visibility. If this sum was divvied up among legislators, it would amount to about ₦288 million (\$1.46 million) per legislator. Thus, on a per capita basis, Nigerian legislators were some of the best supported in the world.

Yet these increases did not satisfy National Assembly members. Their leadership, through the various committees, sought to add more to individual projects or create completely new, unappraised major projects, thereby distorting the budget.

Although most members saw nothing wrong with this approach, not all National Assembly members supported these unfortunate manipulations of the budget. When these activities became public, they sometimes led to tensions between National Assembly members themselves. But attempts to build allies among those of like mind failed because they were overwhelmed by a majority who saw their actions as nothing short of the prerogatives of office. All this created a very tense atmosphere as my team and I battled to block or minimize these maneuvers.

One of the key areas of tension was the application of the oil-price-based fiscal rule—that is, setting a benchmark oil price for budget construction in the Medium-Term Expenditure Framework. The Budget Office had a tried and tested economic model that we used for determining the benchmark oil price, among other economic parameters. But in these intervening five years, it seemed the Senate and House Finance Committees had developed the practice of questioning the benchmark price and trying to adjust it usually upward, on the basis

that it was far below the prevailing market price and the budget needed to be expanded or better funded.

In practice, the bad habit had developed that any additional resources arising from an increase in the benchmark price above that indicated by the model would be split between funding the budget presented by the executive and adding additional special projects for National Assembly members. Each additional dollar increase in the benchmark price typically led to an additional ₦50 billion in incremental resources, so this was a major diversion of funds.

My team and I fought against this unfortunate practice, but it was a bitter and losing battle. The National Assembly representatives in these budget discussions threatened not to approve the Medium-Term Expenditure Framework unless we reached some kind of compromise on this issue. The battle came to a head in the 2012 preparation of the 2013 budget. Our model indicated a \$72 a barrel budget benchmark price at a time when the market price was about \$92 a barrel. Consultations followed with governors and National Assembly leaders, who pushed to increase the benchmark price to \$75 a barrel, ostensibly to allow for increased spending in state and federal government budgets. We agreed to this figure as an upper limit for the benchmark, and the Medium-Term Expenditure Framework was sent to the National Assembly for approval on this basis.

Unfortunately, my team learned in mid-October 2012 that the House of Representatives had rejected the agreed benchmark and had approved its increase to \$80 per barrel. According to a *Vanguard* newspaper article dated October 10, 2012:

The House of Representatives yesterday adopted \$80 per barrel of crude oil as its benchmark for the 2013 budget proposal, five dollars higher than what was proposed by the Presidency. This was part of the recommendations of the lower House on the MTEF [Medium-Term Expenditure Framework] and Fiscal Strategy Paper (FSP) which was presented by the executive arm of government last month. The recommendation was contained in the report of the House's Joint Committees on Finance, Legislative Budget and Research, National Planning and Economic Development, and Aid, Loans and Debt. Hon. Abdulmumin Jibrin (PDP-Kano) Chairman of the House Committee on Finance who led the debate faulted the executive arm for painting a gloomy picture of the economy, adding that independent forecasts by experts pointed to the contrary.¹⁷

Hon. Abdulmumin Jibrin was supported by the Speaker of the House, Hon. Aminu Tambuwal, who expressed frustration at the idea of using a lower benchmark oil price as a means of enabling the country

to save more for a rainy day. Hon. Tambuwal declared “that he cannot rationalize why political appointees and civil servants are insisting that the revenue generated by the government should be saved for the future when several sectors are underfunded and crying for a lifeline” and that the “the Budget Office and Ministry of Finance are said to be the major problem of the government ministries, departments and agencies (MDAs) in carrying out their statutory responsibilities. The House was always in a friction with the Budget Office because it tinkers with the budget of the MDAs thus making them perform below expectation.”¹⁸ Hon. Tambuwal went on to say that “We are still dragging with the executive arm of government on the issue of oil benchmark. ... How do you save money when you are hungry?”¹⁹

For the Finance Ministry, a \$75 per barrel benchmark that was already \$3 above what the Budget Office model forecast was fiscally loose but still manageable. But adding an additional \$5 per barrel on top of that was fiscally irresponsible. We issued our own media statements and explanations so that the Nigerian public might understand why the \$80 benchmark price was a bad idea. Channels Television covered this on October 15, 2012:

According to a statement from the minister’s aide, increasing the benchmark price to \$80 would lead to an increase in liquidity, and be harmful for many of the Government’s macroeconomic forecasts. Based on our estimates, inflation rates would certainly rise significantly. The exchange rate would come under severe pressure, leading to a depreciation of the ₦. High inflation would result in higher interest rates. A combination of high inflation, interest rates, and an unstable exchange rate is bad for economic planning both for government and for private businesses. Overall, we know that macroeconomic volatility is bad for growth. Second, the legislature’s proposal is premised on an overly optimistic outlook of global oil prices. The current world oil price is not based on actual economic fundamentals, but rather on uncertainties due to conflict in the Middle East. Nigeria cannot base its plan simply on the expected misfortune of others! Third, in our view, current global oil prices are not sustainable. There are two reasons for this: (a) possible reduction in global oil demand, due to recession in the Eurozone, low growth in the US, and economic slowdown in China and India; b) increased global oil supply as new discoveries in Africa and elsewhere come on stream. In addition, with the end of the Libyan crisis, approximately 1.6 mil barrels per day would be returned to the world market. Fourth, the legislature’s proposal would result in much lower savings in the ECA [Excess Crude Account]. To be precise, it would deny the ECA of significant additional inflow. These savings are necessary to cushion the impact on the Nigerian economy, in the event of a global economic recession or a slump in oil prices. Recall that in 2008, oil prices collapsed from about \$147 a barrel

to \$38 a barrel in a few months! And at that time Nigeria turned to its ECA, rather than asking for humiliating sovereign bailouts from the IMF etc. Fifth, the international investor community is closely observing fiscal developments in Nigeria. Increasing the benchmark oil price could be a bad and risky signal to international markets, and may lead to foreign investors reducing their exposure to Nigeria's financial markets. It will also make it more difficult for Nigerian corporates to raise financing outside Nigeria as several of them plan to do in 2013.²⁰

Our criticisms had some impact on the stance of the legislators but not nearly enough. We were stuck because we could not prepare the budget unless they approved the Medium-Term Economic Framework, including the benchmark oil price. After further tense negotiations, they agreed to come down by one dollar. We had to compromise by crafting the 2013 budget with a benchmark oil price of \$79 a barrel—10 percent higher than the original price of \$72 forecast by our model and 5 percent higher than the \$75 a barrel compromise that we had earlier agreed on.

The resulting \$4 a barrel difference yielded an additional ₦200 billion. The legislators allocated half of this—₦100 billion—to increase spending to programs and projects of their choosing within the budget. In some cases, completely new projects that were yet to be designed were included. This introduced distortions in the capital budget, including small and big white elephant projects. The balance of ₦100 billion was allocated to reducing the budget deficit.

Even further distortions to projects and programs were introduced during the appropriation process by the National Assembly, which considerably enhanced or padded spending on some projects while cutting spending on others below that submitted in the executive proposal. President Goodluck Jonathan had presented what he felt was a cogent budget to the National Assembly, so he was as upset as we in the Budget Office and Finance Ministry team were by the distortions and inefficiencies introduced into the budget. He initially refused to sign the 2013 budget into law after it was passed by the National Assembly, which led to an impasse because the legislature was unwilling to make changes. The specter of a year without a budget and the adverse impact this would have on the economy as well as the country's image led the Director General of the Budget Office and me to persuade the President to sign. The idea was that we would work with our sectoral colleagues to do the best possible to correct distortions during implementation.

The tensions that pervaded the preparation and passage of the 2013 budget spilled over into the 2014 budget process. This time, the Senate leadership and its Finance Committee, Appropriations Committee, and other concerned committees tried to work with the executive and agree on key parameters such as the benchmark oil price, but the House leadership and its committees went in the opposite direction.

The 2014 budget focused on job creation, infrastructure development, inclusive growth, and defense (to fight Boko Haram) and was a more fiscally restrained budget than that of 2013. The House and Senate ad hoc committee working on the budget agreed to a benchmark budget price of \$76.50 a barrel—lower than the \$79 a barrel of the previous year. While the Senate stuck to the agreed benchmark and approved this in the Medium-Term Economic Framework, the House reneged and approved \$79 a barrel.

This action led to tensions between the Senate and the House and between the Finance and Budget team and the House. With the Director General of the Budget Office, I made a strong case to the House leadership, Finance Committee, and Appropriation Committee that their approach was harmful to the budget process and damaging to the integrity of the budget itself.

This was not well received and led to a series of attacks on the administration. Many of the attacks, well-orchestrated in the media, were personal and directed at me. Eventually, a compromise was reached at \$77.50 a barrel, but the attacks continued. These culminated in the so-called Fifty Questions Saga.

The Fifty Questions Saga

Following the presentation of the 2014 budget on December 19, 2013, my staff and I received calls from several colleagues to the effect that a set of fifty questions on Nigeria's economy had appeared on the Internet and was directed at me for a response. These questions had apparently been released by Hon. Abdulmumin Jibrin, chair of the House Finance Committee and leader of the hostile attacks against me. But he had neither informed nor contacted me on this issue, and posting such a request to a minister on the Internet was unprecedented.

It was clear the questions were designed to harass and embarrass me and my team and undercut my credibility. Nevertheless, after we printed the voluminous set of questions, my staff contacted the Finance Committee to verify that this was a serious request. It was confirmed that I was to submit the responses as soon as possible, so I assigned a

small team to work with me to answer the questions, which included budget issues, economic growth, debt, and sectoral issues on energy and industrial policy. The ill will behind the questions was evident in the tone of most of the questions. Two examples, questions 4 and 14, suffice to illustrate this:

[4.] You are known to be celebrating a single digit GDP growth. But speaking recently at a breakfast dialogue with some members of the organized private sector in Lagos, organized by the Nigerian Economic Summit Group (NESG), you were quoted as saying: "We are growing but not creating enough jobs. That is a very big challenge—we need to grow faster. I think we need to grow at least 9 to 10 percent to drive job growth the way we want." Don't you agree that a good finance minister managing an economy like ours should be celebrating a GDP growth as high as 20 percent annually? Why is it that our economy cannot grow beyond a single digit? How many jobs are being created as a result of this said growth? In which sectors of the economy are these jobs created? If in private sector, what contributions is government making to further assist these private sector firms?

[14.] Your references to the country's economic growth profile have always been based on Fitch, Standard and Poor's and Moody's ratings. Are you aware that these same rating agencies are being sued in New York (with case #652410/2013) by two Bear Stearns hedge funds for fraudulently assigning inflated ratings to securities in the run up to the 2008 financial crisis? If you do, why did you insist on accepting the ratings as reliable?

My team and I worked through the Christmas and New Year holidays to answer these fifty questions. Just after the New Year, we submitted a 102-page response to the Chair of the House Committee on Finance and posted it on the Internet. The response was well received by the public and quickly became a source of knowledge and a reference point for issues on the economy. The team was praised for its serious work, and rather than "showing up" the Finance Minister and her team, the situation backfired on the Finance Committee by showing a serious and committed set of people who were willing to be responsive and overlook intimidation and harassment.

Some lessons were learned by the House Finance Committee from the acrimonious 2013 and 2014 budget processes and their aftermath. Preparation of the 2015 budget, although tense, was much less acrimonious than in past years. The Finance Committee chair, Hon. Abdulmumin Jibrin, changed his attitude and became much more supportive.

By this time as well, in mid- to late 2014, oil prices had begun falling and had become very volatile on the global commodities markets. All the warnings I had earlier given about oil-price volatility and the need

to create buffers for the economy began to come true. To some extent, this was sobering for legislators. Oil prices fell precipitously from about \$114 per barrel to \$58 per barrel from June 2014 to December 2014. In September and October 2014, when we were preparing the Medium-Term Expenditure Framework, we had to repeatedly revise down the benchmark price from \$78 per barrel to \$73 and then \$65 as prices continued to fall. We finally constructed the budget using a benchmark price of \$65 per barrel but with additional scenarios for expenditure cuts and revenue measures should oil prices fall below the budget benchmark price.

By the time we presented the budget on December 16, 2014, oil prices had fallen further to \$58 per barrel. We were prepared and knew we had to trigger the additional expenditure and revenue measures in 2015 to make the budget work. This would be tough, given that we had entered an election year. Indeed, legislators initially refused to accept any cuts to their regular ₦150 billion budget, despite dwindling revenues. But eventually they agreed to a 13 percent cut against a backdrop of ministers accepting a voluntary 50 percent cut to their basic salaries.

In a tough session with the National Assembly's ad hoc committee on the budget (made up of chairs of the Finance Committee and Appropriation Committee of both chambers and other leaders of the National Assembly), an additional ₦20 billion was reintroduced as election expenses for National Assembly members. We insisted the amount be dropped because it nullified the 13 percent cut made to their statutory budget, but managed to reduce the ₦20 billion figure by only ₦3 billion to ₦17 billion. This became the price to pay to have the 2015 budget passed.

Self-Dealing Leads to a Self-Defeating Process for Nigeria

The budget battles fought through the Olusegun Obasanjo and Goodluck Jonathan administrations can be seen as symptoms of an underlying structural and procedural problem in Nigeria. Put inelegantly, Nigeria's budget process is "troubled" because of the lack of clarity between executive and legislative roles and the room this gives for self-dealing by legislators and some members of the executive branch. Examples include manipulation of the benchmark oil price to create additional resources that can be channeled to legislators through projects and collusion with government officials to do the same through their sectoral budgets.

Anyone daring to protest this system or attempt to stand in the way is deemed a problem and treated as such. The ability of legislators (often National Assembly leaders) to interfere with key parameters, introduce unprepared projects, change project costs in the investment budget, and generally sequester monies for themselves while holding the budget hostage until their demands are acceded to all point to a process in need of drastic overhaul.

These problems continued under the Muhammadu Buhari administration, as illustrated by the so-called 2016 budget padding scandal, in which members of the House of Representatives lobbed accusations at each other about corruption within the budget process. Hon. Abdulmumin Jibrin, former chair of the Finance Committee and chair of the House Appropriations Committee at the time, accused four high-ranking members of the legislature—Speaker of the House Hon. Yakubu Dogara, Deputy Speaker Hon. Yusuf Lasun, Whip Hon. Alhassan Doguwa, and Minority Leader Hon. Leo Ogor—of attempting to divert 2016 budgetary resources to themselves. According to Hon. Jibrin, “These members of the body of Principal officers were not comfortable with my independent disposition and my refusal to cover up their unilateral decision to allocate to themselves ₦40 bil out of the ₦100 bil allocated to the entire National Assembly. The four of them met and took that decision. In addition to billions of wasteful projects they allocated to their constituencies. They must come clean. My inability to admit into the budget almost ₦30 bil personal requests from Mr Speaker and the three other Principal Officers also became an issue.”²¹

The Speaker and the other three members of the House leadership denied the charges and accused Hon. Jibrin of diverting to himself over ₦4 billion for twenty-two projects, which he denied. Hon. Jibrin subsequently left or was removed from the chairmanship of the Appropriations Committee. Whatever the merits of the case and whoever may have been right or wrong, it was remarkable—indeed shocking—that when Hon. Jibrin spoke out, the murky dealings about the budget spilled out in the open.

The very existence of the accusations underscored the ill will we fought against and for which we paid a price. The elements of a strong budget process—the Fiscal Strategy Paper (FSP), the Medium-Term Expenditure Framework (MTEF), and the Medium-Term Sector Strategies (MTSS)—that we put in place a decade ago are being subverted and are under strain.

Because of the fear of retribution, few dare speak out on the issue, and problems tend to be swept under the carpet. Nigeria's budget process will continue to be subject to manipulation and self-dealing unless there is greater transparency in how the process actually works, agreement on executive and legislative roles, and a process review to clarify what is in the country's best economic and social interest. This will need to be coupled with a redefinition of good practice and reforms that will embed such practice in laws. For the sake of sustainability, good budget practice might need to be embedded in the Constitution, including the requirement for an independent mechanism to determine the oil or gas benchmark price as long as these commodities remain crucial for Nigeria's revenues.

5 Opaque Deals and International Scams

On a hot July afternoon in 2014, President Goodluck Jonathan rang me in my office and asked that I join him immediately for a meeting with one of his senior presidential advisers, the Chief of Naval Staff, and two representatives from a Middle East ship building company. When I arrived about fifteen minutes later, the meeting had already commenced, and the President asked the Chief of Naval Staff to summarize for me the essence of the proposals on the table.

I was used to being summoned suddenly to the President's office for important discussions. He had developed a good sense of when to ask for additional help or reinforcements. At these times, I listened carefully to absorb both the material and the atmosphere of the meeting very fast because either large sums of money or tricky problems were on the table. According to the Chief of Naval Staff, the navy was confronting serious challenges because its old and inadequate ships, specialized boats, and other types of equipment were hampering it from carrying out its functions of patrolling and protecting the country's coastal waters. The naval dockyard was not equipped to carry out the repairs and maintenance of naval assets.

The business proposal from the group from Abu Dhabi was to take over the naval dockyard, reequip and refurbish it, and use it as a base for the repairs and maintenance of naval vessels and the construction of new vessels. In particular, one of the navy's key assets, the ship *NNS Aradu*, which was badly in need of repair, could be refitted and modernized in the dockyard instead of being sent abroad for repairs. All that was needed, according to the Chief of Naval Staff, was for the navy to ensure an adequate supply of vessels for repair over the term of a memorandum of understanding with the company and/or guarantee the purchase of a number of new boats to be built in the dockyard sufficient to allow the company to recover its investment with a margin.

When I asked about how large this investment needed to be, how it would be made, where the resources would come from, what types of revenue streams would be needed to underpin cost recovery, and how long the agreement would be for, the company representatives—two young men—looked somewhat baffled and irritated. They seemed to think that they were in the presidential office to finalize a deal, not to respond to questions from someone they had not met until then. The Chief of Naval Staff said that this arrangement would cost the government nothing. The company was ready to invest the very serious sum of \$2 billion in the business.

At that moment, I knew there must be a catch and this must be why the President had sent for me. I was already worried about the notion of guaranteeing a number of boats for repair or purchase sufficient to ensure a return on the company's investment. Now there was also this ostensible \$2 billion in investment. The Chief of Naval Staff turned to the business representatives for further explanations and answers to my questions.

The men explained that their company, a large and well-known shipbuilding consortium known as Privinvest, was prepared to modernize the dockyard and set up modern shipbuilding facilities. To do this, they would seek out banks that could syndicate \$2 billion in loans, which would be borrowed in the name of their company to make the investment but would have to be guaranteed by the Nigerian government.

Finally, the deal was fully on the table. The government would guarantee the loan, the stream of revenues sufficient to make repayments, and a margin left over for the investors. Who wouldn't want to invest in Nigeria on such terms? How could an investment proposal that left the government with all the risk be taken seriously? I asked the investors for their business plan, and they said they had none—at least, not there. I signaled my unease to the President and pointed out that the guarantee was tantamount to the government taking a loan and, as such, would have to be approved by the National Assembly. We would need to include it in our debt-sustainability analysis to test the country's ability to absorb and service the loans, particularly if it was to be on commercial terms. The President immediately said that given the issues I had outlined, the proposal needed more work and so the investors and the navy needed to work with me and the Finance Ministry to sort out the issues. Once we had made headway and if it looked feasible, we could revert to him.

I could see that the Privinvest representatives looked far from pleased and had not been expecting this type of meeting. The presidential adviser had the “I told you so” look, as though he was thinking, once you get this woman involved, then this won’t work. The Chief of Naval Staff looked puzzled but remained constructive, assuring the President that they would continue to work with me and my team. The Privinvest representatives said that they had to leave but could return to Abuja in a couple of weeks to continue the discussions.

Back in my office, I consulted members of my team to hear their views. All agreed that my assessment was correct: we would have to count the guarantee as a loan and therefore assess whether it was a high-enough priority to justify government borrowing on commercial terms. In addition, we would indeed need to get approval from the National Assembly.

Ever since the 2005 Paris Club debt relief agreement that I had spearheaded under President Olusegun Obasanjo’s leadership, which had allowed Nigeria to get rid of a massive \$30 billion of debt, the country’s external debt had been managed very carefully. Returning to office as Finance Minister in August 2011, I continued working with the Debt Management Office to maintain a careful approach to external debt. We focused mainly on concessional loans from the multilateral institutions and China. A \$2 billion commercial loan would have increased our external debt stock of about \$8.82 billion (as of December 2013) by a sizeable 23 percent. It seemed clear to me that the proposed investment approach was a nonstarter and that we would have to present our findings at the next meeting. We could not entangle the country in such debt!

A few days later, the Chief of Naval Staff visited my office, and I explained the financial implications to him and the fact that we could not involve the country in such heavy financial obligations. He was distressed and said the navy was on the verge of not being able to fulfill its functions because of the dilapidated state of its assets. How could they block oil thefts, patrol waters to prevent piracy, and play a role in the war on terrorism without proper equipment? He argued that some way forward had to be found to work with Privinvest, given that the navy had been in discussion with the company for months and had even signed a Memorandum of Understanding.

The agitation and forceful arguments of the Chief of Naval Staff recalled an incident with the army earlier in the year regarding the fight against Boko Haram, the terror group rampaging in Nigeria’s North

East zone. At that time, the Finance Ministry had been viewed as not being sufficiently supportive of the military. It would be difficult and even dangerous if the navy took a similar line.

Beginning in early 2014, Boko Haram's destructiveness began to increase, and Nigerians were unhappy with the military's seeming slowness to contain the situation. When pressured to explain their actions, the armed forces said that they were poorly funded, which put the Finance Ministry at the center of the debate. My staff did not want the Ministry to be accused of not supporting our security forces at a time they needed to protect the lives and property of citizens from terror. At the time, I addressed the security spending situation. The *Vanguard* newspaper on May 24, 2014, captured the essence of my explanation in an article in which reporter Emma Ujah refers to a statement "credited to the military that they were not properly funded in the face of insecurity brought about by Boko Haram" and quotes me as responding that "the Jonathan administration placed a premium on security especially at a time when the nation was battling terrorists. As such, nearly one-quarter of the entire 2014 budget has been allocated to the security sector which includes the military, police, and other security outfits in the country."¹ Furthermore, Ujah quotes me as saying that

we are in close touch with the defence sector. I have just finished talking not long ago with the Chief of Defence Staff and others. We have to be very supportive of our men and women in uniform because they are laying down their lives for us and they are involved in a very difficult endeavor—the war on terror—which we have never had before, so we want to be very supportive of them in that light. I think defence spending is treated expeditiously. This year, we have disbursed to them the money they needed. We have disbursed ₦130.7 bil, of which ₦85.9 bil is for personnel cost. All their salaries and payments are made when due. There are other requirements for extra funds and sometimes these requirements come from the President's contingency fund.²

The contention with the army had been difficult for me and my staff, and I did not want the navy to revive this argument that the Finance Ministry was not supportive of the military. I therefore told the Chief of Naval Staff that I would speak to the President about the situation and work with my staff to develop a viable proposal for tackling the problem. The President, who was Commander in Chief of the Armed Forces, underscored to me that the Chief of Naval Staff had a point, but I should find a solution to the navy's problem that did not involve encumbering the country with debt in the way that Privinvest had proposed.

I invited the Finance Ministry's public-private partnership team, headed by Dr. George Nwangwu, to brainstorm with me, and we proposed a joint venture between the navy and Privinvest within the frame of a special purpose vehicle (SPV). The joint venture would undertake the rehabilitation of the dockyard, repairs and rehabilitation of naval and other maritime vessels, and construction of new boats. The federal government's equity in the venture would be the dockyard. Privinvest would contribute at least \$200 million of its money as equity, and the special purpose vehicle would take out the necessary loans in its own name. The federal government would help to ensure that all maritime agencies used the new venture for their service needs. The new company would try to market its services to all maritime stakeholders and companies, including in neighboring countries.

We invited Privinvest for discussions on that basis, and its representatives largely agreed but insisted that the Finance Ministry sign an agreement with a performance guarantee that ensured that the federal government would still guarantee the borrowings of the special-purpose vehicle to the tune of \$1.8 billion. I again refused to do this, even though I knew it would upset some people. Thus, we ended the administration without closing the deal, which was the way I thought the proposal should end. We had worked hard and demonstrated to the navy our willingness to find a viable solution. At the same time, we had avoided what I saw as a very risky financial proposition for the government.

The full reality of what we had saved the government by rejecting the Privinvest proposal was made clear to me after I left government and learned of the problems faced by Mozambique from the \$850 million bond that had been floated by Ematum, a new government tuna fishing agency, and guaranteed by the government to fund the acquisition of ships, trawlers, and other items through a contract with none other than Privinvest. The issue came to light with the inability of Ematum to service the loan and difficulties for the Mozambican government to do the same due to the dramatic fall in the price of oil and gas starting in late 2014 and continuing into 2015. It was alleged that the loan, which significantly increased Mozambique's external debt, did not pass through Parliament. When it came to the attention of the international monetary authorities, such as the International Monetary Fund, it caused Mozambique further difficulties. I could imagine a similar situation for Nigeria if we had gone through with the Privinvest deal as presented to us. By taking a firm stance against

Prinvest's proposed multibillion dollar guarantee by Nigeria and at the risk of upsetting important stakeholders, we had saved the country from what could easily have become an embarrassing and burdensome fiscal situation.

Proposed Middle East Benevolence

The proposed Prinvest naval deal was not the only one we had to rescue the country from. In April 2013, I was on a trip outside the country when President Jonathan called to invite me to meet a consortium of Nigerian and foreign project sponsors. One of the promoters was a North African man who seemed to have access to important world leaders. The President wanted me to see if the proposal was something that Nigeria should engage in.

The next day, I met with one of the sponsors, a young Nigerian man who said that the group had already discussed this matter with the President and some of his aides a few times and also had met my deputy, Dr. Yerima Ngama, who was the Minister of State Finance, and all supported the proposals. According to the young man, benefactors from the Middle East would give \$2 billion to \$3 billion in grants to Nigeria to fund projects, provided certain conditions were met. The money had to be spent on mutually agreed projects within a framework for specified results or deliverables. The deliverables would be monitored against a time line, and money released as the work was done. If the country met all the agreed criteria and benchmarks for deliverables, the money released would be left as a grant, but if there were defaults or slippages, the grant would be converted into a loan to be paid back at an agreed-upon interest rate. The benefactors would pay for consultants to monitor the deliverables and determine whether benchmarks had been met.

It all sounded too good to be true. My common sense told me that no one gives out billions in grants in that manner. Besides, there was a catch: How objective would the consultants doing the monitoring be? If there were disagreements about whether a benchmark had been met, who would be the arbiter? When I asked for a document laying out the plan, the young man explained that the man who ran the trust fund that provided the grants could visit Nigeria and meet me.

About a month later, an older British-sounding white male met with me in Abuja. He said the trust fund was based in the Netherlands and drew its resources from wealthy Saudi royals who set aside a part

of their wealth to help developing countries, especially in Africa, in furtherance of their religious duties to help those less fortunate. He presented a document that set out the proposal pretty much as it had been described to me. I again asked about the modalities for determining whether benchmarks had been met and asked about interest rates in case the grant was converted to a loan. He said interest rates could be negotiated but would be concessional. At the end of the discussion, I was left with the feeling that this was a \$3 billion scam and would involve the country in a large debt owed to a dubious entity and in endless, costly litigation. I therefore turned down the offer, which disappointed my visitor and his Nigerian partners and collaborators. I briefed the President, who said he had uneasy feelings about the proposal and fully supported my position.

Unfortunately, the Privinvest and Middle East trust fund episodes were just two of the many disreputable projects and financial proposals presented to the President and members of government. But these two stand out for their size and the time, energy, and seriousness with which they were pursued by their sponsors. Most proposals were more modest in size, but they often had backers in government or politics. Constantly denying these schemes was stressful and meant racking up enemies who felt that their pockets had been deprived. But regardless of whom we upset, blocking up to \$5 billion in loans of uncertain character that would have further indebted the country was a source of great satisfaction to the Finance Ministry team.

6 Public-Service Scams: Ghost Workers, Ghost Pensioners, and Embezzlers Masquerading as Reformers

Scams beset not only big projects like the ones described in chapter 5 but also the day-to-day expenses and payments of the Nigerian government. One of my top priorities when I became Finance Minister again in 2011 was to manage the recurrent budget (the costs of operating the government), which I heard had become so large that it was squeezing out expenditures for capital items such as roads, rail, health centers, and water supply. But it was precisely these types of expenditures that were needed to underpin the country's growth and development drive. I needed to understand why operating costs had increased so much since we worked hard to reduce these costs during my first term as Finance Minister (2003 to 2006).

During my briefing with the Director General of the Budget Office and his staff, I learned that the situation was much worse than expected. In 2006, the cost of running the government had been brought down to about 65 percent of the total budget—a number I considered to still be on the high side. Our goal had been eventually to drive down the recurrent budget to 40 to 50 percent of the total budget. Now it appeared that recurrent costs in 2011 had jumped to 74 percent of the total federal government budget, leaving only about one-quarter of the budget for capital expenditures. This would not be acceptable in light of the administration's plans to transform the economy and provide better infrastructure and other services to Nigerians.

So, I needed to know why the reforms we had earlier brought to the structure of the recurrent budget had now been reversed. The Director General of the Budget Office explained that there were two main reasons for the larger operating cost budget. The biggest factor was salary increases for civil and public servants. The Academic Staff Union of Universities (ASUU) demanded and received a 92 percent increase in salaries for academic staff of universities. A similar increase

was granted to employees in the health sector. This led civil servants to agitate for their own increase, and they were awarded an unprecedented across-the-board salary increase of 53 percent by the Umaru Yar'Adua administration in 2010. To make matters worse, the courts ordered the recall of thousands of civil servants who had been let go under the civil service reforms of the Olusegun Obasanjo administration in 2004 and 2005. To pay for these salary increases, the Yar'Adua government borrowed heavily on the domestic capital markets. In addition, the associated rise in pensions costs had not yet been factored in or paid, so recurrent costs were bound to rise even further.

Compounding all of these salary increases were the slowdown in and lack of completion of certain institutional reforms we had launched in 2004 under the second Obasanjo administration to curb corruption in the civil service and pensions payrolls and prevent revenue leakages.

Essentially, several institutional weaknesses that had existed in the early and mid-2000s in the management of our finances were still not resolved, thereby enabling corrupt civil servants to bloat the payroll and divert government resources away from designated uses and into their own pockets.

As Finance Minister for the first time in 2003, I was shocked to discover some very important gaps in our finance and expenditure systems. First, no one quite knew how many workers we had in the civil service or in the larger public service sector that included the government parastatal agencies. There were no reliable databases or headcounts for salary payments or pensions.

Second, the Budget Office, the Treasury, and the ministries, departments, and agencies (MDAs) were not connected electronically. Transactions between them were manual, and transfers were all cash based. For salaries and benefits, for instance, MDAs typically submitted their payrolls each month, and cash sufficient to meet these obligations was transferred to their accounts in commercial banks. They were then responsible for paying their staff from these monies. Resources from the capital budget for investment in infrastructure and other capital projects also were transferred on a cash basis into relevant MDA accounts.

The finance regulations stipulated that only the Accountant General of the Federation had the authority to approve the opening of bank accounts by ministries, departments, and agencies or other governmental authorities, which ostensibly would give the Accountant General's office oversight of all fiscal accounts in operation. In reality, many

agencies operated accounts without the authorization of the Accountant General's office. They opened new accounts on more financially favorable terms—with higher interest rates—and transferred monies into them from the officially approved accounts. In the process, they collected the interest paid on deposits for their personal use. This was often done with the connivance of banks or bank officials, some of whom shared in the interest proceeds. The situation got so bad that senior civil servants responsible for managing ministry resources delayed salary payments or made partial payments in order to collect large amounts of interest on these deposits.

Third, the Finance Minister had no overview of the myriad of government accounts that existed in the commercial banks in the country. In my view, this was a recipe for malfeasance—an open door for corruption and siphoning away of public monies. After discussion with the Economic Management Team of the time and with the support of President Obasanjo, I turned to the World Bank for help in plugging these institutional gaps and building systems and processes to solve these problems.

The World Bank was willing to assist and put in place an Economic Reform and Governance Project backed by a long-term, low-interest rate loan (concessional or soft loan) of \$93.4 million. The project was approved by the Bank's Board of Directors on December 14, 2004, and implementation began on April 25, 2005. The United Kingdom's Department for International Development (DFID) cofinanced the loan with a grant of £14.3 million, while the United States Agency for International Development (USAID) also weighed in with parallel support for strengthening the Budget Office.

The World Bank Project Information Document Report No. AB1070 describes the basis of its support as follows:

Since the appointment of a strongly reform minded economic team in July 2003, the federal government is re-orienting economic management towards tackling some of the deep-seated risks to macroeconomic and fiscal stability and key sources of economic inefficiency. It has also initiated policies to deal with governance and corruption issues, which are central to the macroeconomic and fiscal sustainability challenge and to the government's ability to deliver key economic services to Nigerians. Nevertheless, given the extent of decay and weakness in economic management and broader governance, this is only the beginning of what will need to be a sustained economic and governance reform process.¹

The Bank went on to further elaborate on the project objectives:

In line with the federal government's goal to significantly strengthen governance and accountability, reduce corruption and enable it deliver services more effectively, the objectives of this project are two-fold: i) to improve the federal government's economic and financial management systems and processes; and ii) to firmly establish a reform process of the federal civil service to improve professionalism and the government's ability to deliver services. Progress towards the achievement of these objectives will be measured by a) adoption of more transparent and modern economic and financial management processes that are less prone to corruption; and b) implementation of restructuring plans in pilot MDAs and initiation of reform in other MDAs.²

To achieve these economic and financial management objectives, the project financed the implementation of an Integrated Payroll and Personnel Information System (IPPIS) that included a technology platform and a biometric identification system. Each civil servant on the payroll and each pensioner was to be verified and enrolled through this system, with salaries and benefits paid directly into their accounts and no longer through their ministries, departments, or agencies.

A second component was the Government Integrated Financial Management Information System (GIFMIS). It provided an electronic platform for transactions from the Budget Office and Treasury (through the Accountant General's Office) to the ministries, departments, and agencies, thus improving cash management and resource planning and limiting manual transactions. It had an important budget planning module for budget preparation and execution. Above all, it supported the implementation of a Treasury Single Account (TSA) in concert with the Central Bank of Nigeria to streamline the accounts of all government entities, bring them into the Central Bank system, and give the Finance Ministry better oversight and control of public resources. This would also provide the Central Bank with an important monetary policy tool for better managing liquidity.

There was recognition that building institutions takes time and that these kinds of reforms to enhance the transparency of systems and processes and curb corruption could meet resistance. The project was programmed for implementation over a six-year period and got off to a good start. The World Bank noted that implementation proceeded in a largely satisfactory manner. But things slowed and virtually ground to a halt toward the end of the six-year implementation period in 2011. The project was still substantially incomplete by August 17, 2011, when I returned to the Finance Ministry.

A large part of the problem was resistance to the reforms by the ministries, departments, and agencies (MDAs). The military had obtained

a special waiver from the President to opt out by insisting that their inclusion in such a system could jeopardize military personnel and jeopardize sensitive defense information. The police and State Security Service were about to follow suit, and various other ministries and agencies objected to both GIFMIS and IPPIS. In particular, the Health Ministry and Education Ministry, which had the largest staff contingents after the security agencies, resisted strongly, giving various reasons that were difficult to comprehend.

The Director General of the Budget Office, the Accountant General, and I were clear that in order to make progress on stopping revenue leakages, curbing corruption, and managing the recurrent budget, we needed to complete the implementation of the project. We agreed to reinvigorate the project and restarted implementation almost immediately. We also decided to ask the World Bank to restructure the project to reallocate more resources to the Government Integrated Financial Management Information System and other activities that had yet to be implemented. This would ensure that these systems were completely embedded and institutionalized. The World Bank restructured the project on August 15, 2012.

Implementation was difficult. Several MDAs continued to resist enrolling their staff in the Integrated Payroll and Personnel Information System. But the efforts garnered success. The International Monetary Fund's Article IV Country Report, published in April 2014, noted: "The assumed savings in payroll expenditure will require determined implementation. Initial efforts to clean up payrolls through the implementation of the Integrated Payroll and Personnel Information System have been very successful—about 20 percent of the federal workforce (about 200,000 civil servants) had been targeted and more than 45,000 erroneous payroll records have been corrected. However, expanding the IPPIS to the rest of the federal workforce, including the armed and security forces, health care professionals, and educators may be difficult."³

By 2015, implementation of the Integrated Payroll and Personnel Information System had led to the elimination of about 65,000 ghost workers, thus saving the government about \$1.1 billion in fraudulent payroll costs. By the end of the Jonathan administration, not all ministries, departments, and agencies had been covered, however, so more ghost workers probably will be eliminated in the future as enrollment of all federal public servants is completed. Similarly, substantial progress was made in implementing the Government Integrated Financial Management Information System by 2014. The International Monetary

Fund's Article IV Country Report, published in March 2015, noted that "Public financial management systems have been strengthened by expanding the coverage of the Treasury Single Account (TSA), and information management systems to most Ministries, Departments, and Agencies (MDAs)" and that "the TSA now covered 551 out of 821 Federal Government entities and accounting for 75% of the FG [Federal Government] budget."⁴

Ghost Pensioners

The fraud in the payroll system pervaded Nigeria's old Defined Benefits Pension Scheme (DBPS). Under the second Olusegun Obasanjo administration (2003 to 2007), Nigeria's bankrupt pension system had been completely reformed.⁵ A new contributory pension scheme was developed and applied to all workers in the public and private sectors, and it was working well. By the end of 2015, the Contributory Pension Scheme (CPS) had accumulated resources totaling ₦5.3 trillion (\$26.9 billion). The new scheme did not apply to those retiring on or before June 2007, however. People in this category would continue participating in the Defined Benefits Pension Scheme until the last recorded claim. The 2004 Pensions Law provided for the creation of a new government unit, the Pension Transitional Arrangement Directorate (PTAD), to streamline and manage under one roof four defined benefits schemes for four groups of employees—civil service; police; customs, immigration, and prisons; and all federally funded parastatals. Resistance to the creation of the new Directorate was high because many people were illegally benefitting from these pension schemes. The Umaru Yar'Adua administration launched a Pensions Reform Task Team (PRTT) to clean up the mess. However, when the leaders of the task team mishandled their new powers, the task team became politicized and part of the problem.

A series of probes by the National Assembly, culminating in 2013, revealed a serious level of corruption in the Defined Benefits Pension Scheme, finding that at least ₦32 billion (\$200 million) had been fraudulently diverted and stolen by unscrupulous civil servants and their collaborators. From 2009 on, fourteen individuals were apprehended and tried for pension fraud. For example, on March 12, 2012, six people were arraigned on a sixteen-count criminal charge of conspiracy and criminal breach of trust for the roles they played in pension fraud. They included Atiku Abubakar Kigo (a Permanent Secretary, formerly

Director of the Police Pension Department) and John Yakubu Yusufu (a former Assistant Director of the Police Pension Department). Yusufu was the first to be convicted. Found guilty on two counts in January 2013, he was sentenced to two years in prison after admitting to diverting ₦2 billion (about \$12.5 million) from police pension bank accounts to personal use. He was asked to forfeit property valued at ₦325 million, including thirty-two houses.⁶

We had to stop the pension abuses in government, the huge leakages of government funds, and the diversion of pensions of government servants who had spent their lives working for their country. But this was easier said than done. For each set of arguments we presented to the President on the need to create the Pension Transitional Arrangement Directorate to help correct the situation, however, pension fraud perpetrators masquerading as reformers presented him with as many counterarguments.

Nigeria is one of the difficult and complex countries where corrupt people often adopt the language of reform to confuse decision makers, donors, development experts, and observers. The pension arena was fraught with this type of deception, which delayed the reform of the system.

Finally, in August 2013—following a series of memos from my desk, intense discussions with the President, presentations to the Economic Management Team, and the strong backing of the team and of the Head of Service of the Federation, Alhaji Bukar Goni Aji, who played a crucial role in helping to convince the President, the President finally agreed on the need to act. He approved the implementation of Section 30(2)(a) of the Pension Reform Act of 2004, which led to the creation of the Pension Transitional Arrangement Directorate (PTAD). A Nigerian-Canadian woman, Dr. Nellie Mayshak, a senior officer with a project funded by the UK's Department for International Development (DFID), was recommended by the Head of Service to head the new entity. He saw her as someone with the courage and experience to deal with the vested interests that would attempt to thwart the functioning of the Directorate. I had met with Dr. Mayshak on a few occasions and felt she had the tenacity to do the job, so jointly we recommended her to the President, and he approved her appointment as Executive Secretary of the Pension Transitional Arrangement Directorate.

The establishment of the Directorate brought much needed clarity to the administration of the Defined Benefits Pension Scheme. Among its early accomplishments were the consolidation of the existing pension

offices under one umbrella; the creation of a pensions database that used biometrics for an ongoing verification of pensioners; the streamlining of pension office accounts; more transparency and openness and a human face for federal government pensioners, who had been treated callously by the old pension office workers; and more timely payment of monthly pensions.

The Directorate still faced serious legacy issues, such as dealing with arrears; filling in gaps in pension rolls; and replacing unqualified pension staff employees with qualified new staff, including people who could run its technology platform. Nevertheless, by February 2015, when the Pensions Transitional Arrangement Directorate held a pension stakeholders forum that I joined, it had managed to integrate itself into the platform of the Government Integrated Financial Management Information System so that DBPS payments could be managed through there; the Directorate had eliminated 15,000 ghost pensioners from its payroll, saving about ₦2.1 billion annually; and it had enrolled an additional 1,354 pensioners from liquidated government parastatals who belonged to the pension scheme but had inadvertently been left out.

Despite these accomplishments, the defined benefit pension scheme saga is not over. Following the end of the Goodluck Jonathan administration and with the start of the Muhammadu Buhari administration, Dr. Mayshak and other senior staff members at the Pension Transitional Arrangement Directorate have been detained for questioning and, according to newspaper accounts, suspended on charges of irregularities in the running of the Directorate.⁷ While the outcome of these investigations is being awaited, many have speculated about which charges are real and documented and which are fabricated or politically motivated. For instance, Dr. Mayshak has been released with apologies and no charges.

What is not in doubt is how complicated the clean-up of Nigeria's defined benefits pension scheme remains. I had felt the heat and veiled threats from this pensions mafia in 2012 and 2013 at the height of the push for reform and still moved ahead, based on the belief that the bloating of recurrent expenditures and the fraudulent drain of public money had to be stopped. The imperative remains, and the necessary financial and technology tools and processes have been put in place.

There is no doubt that the building of financial institutions, systems, and processes—through the Integrated Payroll and Personnel Information System (IPPIS), Government Integrated Financial Management

Information System (GIFMIS), and Treasury Single Account (TSA) technology platforms—has helped the federal government fight corruption and financial mismanagement and saved it substantial sums of money, especially in its recurrent budget. It has provided avenues for improved fiscal management and even helped monetary policy. Building and cementing such institutions takes time. It has taken Nigeria eleven years thus far, and the task is far from over.

In addition, Nigeria is one of the most fiscally decentralized countries in the world, and state and local governments constitutionally control 48 percent of all national revenues. Unfortunately, the thirty-six state governments have yet to implement these federal pension reforms, although some have expressed interest in them and started their own reforms. The country has benefitted greatly from the Buhari administration's adoption of these financial management institutions, and it is critical that they remain permanently embedded in federal government institutions and be fully adopted in state and local governments.

Judgment Debt

Another scam that burdened the budget and was perpetuated by vested interests deeply lodged in the civil service was something popularly known as judgment debt. It typically arises when a government ministry, department, or agency defaults on a contract and is sued by the contractor or service provider, who often wins the case and receives the original disputed amount owed by government plus interest and a fine.

During my first term as Finance Minister (2003 to 2006), the judgment debt for ministries, departments, and agencies did not exceed about ₦8 billion (\$62.5 million, at the prevailing exchange rate) at any given time. I was therefore surprised to learn at the beginning of 2012 that the accumulated bill for judgment debt totaled ₦80 billion (\$500 million). It was mind boggling and somewhat implausible that agencies had become this reckless in their contract defaults. Something must be going on!

The National Assembly also seemed to believe something was amiss because it repeatedly rejected appropriating within the budget process the large sums needed to deal with this debt. In the 2011–2012 budget, only ₦10 billion to ₦12 billion was approved for repayment of judgment debt. This was administered by a committee consisting of the

Attorney General's office and the Finance Ministry. Although this committee handled genuine cases, no one could trace or document how most of that debt was incurred.

But there were plenty of stories involving dozens of people. Some had to do with connivance between contractors, ministry officials, and the courts in an unholy alliance where amounts owed by government, interest, and penalties were inflated and all parties shared in the proceeds after payment. Others had to do with genuine court proceedings that were defended less than vigorously by government lawyers, thereby leading to loss of the case, heavy fines, and again the sharing of the proceeds among the involved parties. Another set of stories had to do with arbitration and out-of-court settlements that were unfavorable for the government.

Such malpractices culminated in the large sums owed and the attendant fiscal burden on the budget. I went to the President with the stories I had heard and my suspicions. I suggested that we discuss the problem in a cabinet meeting, followed by a letter to each ministry, department, and agency, underscoring that we would not honor the judgment debt outstanding and thenceforth that any judgment debt incurred would have to be paid by the responsible MDA through its budget. There would no longer be a line item in the federal budget for judgment debt.

The President concurred and gave his strong support to this proposal. Letters were written to the ministries, departments, and agencies, and we waited for protests from those involved in genuine cases. There were some complaints and between 2012 and 2014, judgment debts amounting to ₦11.6 billion were verified and certified for payment. The balance of ₦68.4 billion (about \$425 million) that would have gone out of the Treasury was thus saved by the Finance Ministry.

This new approach to judgment debt was not welcome in several quarters. The Finance Minister and her team had blocked yet another avenue for fraudulent self-enrichment at the expense of the state.

Port Reforms and the Strange Matter of the Gatekeepers and the Cargo Tracking Note

Nigeria's port infrastructure, like that of many developing countries, is grossly inadequate. Despite a first wave of port reforms in President Obasanjo's second administration that successfully concessioned the ports to private operators, problems like congestion, convoluted

cargo clearance procedures, and corruption seemed to recur. The port of Lagos (Apapa) was Nigeria's busiest and most congested.

During my second month in office in September 2011, the issue of port congestion was brought to the attention of the Economic Management Team by members of Nigeria's organized private sector, especially the Manufacturers Association of Nigeria (MAN), as a serious impediment to doing business. They complained of inordinate delays in clearing cargo at the ports, inefficient administrative processes in several government agencies, and demands for bribes—which all added to the cost of doing business. It could be a quick win for the government if it could resolve these complaints.

The EMT debated the issue and the private sector members confirmed that the situation was a difficult one. The President decided to form a Presidential Task Force to examine the issues and find solutions to the problems and named the Minister of Transport, Senator Idris Umar, and me as co-chairs. Also named to the task force were another Economic Management Team member, Prof. Sylvester Monye, Adviser to the President on Performance Monitoring, and officials from the private sector and various other government agencies.

The Minister of Transport and I convened the task force quickly and set up a technical/implementation committee chaired by Prof. Sylvester Monye to address the technical nature and difficulty of some issues. In September and October 2011, the presidential task force held meetings with port users and other stakeholders and found that it took on average thirty-nine days to clear cargo from Nigerian ports in an era when other countries were implementing twenty-four- to forty-eight-hour cargo clearance. This discrepancy was clearly not acceptable.

We set an objective of achieving a seven-day clearance within three to twelve months and forty-eight hours in the longer term. We listed the problems and categorized them into short-, medium- and long-term issues. We devised practical solutions, identified agencies or bodies with lead responsibility for implementation, and proposed timelines for implementation.

The short-term problems with solutions that could be quick wins centered on several issues. One was the multiplicity of government agencies at the ports, each one constituting a checkpoint, so we recommended that the agencies be reduced from thirteen to seven. Second, a Nigerian Customs Service task force that was posted outside the port gates reportedly reinspected cargo leaving on trucks and harassed cargo owners and truck drivers for bribes, so we recommended that

the task force be disbanded immediately. Third, operating hours were very short (9 a.m. to 4 p.m.) for two key agencies at the ports, the Nigerian Customs Service and the Shipping and Terminal Line Operations, which caused delays for port users needing to conduct business with these agencies outside these hours, so we recommended that the agencies commence twenty-four-hour operations immediately as is done in other countries.

Fourth, importers were particularly irate about a Cargo Tracking Note (CTN) regime that they argued added costs to them for duplicate services. They said that their cargos were already being tracked by the Nigerian Customs Service from origin to destination so there was no reason for the Nigerian Ports Authority (NPA) to collect this charge. Upon enquiry, we learned that charges totaled about \$6 million a year, so this was consequential. I had never seen this money remitted to the Treasury and in fact had not known of the existence of the Cargo Tracking Note. We recommended that the CTN be abolished immediately.

On October 14, 2011, the Minister of Transport and I sent a memo to the President that outlined the short-, medium-, and long-term problems of Nigeria's ports, proposed solutions, and requested approval for implementation. The President approved our request on October 18, and we announced the measures for immediate implementation shortly thereafter.

Then the problems began. I received an anonymous text telling me the reforms were bad and harmful and I should rescind them. I learned that some agencies—such as the Standards Organization of Nigeria (SON) and others that had been told to develop alternative collaborative arrangements with the Nigeria Customs Service (NCS) to take care of their responsibilities while staying out of the ports—were not happy and were lobbying to be let back into the ports.

Numerous unhappy vested interests saw me as the arrowhead of the reforms and blamed me. Various House committees interested in port and maritime issues held hearings on the matter. They never invited me to appear at these hearings, but I heard that particular unhappiness was triggered by the abolition of the Nigerian Ports Authority's Cargo Tracking Note. Some members of these House committees castigated me on radio and television for my actions in the port reforms. The pressure continued on the Presidential Task Force to dial back the reforms, but we stood our ground, and the technical/implementation committee under Sylvester Monye's leadership continued its work.

About six weeks into implementation, in early December 2011, I received a message that a top-ranking presidential aide wanted me to stop by his office anytime I was in the Villa. This official was one of the most important in the Villa, so I went to his office the next day.

The presidential aide told me that he wanted to convey a message to me that there were people not happy with the port reforms, especially the abolishment of the CTN, and he asked me—indeed, advised me—to reinstate it. I was dismayed because the fact that the matter had been brought to his attention meant that whoever the unhappy people were, they were influential. I explained the genesis of the port reforms, the creation of the Presidential Task Force, and the approvals for action given by the President. By implementing the reform measures, we were carrying out presidential approvals. He said he understood but that I should nevertheless find a way to reinstate the CTN.

I left his office very troubled. Being on the wrong side of people who had this kind of top-level influence made me uneasy. I knew there could be consequences, but I also knew there was no going back on this important reform. Clearly the \$6 million from the Nigerian Ports Authority's CTN, which had not been remitted to the Treasury, must be going into some influential pockets.

The morning after meeting with the presidential aide, the consequences began to become clear. I was privileged that part of my daily routine was to join the President, his family, and a few close friends for Christian fellowship and morning prayers in the residential complex of the Villa. It was a way to gain strength for each difficult day. The prayers normally began at 6 a.m., so by 5:45 a.m. I arrived at the Villa gates and routinely was waved in.

That morning, the gates remained firmly shut as I drove up, and I was told I could not go in. Taken aback, I asked why. All I could get as a response was that the gatekeepers had received instructions not to let me in for morning prayer. I began to argue but realized it was fruitless and turned to return home. At that point, I felt a mistake had occurred and thought no more about it.

But for the next three days, I was blocked from entry for the early morning prayer meeting at the Villa. On the third day, the security officers at the gate—all of whom knew me well—told me, "Honorable Minister ma, I think you need to talk to [the presidential aide who had asked me to restore the Cargo Tracking Note]." Then I understood. When I phoned one of my prayer fellowship friends, Mr. John Kennedy Opara, and told him about the situation, he said that he would discuss

it with the Villa pastor and they would intercede with the aide on my behalf.

After going to the gate and not being allowed in for the fourth time, I pushed the situation to the back of my mind and turned to the preparations for the upcoming visit to Nigeria of the Managing Director of the International Monetary Fund (IMF), Madame Christine Lagarde, on December 18 to 20, 2011. My biggest preoccupation was to ensure that, in the raging national debate about the phaseout of oil subsidies, Madame Lagarde's visit was not miscast by the media or antigovernment forces as the IMF telling the government what to do on energy subsidies. Madame Lagarde was equally concerned that her objective should be clearly understood as reviewing our macroeconomic and growth reforms and offering encouragement and support.

The visit proceeded smoothly as Madame Lagarde met with members of the Economic Management Team, the Central Bank, and other important government officials. She was scheduled to meet with the President on the final day of her visit, December 20.

There are usually many protocols and conventions to observe on high-level visits, especially when the visitor is accorded Head of State status, as Christine Lagarde was. One of these is for such dignitaries to enter the Villa for a meeting with the President through a gate designated for Heads of State only. Because Madame Lagarde was to use this gate, I had asked my staff to double check that all was in order and was reassured this was the case.

But when the motorcade reached this gate, it was denied entry. Embarrassed, I tried to find out from the security guards what was going on. They said they had no instructions for her to use that gate, and that we should proceed to the entrance reserved for state governors, certain designated ministers, and other dignitaries. We were already running late so I apologized to Madame Lagarde, told her there must be a mix up, and asked the drivers to proceed to the other gate. When we got there, we were again denied entry. By this time, it was clear to me there was no misunderstanding, but this was deliberate. We were told to go back to the regular entrance used by everyone, park there, and walk the five minutes down the Villa corridors needed to get to the President's meeting room. Such treatment of a dignitary at the level of Head of State was unheard of!

Christine, clever as she is, had figured out something was wrong but did not know what. She handled it all with wit and elegance, telling me that she did not really care which gate she went through or how

far she had to walk as long as we met with the President. By this time, we were about ten minutes late. We eventually made it to the meeting. When the President inquired if everything was alright, she replied wittily, "Mr. President, there was a bit of a mix up about gates and we had to walk here, but it gave me the chance to see your beautiful Villa and its lovely gardens." The President looked puzzled but smiled and started the meeting. I never shared with him or with Christine Lagarde what I knew had happened that day.

It shocks me to this day that the "gate saga"—as I later described it to John Kennedy, my prayer meeting friend—was part of the fallout of eliminating the Cargo Tracking Note. It still seems unbelievable that people were prepared to put at risk such a high-level and important visit for the country's economy because of personal interests. John Kennedy and the Villa pastor eventually persuaded the top presidential aide to drop these tactics by explaining to him that such tactics could backfire if I was prevented from entering the Villa at a critical moment when the President needed me. Eventually, the pressure from the abolition of the Cargo Tracking Note died down, but I remained uneasy about it till the end of the administration.

7 Antifeminists, Ethnic Jingoists, and Economic and Political Ideologues

Many of my detractors and attackers were corrupt politicians and civil servants and other vested interests comfortable with the old-fashioned, opaque ways of doing business in Nigeria, as I illustrate in previous chapters. But there were also those—a small minority of the elite, to be sure—who genuinely did not like who I was or what I represented. There were antifeminists uncomfortable with the idea of a woman “wielding undue power” through oversight and control of the country’s finances. There were ethnic jingoists who disliked the idea of someone from my Igbo ethnic group holding what they perceived as a powerful position that they believed “belonged” to their own ethnic group. And there were political and economic ideologues for whom my background with the World Bank was anathema. These critics often got mixed up with the corrupt attackers, thus amplifying the noise, but my account would be incomplete if I did not examine the role that these critics played during my tenure as Finance Minister.

The Antifeminists

Where the issue of women and gender is concerned, Nigeria presents a paradox. The country has many well-educated and accomplished women, as documented in Prof. Bolanle Awe’s *Nigerian Women Pioneers and Icons*.¹ Nigeria also has a long history of female activism, starting in the late eighteenth century and continuing through the nineteenth, twentieth, and early twenty-first centuries. This history includes Nana Asmau, the Fulani poet who was daughter of Shehu Uthman Dan Fodio, founder of the Sokoto Caliphate and leader of the Fulani jihad in Nigeria; Olufunmilayo Ransome-Kuti, Nigeria’s legendary amazon, educator, and champion of women’s rights, as well as mother of one of Africa’s foremost activist musicians, Fela

Anikulapo-Kuti; Flora Nwapa Nwakuche, a prominent novelist and champion of women's rights and a contemporary of Chinua Achebe and Wole Soyinka; Lady Kofoworola Ademola, born in 1913 and the first African woman to be admitted to Oxford University; my own mother, Prof. Kamene Okonjo, and her contemporaries like Prof. Bolanle Awe and Prof. Grace Alele-Williams, who were born in the 1930s and reached the highest levels of educational attainment, obtaining their PhDs and becoming tenured university professors, heads of departments, and even a university president (Prof. Alele-Williams); and Chimamanda Ngozi Adichie, award-winning, world-acclaimed novelist, writer, and political commentator.

Nigeria's women are entrepreneurial. Many start and own businesses, including micro businesses in the informal sector. Over half of the estimated 32 million formal and informal small and medium enterprises in the country are owned by women, and women make up more than 60 percent of the agricultural labor force.

Yet despite years of investment in human development and some improvements, Nigeria also has some of the most dismal statistics when it comes to women. Nigeria has one of the highest maternal mortality rates in the world. At an estimated 814 deaths per 100,000 live births, it is almost four times the global average of 216 per 100,000 live births and significantly higher than the Sub-Saharan African average of 547 per 100,000.² This means that in Nigeria 158 women die each day—nearly one woman every nine minutes—from conditions associated with childbirth.

The female illiteracy rate in the country is 50.3 percent, compared to 30.8 percent for men. In this, there is a clear north-south divide. The female illiteracy rate in the north is 69.3 percent, and in the south, 32.1 percent.³ In a state like Borno in northeastern Nigeria, where the terror group Boko Haram is active and has singled out women to prevent them from being educated, the dismal figure is a startling 90 percent illiteracy rate for females! The kidnapping of 276 girls from the Chibok school by Boko Haram in April 2014 (see appendix C) focused international attention on the dangers faced by girls and women seeking education in certain parts of the country. Yet girls' education is fundamental if we are to improve the lives and health of poor people and their families and lift them out of poverty. With many studies showing that the education of girls and women greatly improves the well-being and behavior of their children, it is imperative to tackle the high female

illiteracy rate in Borno state to improve the chances that young people will be able to say no to militancy and radicalization.

Gender disparities mean that 52 percent of the nearly 10 million children and youth who are not attending school in Nigeria are girls. And the north-south divide on this issue is stark. Most out-of-school girls are concentrated in the north. A paper commissioned by the UN Special Envoy for Education, former UK Prime Minister Gordon Brown, shows that 34 percent of girls are out of school in the rural north, compared to 25 percent of boys, and that in the rural south, only 4 percent of girls are out of school, compared to 3 percent of boys.⁴

These grim education statistics go hand in hand with a frame of mind among men that allows (indeed, among some ethnic groups, like the Igbo and Yoruba, encourages and even expects) women to be economically active and contribute financially to their households but at the same time resists equality of opportunity for women or powerful or influential roles for women in the political or public space. In the first cabinet I served in as finance minister (2003 to 2007), President Olusegun Obasanjo made news and raised hackles when he doubled the percentage of women in the cabinet from 8 percent under his first administration (1999 to 2002) to 16 percent in his second administration. He also gave women important posts for the first time in the country's history when he appointed me to head the Ministry of Finance and other women to lead the Ministry of Education and Ministry of Housing and Urban Development.

Part of the angry resistance to President Goodluck Jonathan among some segments of the elite had to do with his support and promotion of women. President Jonathan went much further than President Obasanjo. He again doubled the percentage of women in cabinet (to 32 percent)—an unprecedented feat—and gave them what were perceived as powerful portfolios within government. Women headed the Ministries of Finance, Petroleum Resources, Defense, Aviation, Education, Housing and Urban Development, and Water Resources. He appointed the first-ever female Chief Justice of the Nigerian Federation, Justice Aloma Mariam Mukhtar. Male politicians and commentators often claimed that women had too much control, and unfortunately, not all female ministers exercised their power well or wisely. The feeling that too much female bias existed was directly expressed in the National Assembly when the President presented the 2013 budget. I had, with the President's support, begun a gender-based budgeting approach by including a special, small budget allocation equivalent to

\$21 million to encourage ministries, on a voluntary basis, to include or expand programs or projects in their portfolios that would particularly benefit women. Male parliamentarians booed the President when he announced this pilot program in his budget speech, while the few female parliamentarians cheered.

Some of the anger was directed at me because not only did I have “control” over the allocation of the budget but I also had the additional designation of Coordinating Minister for the Economy (CME), a designation no cabinet member had ever held in the country’s history. The President’s idea in supporting this title was to have someone who could help plug the gap that often occurred in economic issues that crossed sectors, where ministers needed to work together to achieve results but often failed to do so. In an increasingly complex governance environment, coordination was needed at the working ministerial level to achieve impact.

As the title caught on, and the President and others began calling me “CME,” some people read this designation to mean that extra powers had been conferred on me to superintend the other ministers, which was definitely not the case. Coordinating was vastly different from superintending. Those who did not like me played this up in the press, calling me “Prime Minister” and stirring up resentment, even among some of my colleagues. This negative coverage was captured in an article written by a civil servant and part-time journalist, Yushau Shuaib:

I still wonder how the Coordinating Minister for the Economy and Honorable Minister of Finance, Dr. Ngozi Okonjo-Iweala, is in the eye of the storm. Her grandiose title is not a mere tautology as some people will assume. Being the first holder of that title in Nigeria’s history, her position could be seen as equivalent to Prime Minister, which gave her the mandate to oversee and superintend over every other ministry, department and agency of government including their budgetary allocations and revenue expenditures. She is invariably the next most powerful cabinet member after President Jonathan and Vice President Namadi Sambo.⁵

Following the loss of the election by the Goodluck Jonathan administration, women were put back in their “place.” The percentage of cabinet positions held by women is back down to 16 percent. The percentage of women in the National Assembly has fallen to 5.6 percent from an already dismal 7 percent under the previous administration—at a time when female representation in Africa’s parliaments is at 24 percent, exceeding the world average of 21 percent.⁶

The Ethnic Jingoists

Nigeria is an extremely complex country to govern—something much of the world may not realize. The country has over 350 different languages (and ethnic groups) among its 190 million people. These languages are not mutually understandable. So the common language of communication across ethnic groups is English or Pidgin English, the common version of the language. Three language and ethnic groups dominate and make up slightly more than two-thirds of the population—the Hausa-Fulani in the north and the Igbos and Yorubas in the south. To further complicate matters, although there are significant populations of Christians in the north and Muslims in the south, the north of the country is predominantly Muslim, and the south mainly has followers of Christian and animist religions.

Except for during the presidency of Goodluck Ebele Jonathan, who comes from an ethnic minority, speakers of the three major ethnic language groups have run the country for the fifty-seven years of its existence since independence from Britain in 1960. Since that time, coexistence has built what might be termed a “Nigerian.” But this sense of being Nigerian is constantly being challenged and undermined by friction and mistrust among ethnic and religious groups.

The fault lines are also constantly manipulated by politicians for their own ends. The Nigeria-Biafra civil war (1967 to 1970) and numerous military coups followed by decades of military rule have not helped build social capital. The decision by the military to end its hegemony over the country and bring in retired military General Olusegun Obasanjo as a civilian to be voted in as President in 1999 seemed to usher in a new era. When I served as President Obasanjo’s economic adviser in 2000 and subsequently as Finance Minister in his second administration (2003 to 2007), I sensed that the country was beginning to come together and that there existed men and women called Nigerians.

However, this sense of unity was shattered all too soon by the suspicions of northerners and some southerners about the alleged bid of President Obasanjo for a third term, which he denied. It was further frayed by the secrecy surrounding the illness and subsequent death of President Umaru Yar’Adua (a northerner) and attempts by a coterie around the ailing president to block his Vice President, Goodluck Jonathan (a southerner and member of a minority ethnic group), from

succeeding him and taking office. Southerners and some northerners were up in arms.

When Goodluck Jonathan finally became interim President in 2010 and won the presidential election in 2011 after a great deal of national drama, some from the north and southwest of the country viewed him as a usurper and opposed his presidency. Serving in his administration from 2011 to 2015, I had the sense of a fractured Nigeria, with fault lines running along ethnic groups and no social compact binding the country together.

Throughout the country's history, any group not in power has always claimed to be marginalized by those in power, but under the Jonathan administration, the sense of marginalization seemed to reach hysterical heights. Even when statistics were presented showing that the government was largely abiding by the provisions of the Constitution that called for Federal Character (balanced) representation of all groups, this evidence was never accepted, and accusations of marginalization of other groups was rife. Against this background, some found me unacceptable in my job because I was Igbo and felt that the finance minister's job should be in the hands of another ethnic group. To many critics, I, too, was a usurper.

In addition, there was the feeling that Igbos had too many jobs in the finance field and were crowding out others. To compound matters, we had agreed in the Economic Management Team that the government should recruit certain jobs in the administration on merit and persuaded President Jonathan that recruitment should follow international good practices of advertising, interviewing, and selecting the best candidates, regardless of ethnic group, to create centers of excellence in government.

For example, we advertised the job of Chief Executive Officer (CEO) of Nigeria's newly created Sovereign Wealth Fund, the Nigerian Sovereign Investment Authority. The winner of the competitive process was an Igbo and a diaspora Nigerian, Uche Orji, Managing Director at UBS, whom I had never met. During my tenure as finance minister, this was the only job that I was instrumental in vetting that went to an Igbo.

The next job advertised and filled was CEO of the newly created public-private partnership institution, the Nigerian Mortgage Refinance Company (NMRC). After a competitive process, another diaspora Nigerian, Prof. Charles Inyangete, an Ibibio from Akwa Ibom state, won the job.

A third position advertised, Chairman of the Federal Inland Revenue Service (FIRS), Nigeria's tax and revenue authority, was again competitively won by a diasporan, a Nigerian woman also from Akwa Ibom state, but she was never allowed to take office. Her job confirmation was successfully blocked in the National Assembly by a group who felt that southerners were winning too many positions. The blockage allowed the Acting Chairman, Alhaji Kabir Mashi from the north (Katsina state), to continue holding the position until virtually the end of the Jonathan administration.

I was accused of foisting an Igbo agenda on the nation—even though only one position that I vetted was filled by an Igbo! These accusations are best captured in the article quoted earlier by the northern civil servant and part-time journalist Yushau Shuaib, who in the guise of passing me “friendly” warnings, made damning and false accusations and helped perpetuate blatant untruths:

One of the major reasons some of us believe strongly in the ability of Dr Ngozi Okonjo-Iweala was the way and manner she carried major players both from the North and South along while she was Minister of Finance between 2003–2006. She was never accused of discrimination or bias against any of the diverse groups of the ethnically charged and religiously polarized nation. The same will be said of her then Principal Olusegun Obasanjo, who despite some of his shortcomings, will never be accused of tribalism. He is a detribalized leader and a nationalist to the core who believes strongly in the Nigeria project.

With these as background, it was not surprising that when she was reappointed by President Jonathan as Finance Minister and when she was short-listed for the position of President of the World Bank in 2012, she received overwhelming support from all Nigerians. An online publication even claimed that some Northern Mallams were praying for her success in the mosques. Everyone at that period believed she was a detribalized Nigerian with real world experience of policy making. The reason for this write-up is to alert her to some disturbing trends as regards some recent appointments to top public offices in Nigeria in view of their economic and political implications. As the most powerful minister and an Igbo Princess from the Niger Delta by virtue of being a daughter of Obi of Ogwashi-Uku community in Delta state, I believe she should continue to live above board. Recently, the Yoruba Unity Forum (YUF) made some disturbing allegations of ethnic cleansing of Yoruba in federal appointments by the Administration of President Goodluck Jonathan. Wife of the sage Chief HIID Awolowo and the retired Bishop of Akure Rt Rev Bolanle Gbonigi in Ikenne after the meeting of the Forum accused the administration of systematically excluding the Yoruba nation from the federation from appointments without justification. They called on the government to redress the “systematic discrimination” against the Yoruba nationality in federal appointive positions without delay, saying the Yoruba have been getting “crumbs” from the administration.

No sooner than the Yoruba allegation was made that the Northern Senators Forum (NSF) also publicly lamented gaping marginalisation against the North over appointments and promotions in the military. According to these distinguished Nigerians there is lopsidedness in employment and posting in the Nigerian Army in favor of the Igbos, which is clearly in the breach of the principle of Federal Character. She should be aware that many Nigerians are referring to a book, *Chinua Achebe: Teacher of Light*, which she co-authored where she expressed bitterness about how her tribe was dealt with before, during and after the civil war and insinuating that now she is in authority, she is determined to correct all that she perceived as injustice against her people. Some even insist that what she is doing now is promoting regional and ethnic agenda to the detriment of other groupings in Nigeria by manipulating appointments. To drive the point home, her name has been lately mentioned as collaborating with another top Igbo ranking appointee in government to ensure the re-installation of Ms Arunma Oteh as Director General of the Securities and Exchange Commission (SEC) despite the glaring allegations against her and consistent calls by the national Assembly for her removal. Okonjo-Iweala stood her ground, damning all, and today Oteh remains in the position.

While the debate on Oteh's saga was yet to subside, a coalition of youths led by human rights activist and President of Civil Rights Congress Shehu Sani queried the rationale behind the appointment of a new Chairman for the Federal Inland Revenue Service (FIRS), when a northerner, Kabir Mashi, was already in the position and improving the revenue base for the agency. The group claimed that the committee that Okonjo-Iweala set up was a smoke-screen just to give a semblance of due process and fairness whereas it was populated mainly by her Igbo kinsmen. They added that "we don't believe there is transparency in the process, and we caution the President against the excessive ceding of his own power to the finance minister." They publicly criticized her for playing an ethnic game with many of the appointments made in the country since she returned to the saddle. Some of the other positions they alleged, which were created and filled during this period, include those of the Asset Management Corporation of Nigeria (AMCON), Sovereign Wealth Fund, Nigerian Communications Commission (NCC), and even the recent appointment of a 40 year old lady as Director General of the National Pension Commission (PENCOM). People are wondering at the coincidence of only Igbos beating every other person at competitive interviews conducted by her nominated international consulting groups. The only semblance of Federal Character principle in some of these institutions is the appointment of ceremonious, but temporary chairmen, who are mainly figure heads, with mandates for mere advisory roles. The use of catchy phrases such as "best brains," "foreign trained" and "foreign based" to deprive qualified, competent and experienced Nigerians to aspire to top positions is quite inimical to the progress of our nation. The erroneous impression that some competitive and sensitive positions can only be filled by unique intelligent tribes must be corrected. Experiences have shown that in practical situations, some so-called foreign trained and bookish first class graduates could do no better than other

Nigerians who have the competence and experience to prove their worth in most difficult terrains.

Dr Okonjo-Iweala should also note that blatant disregard to the sensitivities and sensibilities of others while arrogantly promoting only people from her tribe may expose them to hatred with potentially explosive consequences, such as those experienced in the 1960s when most federal positions were occupied by a particular tribal group. For those of us who still respect the Hon Minister of Finance and Economic Development, we strongly believe she should dissociate herself from current allegations of "biafranization" of top public offices in Nigeria. We are in democratic government where policy issues should not be done in dictatorial manner of we-are-now-in-power. I therefore urge her to ensure that appointments into important positions should be done in a credible and transparent manner that can withstand public scrutiny. I believe strongly that only those that mean well will dare to tell the truth on the general feeling in the country.⁷

Shuaib's article was divisive, explosive, and full of tribal prejudice and hatred, creating what are now known as "alt-facts." Recruitments into the civil service and into various parastatals are handled by the respective ministers for those agencies and parastatals and the relevant civil and public service bodies set up for that purpose. Ascribing responsibility to me for all public-service recruitments was nothing short of malicious and the writer knew it.

As discussed earlier, several of the positions that Shuaib referred to were either competitively won or occupied not by Igbos but by other southerners. The three that were competitively recruited that I was involved in were handled through a transparent process presided over not by Igbos, as he said, but by a diverse group of eminent Nigerians whose names were published in the newspapers.

The consulting agencies that won the bids to handle the process worked through their Nigerian offices. The process was run by very competent Nigerians—like Kunle Elebute, Managing Partner of KPMG in Nigeria, Dotun Philips of Philips Consulting, and Joseph Olofin-sola of Akintola Williams Deloitte—who were Yoruba. Some of the positions cited—such as the CEO of Amcon and Director General of the Securities and Exchange Commission—had been recruited before I joined government. In fact, after seeing the article, the former Governor of the Central Bank, Sanusi Lamido Sanusi, confirmed publicly that he had recruited the Amcon CEO, Mustapha Chike-Obi, before I arrived.

These facts were easily checked by any objective observer or writer. But it was clear from the article that the attempt (by a civil servant) to link me to military appointments and promotions when I was not the

commander-in-chief and had nothing to do with military administration was borne out of malice and designed to incite the northern military establishment against me at a time when the military was battling Boko Haram in the North East.

Despite my denial and vigorous defense with clear evidence, social media allowed Shuaib's piece to be widely disseminated and to gain currency in Nigeria's deeply riven ethnic divides. It provided the basis for other false accusations of tribalism against me. This was typified a year later on September 8, 2014, when Dr. Temitope Oshikoya, a Yoruba from the southwest of the country, wrote a highly critical piece against me alleging, among other things, that I influenced public appointments in favor of people from my region. I quote a small section to illustrate the point:

The fourth sign of the Icarus paradox: complacency. NOI (Ngozi Okonjo-Iweala) spent too much time hobnobbing with the ultra-rich oligarchs, who have no business being on Nigeria's Economic Management Team, except to further their own interest, and to ensure that key appointments to government economic agencies are to their favor. This particular disturbing trend has already been observed by some public analysts noting that NOI appears to think that the best economic policy and regulatory managers are bred from her geo-ethnic circles. This is self-evident from the headships of key economic and financial related agencies: AMCON, CBN, SEC, NSE, DMO, BPE, NSIA, NMRC, FRC, Pension, Budget, Procurement Regulation, Performance Monitoring, and Chief Economic Adviser to mention a few.

The fifth sign of the Icarus paradox: arrogance and lack of respect for others. One of the tactics NOI has deployed is to pretend that she is using professional search firms to recruit for some of these positions. But discerning Nigerians have seen through the smokescreen and her systematic efforts to favor only people within her regional circle.⁸

Oshikoya, then a manager at one of Africa's premier banks, Ecobank, neglected to tell readers that he had applied for and competed unsuccessfully for the job of CEO of the newly created Nigerian Mortgage Refinance Company—one of the jobs that the government had decided to put to competition. The job went to Prof. Charles Inyangete, an Ibibio from Akwa Ibom state. Dr. Oshikoya deliberately classified an Ibibio as Igbo and blamed me for his own failure in the job competition.

A rejoinder was published in the *Nigerian Guardian* a few days later from my Special Adviser on media, Paul Nwabuikwu. He noted that Dr. Oshikoya's article is

a commentary on the ongoing recruitment process for CEO of NMRC. For the sake of transparency, Dr. Oshikoya should have let the world know that he was a candidate for this position but unfortunately did not make it. The fact that he neglected to mention this is very instructive, and demonstrates that he is nothing but a disappointed bitter person who is not man enough to take responsibility for his own performance. It is quite disheartening when people like Oshikoya, who is expected to know better, impugn efforts to institutionalize a merit-based approach to recruitment for key positions in the country simply because the results did not favor him. Some of us need to learn to put the collective good ahead of individual selfish interest.⁹

Unfortunately, ethnic divisions are alive and well in Nigeria today. The flames are fanned by politicians who encourage them for their own purposes and by other irresponsible Nigerians who use them to attack any results not in their favor. Just about any policy that affects Nigerians is analyzed from the ethnic angle. Foreign leaders and their policies are assessed from the point of view of whether they seem to favor one part of the country or one religion over another. Each government policy or pronouncement is similarly analyzed. Nigeria is desperately in need of leaders with a broad and inclusive vision of the country who seek to bring people together and heal the country, not leaders who continue to sow divisiveness.

Economic and Political Ideologues

Nigeria has a small core of ideologues who are steeped in communist and socialist ideology or who simply oppose capitalism. They are to be found in academia and civil society and among political and social commentators. For members of this group, the International Monetary Fund and the World Bank are the temples of a neoliberal Washington Consensus and symbolize everything they dislike about the market economy. Anyone who “worships” at these temples is therefore to be despised.

Among these people, some could see no good in any of the economic policies we implemented in the Goodluck Jonathan administration simply because I had held various positions at the World Bank. Despite implementing sound macroeconomic policies that provided the basis for real sector nonoil growth and robust overall GDP growth from 2011 to 2015 (as illustrated in appendix B, table B7.1), these people were not convinced of the soundness of those policies. We brought inflation down from double to single digits over the administration’s four-year term. The exchange rate was stable and largely market

determined, foreign exchange reserves were reasonable at \$34.3 billion by the end of 2014, the fiscal deficit was well below 3 percent of GDP, debt ratios were in reasonable territory, and because debt service to revenue was becoming a concern, we began to retire some of our debt (₦75 billion was retired in 2013). We successfully rebased the GDP in 2014 after twenty-four years of neglecting this. With these accounting changes, which recognized Nigeria's extensive service economy, Nigeria replaced South Africa as the largest economy in Africa, with a 2013 GDP of \$514.0 billion compared to South Africa's \$372 billion.

In mid-2014, the commodity price boom ended as oil prices began a steep decline. The economy came under increasing strain, but we deployed revenue and expenditure measures that kept the economy in positive growth territory in 2014 and the first quarter of 2015, when we left office. The quality of growth was not entirely satisfactory and was not inclusive enough. Unemployment and underemployment were serious problems, especially for young people. But we worked hard to create jobs. We needed to create 2 million jobs a year just to keep pace with the numbers of young people who were joining the job market and were creating up to 1.4 million jobs a year by 2014. And we were planning measures to tackle the existing pool of unemployed and underemployed youth before the Goodluck Jonathan government lost the election and left office in May 2015.

In contrast, as oil prices continued their downward trend in 2015 and 2016, economic policy responses were inadequate or outright wrong, and the economy went in to a recession for the first time in two decades. Not much has been heard from the ideologues on this issue.

The attack on so-called neoliberal Washington Consensus economics and its proponents is typified by two opinion pieces in the Nigerian press. One by Is'haq Modibbo Kawu comments on the attacks on me by Governor Adams Oshiomole, taking Oshiomole's side:

The protagonists are remarkable representatives of the two sides of the Nigerian coin. Adams Oshiomole, governor of Edo state is pitted against Ngozi Okonjo-Iweala, the Jonathan presidency's Minister of Finance, whose over-bloated ego had to be thoroughly massaged with the additional title of Coordinating Minister for the Economy. Ngozi Okonjo-Iweala is a poster girl of neo-liberal capitalism and archetypal expression of surrender to imperialism and its diktats in neo-colonial Nigeria. Okonjo-Iweala saw herself as a kind of "God's gift" to the Nigerian ruling class, having served imperialism at its home base in Washington and the World Bank. She is the ultimate "technocrat," chosen to administer the one-size-fits-all poison of neoliberal reforms in

Nigeria. Technocrats of this hue are exceedingly arrogant and cannot brook any interference with what they assume is the best cure for the economic woes of a neo-colonial society.¹⁰

The second article, by Odilim Enwegbara, continues in the same vein:

Keynesian economic principles have been the secret behind the developed countries unending economic growth and job creation. But while western economic powers continue to pursue pro-growth and pro-investment economic policies, they always mobilize neo-liberal prudent economists to developing countries who insist that developing countries shouldn't also pursue the same stimulus economic development principles. The hidden agenda here is the fear that allowing these developing countries to pursue the same pro-Keynesian policies would make them become industrial powers too. This should spell competitive doom for developed economies who have to rely on both developing countries' industrial raw materials and huge consumer markets to continue to promote and protect developed countries growth and jobs. So, imposing anti-Keynesian tight monetary policy together with anti-deficit fiscal spending agenda on developing countries has remained a matter of life-and-death for western economic powers especially in an effort to constantly keep developing economies as their economic slaves in perpetuity. Who else could promote anti-Keynesian macroeconomic policies across developing countries than local neoliberal economists and those educated and nurtured in western controlled multilateral imperialist institutions like IMF and the World Bank? In developing countries, they are falsely nicknamed technocrats even though in reality they are economic hit men and women, sent to these countries to do the bidding of the West. During her last four years in Nigeria, the former Minister of Finance, Dr Ngozi Okonjo-Iweala, without apology had led the country's economy on the principles of neoliberalism. And as someone whose education and career life took place in the US, should she be opposed to what she has lived and practiced all her life? Should it therefore be surprising that she has always insisted on Nigeria adopting a macroeconomic austerity stance being professed by Washington for developing countries like ours?¹¹

These critics ignore the fact that the so-called neoliberal policies that they pilloried, though far from perfect, delivered growth, created jobs, created wealth, and lifted some people out of poverty. Nigerians were, on average, better able to eat, work, and access foreign exchange and credit for their businesses and personal needs without a need for special access and the corruption that it breeds from May 2011 to May 2015 than they were after June 2015, when the economy fell into a recession and contracted for the first time in two decades. This success in the economy was due to good economic management, higher commodity prices in the earlier years, and responsive and appropriate macroeconomic policies in 2014 and early 2015 when oil prices seriously began

to tank. Sadly, Nigeria's ideologues have remained largely silent about facts that do not reflect their preconceptions.

The existence of these various groups of detractors, who were part of "politics as usual," together with the hard-core defenders of a corrupt status quo, sometimes made me feel like I was swimming in a tank of sharks every day. Avoiding being fatally bitten or drowned in that shark tank was a daily reality that my long-suffering Finance Ministry team and I had to learn to navigate.

8 Reflections from the Front Lines

Although there is now a vast amount of literature on the definitions of corruption, the theoretical constructs needed to understand it, and the behavioral and public-sector reforms that might curb it, there are fewer front-line accounts of people who have fought against corruption, how they fared, and what they learned from it. Yet, there are many brave people, unsung heroes, who try to stand in the way of those perpetrating corrupt acts. Long after the fight has ceased, the scars remain for these people. It can be physically, reputationally, and emotionally dangerous for them to talk about it. I know colleagues, finance ministers, and officials from other countries who fought corruption, paid a price, and are quiet because of the dangers that open discourse poses for them and their families. As long as the vested interests concerned are still active, the potential for attack continues to be real, and these front-line fighters often have no protection.

So telling my story is risky. But not telling it also is dangerous. Silence would allow these same vested interests in my country, the same corrupt people, to distort events, twist factual accounts, and hide behind lies, half-truths, and obfuscations to protect themselves and harm others. With the co-optation of unscrupulous media, they turn truth into lies and promote lies as truth. Their currency is propaganda and fake news, and it must be challenged by transparency and sustained ethical actions based on lessons learned. Here are a few reflections derived from my experience.

Reflection 1: Is it worth it? Was standing against those who took public money for private gain worth the personal risk?

If my mother had died during her kidnapping, my answer would be *no*, as precious little could compensate for the years of her life lost to

the family! But we were spared that outcome, so it is possible to reflect more objectively and say *yes*, despite the dangers and difficulties it was worth it because institutions, systems, and processes that can endure were built for Nigeria, and substantial monies saved. People with integrity who stood up and are still standing up for what is right have had a demonstration effect.

The ills of corruption have been chronicled in many studies. William Dorotinsky and Shilpa Pradhan, in their 2007 study “Exploring Corruption in Public Financial Management,” underscore that “Corruption in public financial management (PFM) diverts scarce resources away from public purposes, jeopardizes the ability of governments to achieve their agenda, directly affects spending on priority sectors such as education and health, and can have a particularly damaging impact on growth.”¹ A decade earlier—in a landmark 1997 speech in which he coined the phrase “cancer of corruption”—James Wolfensohn, President of the World Bank from 1995 to 2005, put it even more directly in terms of the impact of corruption on poor people and the ability of a country to pursue balanced and inclusive growth. He said that “In country after country people are demanding action on this issue. They know that corruption diverts resources from the poor to the rich, increases the cost of running businesses, distorts public expenditures, and deters foreign investors. They also know that corruption erodes the constituency for aid programs and humanitarian relief. And we all know that corruption is a major barrier to sound and equitable development. Solutions can only be home grown. National leaders need to take a stand.”²

The corrosive effect of corruption on development and the damage it does to the prospects of poor people and youth, in whose name the work of development is being pursued, provided the impetus for me and others to take a strong stance against corruption in Nigeria. Given the values of transparency and service that my team at the Finance Ministry and I stood for, we would have found it difficult to work on improving the management of finances, the diversification and growth of the economy, job creation, and improvements in basic services and human development indicators without confronting the forces undermining these goals.

For me, it was also an issue of personal responsibility. I believe that the fight against corruption must start with individuals who choose to take responsibility. Years of development experience have shown me that regardless of the instruments, such as incentives and disincentives,

that are available to reformers, corruption cannot be fought successfully from the outside or by outsiders. Outsiders can only assist. Corruption must be fought by insiders and from the inside. Wolfensohn captured it well when he said that “National leaders have to take a stand.” With my team, I took that stand.

The results were clear. Transparency of government accounts was enhanced by once again making public the revenues of all tiers of government through publication in newspapers and ministry websites (chapter 4). Institutions and mechanisms, such as the Sovereign Wealth Fund and the Excess Crude Account, were built and sustained to enable the country to save and invest money during good times to buffer bad times (chapter 3). The construction of a modern, technology-based government financial management system was nearly completed and put into operation, replacing cash with electronic transfers (chapter 4). Linked to this was the construction of a biometric system that properly records civil servants and pensioners (chapter 6). And a Treasury Single Account was implemented and partly put into operation for capital accounts, enabling the Finance Ministry to view the consolidated accounts housed in the Central Bank (chapter 4). The Muhammadu Buhari administration built on these reforms, completing the work by further operationalizing the Treasury Single Account for recurrent expenditures.

Billions of dollars were directly saved for the country by our anti-corruption fight. The amounts saved from corruption and fraudulent transactions were substantial and included blocking payments to oil marketers (\$2.5 billion, chapter 3), expunging ghost workers and pensioners and refusing to pay phony judgment debts (more than \$1.5 billion, chapter 6), and refusing to guarantee proposed loans by scammers or accept dubious grants (\$5 billion, chapter 5). A total of at least \$9 billion was saved from these efforts.

These savings are real and in my view underestimate what we accomplished. The savings offer the country a high rate of return for the risks we took. And the institution-building laid the foundation for a long-term but necessary approach to fighting corruption.

But there were drawbacks. Confronting corruption successfully in the sectors, arenas, and activities where we fought it did not mean that we stopped all corruption. For example, we blocked corruption among oil marketers, saving a great deal of money. Yet leakages continued in other parts of the oil sector that were not within the Finance Ministry’s control. We were able to document the problem (chapter 3) and raise

the alarm about the cost of oil thefts and other oil-related leakages. Adequate follow-up by relevant anticorruption agencies would have been very empowering for those fighting against corruption.

Some people legitimately questioned whether it was meaningful that success was achieved in some areas while corruption continued in others. Some wondered whether resigning from government would not have been a better strategy for carrying on the fight. These important and difficult questions have no easy answers. Regarding the comprehensiveness of approach, we never set out and could never have hoped to stop all corruption everywhere. I do not know of any group or any government that has succeeded in doing that. That would not have been a realistic objective. No Nigerian government in living memory, even after declaring a strong stance against corruption, has ever been able to stamp out or check corruption everywhere. This is well chronicled in Stephen Ellis's book, *This Present Darkness: A History of Nigerian Organized Crime*.³

The plan was to focus on the main sources of leakages through the budget and the country's financial management system and build enduring processes and systems that would check corruption in that vital segment and save the country large amounts of resources going forward. We succeeded in doing that. The fact that the Muhammadu Buhari administration has embraced these systems and is building on them speaks to that success. This suggests that in some circumstances, depending on specifics in the country, a selective approach to strengthening institutions and systems works. Creating islands of good practice even in the most difficult situations can lead to a measure of success.

Under certain circumstances, resignation as a signaling and corruption-fighting tool is necessary and can work. When an individual is being coerced into situations that enable rather than stop corruption, is being made an accessory to corrupt acts, or possesses knowledge of such acts and cannot fight, expose, or stop them, then the person can and should resign. These were not the circumstances I faced, as the preceding chapters have documented. I spent my time confronting corruption in my work and in all its faces in government.

But at times, I felt that the pace at which I wanted to act was slowed by those who presented alternative narratives to the President. Both the implementation of the forensic audit in the oil sector and the sharing of the report were delayed and thereby muted the positive impact of the audit.

I also felt a great deal of frustration that few high-level perpetrators were convicted or jailed for any of the acts of corruption during the Goodluck Jonathan administration. While pension fraud perpetrators were convicted and some were jailed (chapter 6), fraudulent oil marketers were not. Some were picked up for questioning by the Economic and Financial Crimes Commission but were later released. The masterminds behind my mother's kidnapping have never been identified, much less investigated, even though it was clear from the sequence of events that it was not planned by low-level kidnappers. President Jonathan will likely go down in history as one of Nigeria's most courteous and liberal presidents, especially because of his unprecedented peaceful handover of power to the opposition—the first such peaceful transfer from an incumbent in the country's history (see box 8.1). But some critics saw the President as weak. This led to a feeling of impunity on the part of vested interests who felt they could get away with corrupt acts. Perplexingly, this failure to punish corrupt people existed alongside efforts to fight corruption. The President never stopped me from fighting or trying to clean up corruption in the areas I focused on. Rather, the overwhelming negative pressure was from constituencies of vested interests who wanted me out of government. First, there were strong attempts to discourage me from joining the administration, and then there were forcible attempts to get me to resign by kidnapping my mother and conspiring to maim me. There were steady negative attacks in some press outlets (including *Pointblank News*, *Sahara Reporters*, and *Punch*) often with erroneous reporting and unsubstantiated stories. The attacks from *Sahara Reporters* were so frequent and so blatant that a reader on social media did an analysis of their stories on me. In a 2013 article, Emmanuel Arinze shared his research, which showed that of forty-one articles that *Sahara Reporters* published about me in twenty-five months, only one was positive. He asked whether anyone could be this bad and concluded that there must be bias against me.⁴

Although there were moments when I wanted to throw in the towel, these pressures to resign and leave the country made me believe my continued presence in government must be accomplishing something positive. They fed into my decision not to yield to threats and blackmail and to stay, which enabled me to focus not just on the short-term anticorruption measures but also on the more important and effective longer-term institution building. In most developing countries and particularly in Africa, institutions are weak or nonexistent, which

Box 8.1**President Goodluck Jonathan's Unprecedented Transfer of Power**

Nigeria's 2015 presidential election took place on March 28. It was a tense time in the country, partly due to the postponement of the election from February 14 and partly because the campaigns of the two main parties—the ruling People's Democratic Party (PDP) and the opposition All Progressives Congress (APC)—had been divisive and polarizing.

I received my Permanent Voter's Card on March 16, long after the original election date (February 14), despite having registered in good time. The delay was an indication of the problems with the electoral process that Nigeria was experiencing. But I was excited to be able to cast my vote. I voted in my village of Umuda Isingwu, Abia state, where my husband and I were registered, and traveled back to Abuja to await the vote count and announcements.

The state-by-state announcement of election results by Professor Attahiru Jega, the Chairman of the Independent National Electoral Commission, began at noon on Monday, March 30. I joined a few colleagues from the Economic Management Team at the office of one of the presidential advisers where a team was monitoring the results. The atmosphere was electric. Throughout the day, vote counts came in from different states, mostly from the South-South and South East. The President was leading, but his margin was getting slimmer. And the results from the northern states—the opposition stronghold—had not yet come in. By 8 p.m., these results began to arrive, and the tide turned against the President. By 10 p.m., it became clear that the Jonathan administration was now on a losing streak.

The counting and announcements resumed at noon on March 31 as we all assembled again in the adviser's office—which we now called our situation room. A couple of hours later, the Minister of Aviation, Osita Chidoka, called me to say that a concession speech was being drafted by Mr. Reuben Abati, the President's speech writer, and they wanted my contribution. What did I think he should emphasize in the speech?

I drafted a few thoughts on the economic achievements of the administration, the President's legacy, and the difficult economic challenges facing the nation that needed immediate attention. By 4 p.m., I felt I had enough material and decided to go to the Villa to talk to those working on the speech. I wondered where the President was and what he was doing.

At the Villa, I was met outside the residence by Osita Chidoka, who collected my input for the speech and told me the President was in the residence. When I entered the Villa, the President was in one of the living rooms with the Vice President, some advisers, and a group of politicians

who were arguing passionately about the conduct of the elections and irregularities of which they said they had evidence, such as videos of underage voting in certain parts of the country. They were urging the President not to concede the election. More politicians came in and joined them. On the opposite side of the room were the Minister of Aviation, Osita Chidoka; the Attorney General of the Federation, Mohammed Bello Adoke; and the Minister of Agriculture, Akinwunmi Adesina. They were relaying a dissenting view, arguing that the President should concede.

I was immediately drawn into the argument as everyone turned to hear my views. I said I thought the President should concede and do so before the announcement of the vote count was completed. The Special Assistant to the President on Domestic Affairs, Dr. Dudafa Waripamo-Owei, a politician, whom I expected to side with the politicians, also said he sided with those who thought the President should concede.

A heated argument ensued. Throughout the discussion, the President said not a word. He kept his own counsel and just kept welcoming guests and party loyalists who were joining us at the Villa.

According to the announcements we were all following on the big screens, only a few more states were yet to report their election results. I sat next to the President and whispered to him that if he was going to concede, he probably should do so before the announcement of election results ended.

Suddenly, he got up and left the room. We all thought he had gone off for a few moments of quiet. He returned about twenty minutes later and sat down without saying a word. I decided to take a chance and press him again on a timely concession. As I whispered again for a second time, the President responded to me out loud, "CME, it is done. I have called President-elect Buhari and conceded!"

We were stunned! He had said not one word to us, but it was clear that this was a man who had made up his mind and done what he thought was right. The President repeated something he had often said to his ministers and advisers: "I have always said that power for Jonathan is not worth shedding a drop of blood of a single Nigerian."

With that bold gesture, President Goodluck Ebele Jonathan committed a selfless act for all Nigerians. He averted what probably would have turned into bloodshed. He turned away from partisan politics. He looked beyond ethnic and regional rivalries for the good of the country. This action put Nigeria on the map as a country with a maturing democracy in a continent where such peaceful transfers of power to an opposition are rare.

allows corruption to thrive. Fighting corruption must be about having the courage and staying power to build those necessary institutions, processes, and systems that take a long time to implement.

Reflection 2: You cannot fight alone. You need coalitions of support, a team to execute the necessary measures, and principles of engagement.

The key attribute in an anticorruption fight is integrity: your personal integrity and the integrity of those working with you. This means thinking about principles of engagement and communicating your values to the people around you. You cannot control everything, but your team needs to know that you will not engage in corrupt acts, small or big, and you expect the same from them. And you must walk the talk.

Pressure to be unethical exists in both developed and developing countries. In developing country societies where extended family, group, and village ties are very strong, sticking to principles is not as easy or straightforward as it sounds. There can be a lot of pressure to use one's position to enhance the position of individuals or groups within the social network. A World Bank piece titled "When Corruption Is the Norm" captures this well. Noting that social expectations and mental models perpetuate corruption, it says that

It is important to understand how the decision to engage in corruption takes place in the mind of a public official. If people believe that the purpose of obtaining office is to provide one's family and friends with money, goods, favors, or appointments, then social networks can perpetuate the norm of corruption. Social networks can even serve as a source of punishment for public servants who violate that norm. In Uganda, for instance, reciprocal obligations of kinship and community loyalty may have contributed to a governance outcome in which public officials needed to use their position to benefit their network in order to be regarded as good people. Holders of public positions who did not use their influence to assist friends and relatives risked derision and disrespect.⁵

Furthermore, the piece notes that social pressures can force even clean officials to capitulate to corruption—for instance, when they are coaxed or pressured to accept gifts that are really bribes. These situations are real, and I lived them. The key to navigating was having clarity on principles and values, having uncomfortable but upfront conversations about this, and continuing with reminders to my social networks and my team. I was especially supported by my parents

and immediate family members, who ran interference on this with extended family, friends, and villagers.

To fight effectively requires building coalitions of support. This support can be important for obtaining good evidence on the type and scale of corruption, analyzing the data, and then devising solutions. It is easier to fight on the basis of objective evidence.

For example, in the case of fraudulent oil marketing claims (chapter 3), a subgroup of the Economic Management Team formed the initial coalition and took on the huge and risky task of auditing \$8.4 billion in claims, which involved visiting storage facilities and depots where, in some cases, they encountered a great deal of hostility. When we lacked the resources needed to hire additional forensic auditors and inspectors, one of the team's private-sector members contributed financing. This audit provided the evidence that almost 30 percent of the claims were fraudulent, which was the objective basis on which to refuse to pay. The action was further made possible by the fact that there was outrage in the National Assembly and among the general public at the extent of this fraud. The public was a visible winner in this action, which provided a shield that we could wield.

In the case of revenue leakages (chapter 6), the coalition formed from inside the Finance Ministry was led by the Director General of the Budget Office and directors from the office of the Accountant General of the Federation. They led the analysis on what needed to be fixed and ferreted out the number and revenue impact of ghost workers. The Finance Ministry team, involving people from other agencies as necessary, implemented the systems needed for change.

Support from the top—in this case, the President—is vital, but it is a necessary, not a sufficient, condition to fight corruption. You still need the coalitions and the teams. In countries with weak institutions, if the President is against action, then little or nothing can be done within the framework of government because even the production and analysis of objective evidence can be blocked. In our case, there were instances where we were slowed down (such as the forensic audit of the “missing \$20 billion”), but we were never stopped. President Goodluck Jonathan supported the anticorruption work and in some instances brought questionable situations (such as the international scams described in chapter 5) to my attention for action. Yet the President and the administration earned a reputation for corruption because corrupt people were not brought to account and communication was poor about positive anticorruption actions, such as the ones we were

taking (see reflection 4 below). The President's approach to governance was low key, and the government's stance against corruption delivered mixed messages in the sense that in some areas the fight was being waged successfully, while in others, unprincipled politicians and government officials continued with corrupt practices and few people were apprehended or jailed.

This latter problem was not peculiar to the Jonathan administration. Every administration in Nigeria has been accused of corruption either while in office or after. In fact, no less a person than Sanusi Lamido Sanusi, Emir of Kano and former Governor of the Central Bank of Nigeria, has pointed out that multiple exchange rate regimes operating since 2015 have fueled corruption in the current administration. According to Emir Sanusi, "We have also created our own billionaires since 2015 from foreign exchange subsidies ... Think about it. I sit in my garden and make a few phone calls and get \$10 million at ₦197 per dollar and sell at ₦300 to the dollar, I will make a profit of ₦1.03 billion ... You don't need to be an economist to know that any system that allows you to sit in your garden and with a telephone call to make ₦1 billion without investing a kobo, that system is wrong."⁶ Morris Szeftel calls this an African phenomenon, where "it is difficult to think of a military coup or a political movement which did not accuse their opponents in government of corruption (or later themselves not face and merit similar charges)."⁷

Based on my experiences in government, for every coalition put together to fight corruption, there is an opposing coalition trying to persuade the President to block it. The anticorruption camp must expend a tremendous amount of effort to keep the top person focused so the fight is not derailed. Civil society organizations (CSOs) and media should be natural allies that can form coalitions of support for corruption fighters outside government, and in many countries, CSOs can and do raise the visibility of issues and demand action. Nigeria is no exception. CSOs were very active in the oil-subsidy issues and the fight against fraud in oil marketing, as noted earlier. This was very helpful. CSOs also focused on the budget and revenue leakages. But CSOs and the media also mirror the societies they are part of. In countries battling corruption, as we found in Nigeria, not all CSOs or media were transparent about their stance on corruption. Some of the organizations were owned by or were fronts for corrupt people. Some of them were NGIs—nongovernmental individuals—who distorted facts and muddled the waters. CSO coalitions need therefore to

be built with care, to actually support those fighting corruption, not undermine the fight.

Reflection 3: Corruption must be fought by those inside the country. It cannot be fought by outsiders. But country partners and donor agencies can play an important role.

Donor agencies, foundations, and international nongovernmental organizations (NGOs) are already substantially involved in fighting corruption in many countries in which they operate. The governance and anticorruption agenda has become an integral part of the business these organizations do and the ways they do business, with varying results and impact. This happens through a variety of instruments—by building knowledge and capacity, shaping policies, monitoring their own specific programs and projects, and building institutions. They also support civil society organizations that work to enhance transparency and good governance in government operations. The success of the various approaches varies from one country situation to the next and even from one project or program to another, depending on the commitment of the insiders to fighting corruption.

Our experience suggests that donors and partners can have real impact if they take time first to understand the political, social, and economic dynamics and context of the country in which they operate; understand the dynamics of corruption; and identify and support the leaders at all levels who are truly committed to transparency and fighting corruption and with whom they can work. They need to commit to supporting those leaders.

After that is done, two other steps are important. The first is to assist the corruption fighters with analytics to gather data. This might involve doing an institutional analysis to build the knowledge and evidence base to guide action. Areas of institutional weaknesses, missing institutions, systems, and processes that permit leakages of public funds should be identified.

The second is to commit to helping build those institutions. This requires a long-term perspective that includes willingness to commit catalytic resources over the long term. It might take ten years or more to build certain institutions, put in place the right systems and processes, and ensure they are operational before the task is done. Building a strong judiciary or anticorruption unit takes time. This typically does not fit with the three-, five-, or even seven-year time horizon of most

development projects and programs. This work is not sexy or visible. Institution building is difficult to measure because results cannot be immediately quantified in terms of lives saved, numbers of children educated, or kilometers of roads built. But it is the essential ingredient that saves billions of dollars and ensures the long-term sustainability of development results. It is certainly the key to breaking the back of corruption.

Citizens of developed countries are no more honest or corrupt than those in developing countries. They also have the same social networks of family, school, and club affiliations that can tempt them to engage in corrupt or opaque behavior. After all, the term “old boys’ network” was coined in Britain. The difference is that developed countries have built strong institutions that help prevent corruption and that apprehend and punish transgressors. In Nigeria, several systems—the Government Integrated Financial Management Information System (GIFMIS), Integrated Personnel and Payroll Management System (IPPIS), and Treasury Single Account (TSA) built for the federal financial system with the assistance of the World Bank, the United Kingdom’s Department for International Development (DFID), and the United States Agency for International Development (USAID)—are good examples of institution building that limits or stems corruption. These institutions need to be extended to state and local government levels where impunity is prevalent. To successfully fight corruption in Nigeria, there is still much to be done to strengthen federal, state, and local government institutions, including in the judicial and legislative branches. Donors and partners have a strong role to play.

External partners could also provide an external safety net for those who take risks fighting corruption. This can serve as a strong incentive to strengthen the hands of those on the front line and encourage others. This safety net could take the form of two- to three-year fellowships in think tanks and academic institutions abroad that would give beneficiaries the needed breathing space away from their adversaries and financial support for their families. It has been possible to raise support for anticorruption crusaders on a one-off basis. For example, when Nuhu Ribadu, the well-known Nigerian anticorruption crusader and first Chairman of the Economic and Financial Crimes Commission, needed to leave Nigeria in 2009, the government of Norway, the Center for Global Development (CGD), and the World Bank financed an eighteen-month fellowship for him at CGD. No donor, however, has a program or a systematic approach on this issue. Donors could finance

such fellowships by creating endowments with their own funds and supplementing them with private-sector contributions.

Reflection 4: Good communication and a well-thought-out game plan are important.

Good communication is necessary to generate support for reforms, including those aimed at fighting corruption. Yet the fight against corruption is in a special category where communicating too much or too early about strategy and approach can put information in the hands of opponents and pose a danger to those on the anticorruption team. This poses a dilemma. The key is getting the balance of openness and secrecy right, setting the tone so that people are aware that fighting corruption is being pursued seriously, distributing enough information about problem areas and targets, and ensuring transparency and equitable treatment of those who are involved. Sharing the results of reforms, including systems built, processes put in place, amounts of monies saved or recovered and the ways these funds have been deployed, and people prosecuted and jailed, is critical to building trust and support among the public.

In Nigeria, we never quite got the right balance in communicating about the anticorruption fight. The overall tone was not set, and although we held media briefings on particular anticorruption measures or results, we did not really communicate these as part of a systematic approach to building institutions. Nor did we systematically set out results. In some cases, such as the good work accomplished by the forensic audit, only one press conference was held, and the hesitation to communicate and share progress and results ended up causing us to lose the story, the audience, and the impact.

Part of the difficulty in getting the balance right was the threat of physical danger. The fraudulent oil marketers were part of a well-connected group of unscrupulous people. Another part of the problem was that some people within the system were not comfortable with more openness and transparency and therefore held us back. We could have done better. The communications gap created an opportunity for forces opposed to government reform to brand the reformers with an image of their choosing—the image of corruption. And it was not pretty.

Also contributing to the problem were communication failures of the Jonathan administration on other fronts—including the oil-subsidy

phaseout, the terrorist war against Boko Haram, and above all, the abduction of the Chibok school girls. With the Chibok abduction, where the government failed to get out front to explain its anguish and its strategy for finding the girls, there was a failure to master social media and deploy it to communicate key messages, especially to younger people (see appendix C for a personal account of the story of the Chibok girls and an emerging bright spot, the Safe Schools Initiative).

Yet successes were achieved. In addition to the gains made on fighting corruption, important achievements in the economy included rebasing and growing the economy, maintaining a stable exchange rate and single-digit inflation, creating jobs, and growing agriculture, manufacturing, and services. These achievements were virtually drowned out in a sea of adverse publicity. The lesson here is that important tools in the anticorruption arsenal include not only the implementation of key government policies and reforms but also a well-thought-out communications strategy with flexible but steady implementation.

To succeed requires a game plan—the elements of which we have tried to capture in this chapter and elsewhere in the book. In a society where a small elite is spreading corruption, it is not possible to fight everywhere at the same time or tackle every source of corruption. Part of the game plan is to focus on the most corrosive sources of corruption and analyze where you have the biggest financial leaks and the worst impact on the economy and society. After these sources are clear, try to identify the underlying institutional weaknesses and processes and systems that provide easy avenues for corruption. Figure out the solutions needed to correct the institutional weaknesses, their costs, and the sources of financing. Identify winners and losers from the anticorruption measures, and try to build coalitions of support with the winners. Push for punitive actions or consequences for losers who stand in your way. Have a strong communications strategy, but implement this flexibly and with balance to protect those in your coalition who are fighting with you. Above all, stand strong, and have staying power. Building institutions to fight corruption can be a long-term game.

Reflection 5: Fighting corruption can be done!

Finally, as I reflect on the journey that I have tried to describe so imperfectly in the pages of this book, it is clear to me that fighting corruption is indeed dangerous and risky. But it can be done! It requires

integrity, courage, determination, and relentless focus on results. And yes, it requires God's protection, for those of us who believe in higher powers. The successes we were able to achieve in Nigeria's complex environment should serve as encouragement to others that they too can make a difference, small or large, when they find themselves in corrupt environments. In Nigeria, where corruption seems a never-ending story, our achievements should be a signal to women and men of integrity that if they take the risk, they too can contribute to giving Nigerians the cleaner government they deserve.

Epilogue: The Battle Continues

Just as I was finishing writing this book, on March 7, 2017—9:30 in the morning Washington, DC, time, 2:30 in the afternoon Abuja time—my phone rang. It was my lawyer in Nigeria, sounding frantic. He said police were in my house in Abuja at that very moment. They had arrived with a search warrant and were already searching the house. He had received a call from my personal assistant, Mrs. Obi Ibrahim, who had tried but had not been able to reach me or my husband. Obi was in the house with my son Okechukwu and housekeeper Blessing, but all their phones had been seized and my lawyer was not sure I could still talk to them. Nevertheless, he urged me to try and call Obi's number because the police needed to get into my bedroom, but it was locked and Obi didn't know where the key was.

The police were threatening to break down my bedroom door. I was confused, tired, and a bit groggy after traveling from Zurich the night before. Why were the police searching my house? No one had contacted me to indicate I had any issue with the police. My lawyer again summarized the situation and said I needed to call Obi immediately, and when I tried her number, I was surprised to hear a voice say hello. I started speaking immediately in Igbo, saying, "Obi, let the police search the master bedroom. Open the door for them. Let me tell you where I left the key."

I suppose the phone was handed to Obi because she came on the line and said hello. I repeated my message, but before I could make sure she understood and could get the location for the key, the phone was cut off. I tried calling my son's number and that of the housekeeper. No one answered. It wasn't for another seven hours that I was able to talk to Obi, Okechukwu, and Blessing again.

They reported that about 12:30 p.m. Abuja time on March 7, a group of six police officers entered the compound and seized the phone from

the gatekeeper. Two officers guarded the gate while four—two men and two women—entered the house. They said that they were from the Special Anti-Robbery Squad, which was a police unit in the office of the Inspector General of Police, the highest-ranking police officer in the Federation, and that they had a warrant to search the house for illegal currency holdings. Nigeria had recently enacted a whistle-blower policy under which an informant can alert the authorities about illegal cash and receive 5 percent of any monies recovered, and evidently someone had reported that my son and housekeeper were hiding bags of currency in the house.

My son, Okechukwu, was stunned. He runs a foundation he set up in Nigeria that helps poor children in poor schools succeed in their education. He told the police there was no truth to this charge. When he was asked how much money he had in the house, he showed them ₦3,000 in Naira and \$7 in US dollars. They said they had to search the house. My son demanded to see a search warrant. The lead officer, who gave his name as Ben and did not give his last name, produced the warrant, which was issued by someone named Yunusa. The warrant listed three occupants of the house: Ngozi (no last name), Okechukwu (no last name), and Blessing Asuquo. Only my housekeeper had her full first and last name listed. I can only speculate about why my last name and my son's last name were not included on the warrant.

The police then proceeded to go from room to room and ransack the house. Mattresses were taken off beds, rugs were pulled off the floor, drawers and bookshelves were emptied. In a basement room, the police saw a lot of colorful raffia bags stacked in a pile, the type Nigerians call "Ghana must go bags" after the Ghanaian refugees who packed their belongings in such bags when they fled to Nigeria in the 1980s. Claiming that people stashed illegal cash in this type of bag, the police emptied a half dozen bags onto the floor. They were visibly upset when they found only old newspapers I had saved from the four years I was Finance Minister and other papers I had brought back from Washington, DC.

Then they forced open the door to my bedroom and found nothing but my husband's and my clothes and more papers and personal effects. The women asked Obi where my gold jewelry was stashed, and she told them I had very little gold, as I normally wear inexpensive artisanal beads. In the dressing room, they pulled out my jewelry cases and saw beads and a couple of simple gold jewelry sets. After ransacking the dressing room, the police grabbed several stacks of papers from

the room and said they had completed the search and were taking those papers with them. Obi insisted that an inventory be made of the papers they had confiscated. They said they had found no money in the house, were closing the search, and needed to have my son, my personal assistant, and my housekeeper accompany them to the police station to make statements.

At the station, Obi, Okechukwu, and Blessing each wrote a statement describing what had transpired in the house on that day. In addition, Obi prepared an inventory of the forty-five documents the police had taken from the house. Obi was asked to return the next day with a photocopy of the inventory of documents that she had prepared. Then they were released.

The next morning, Obi delivered the photocopy. One of the police officers pulled her aside and said the owners of the house should not be angry. The police were just doing their job. They had only been carrying out orders and they were in trouble because they had reported that they found nothing. She should tell me to keep calm: it was nothing but politics!

So under the cover of the whistle-blower policy and on the unsubstantiated excuse that my thirty-two-year-old son was hiding money, someone had ordered the invasion and ransacking of my house. And whoever had delivered those orders was now angry because nothing had been found!

Here is a case of a government policy that was designed to curb corruption but was seemingly being perverted to settle scores and intimidate. To protest this action and the violation of their rights, attorney Munachiso Michael filed a complaint on behalf of Blessing Asuquo, Obi Ibrahim, and Okechukwu Iweala with the National Human Rights Commission on March 17, 2017 (Registration No. C/2017/5472–5474).

The invasion of my house under the pretext of the whistle-blower policy showed the lengths to which the powerful, corrupt people we fought would go to harass and intimidate. But their continued pursuit of me also showed that the anticorruption fight had landed a blow. In a perverse way, it was a sign of encouragement to me that progress was being made in the fight against corruption.

Appendix A: Selected Nigerian Articles and Blogs about Ngozi Okonjo-Iweala, 2011 to 2016

The following Nigerian articles and blogs, listed in chronological order, represent coverage of my comments on oil theft and revenue leakage from the oil sector and negative coverage of my fight against corruption.

2011

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Appendix B: Tables for Chapters 4 and 7

Table B4.1

Nigerian federal revenue allocations to states through the Federal Accounts Allocation Committee, 2011 to 2014 (US dollars)

State	2011	2012	2013	2014	Change 2013–2014 (percent)
Abia	\$123,147,704	\$341,872,319	\$385,177,302	\$317,891,288	-17.5%
Adamawa	129,576,284	338,639,339	363,636,394	295,792,880	-18.7
Akwa Ibom	611,934,635	1,667,373,787	1,887,326,615	1,425,767,491	-24.5
Anambra	132,515,801	346,780,049	372,864,241	300,694,279	-19.4
Bauchi	151,286,984	394,784,216	426,229,037	345,420,354	-19.0
Bayelsa	481,508,713	1,178,321,009	1,332,545,429	942,522,737	-29.3
Benue	140,433,722	367,086,837	396,262,676	323,191,006	-18.4
Borno	153,102,750	399,037,443	431,202,996	360,651,843	-16.4
Cross River	136,345,708	341,817,502	351,381,398	294,492,142	-16.2
Delta	567,046,857	1,399,419,600	1,485,456,998	1,099,761,137	-26.0
Ebonyi	108,540,476	284,831,042	308,954,219	254,967,538	-17.5
Edo	162,160,319	418,863,722	462,160,991	365,329,459	-21.0
Ekiti	109,380,227	287,420,175	311,436,227	255,236,830	-18.0
Enugu	116,966,523	323,032,844	350,270,344	298,678,506	-14.7
Gombe	115,423,950	301,826,651	327,986,230	268,351,643	-18.2
Imo	154,335,064	396,424,390	428,850,501	340,081,022	-20.7
Jigawa	143,347,920	375,914,058	404,453,154	333,784,741	-17.5
Kaduna	164,582,044	430,776,806	465,253,404	381,019,082	-18.1
Kano	206,966,869	543,869,218	586,313,811	477,669,372	-18.5
Katsina	156,596,781	410,184,464	442,219,909	365,868,766	-17.3
Kebbi	130,382,955	341,187,573	368,964,529	310,451,358	-15.9
Kogi	130,274,763	340,890,969	370,571,875	319,554,963	-13.8
Kwara	113,014,969	294,088,503	316,606,643	257,628,634	-18.6
Lagos	299,340,119	812,471,418	878,354,765	750,730,784	-14.5
Nassarawa	110,704,039	289,756,304	314,914,974	264,171,704	-16.1

Table B4.1 (continued)

State	2011	2012	2013	2014	Change 2013–2014 (percent)
Niger	150,409,980	391,664,750	421,437,964	335,046,552	-20.5
Ogun	127,946,733	335,983,929	358,275,257	282,137,276	-21.3
Ondo	196,524,677	499,751,613	554,606,765	416,247,379	-24.9
Osun	121,606,642	318,255,441	342,344,832	258,897,146	-24.4
Oyo	152,983,839	400,488,389	428,234,022	338,665,998	-20.9
Plateau	127,531,812	333,864,720	362,437,002	307,276,057	-15.2
Rivers	631,853,472	1,520,190,701	1,584,339,042	1,083,003,117	-31.6
Sokoto	135,101,640	354,060,988	383,526,216	324,302,349	-15.4
Taraba	126,608,131	331,045,596	353,984,880	282,350,839	-20.2
Yobe	125,627,531	328,839,550	353,904,794	290,099,802	-18.0
Zamfara	127,419,255	334,113,012	360,568,838	293,998,644	-18.5
Total, States and Local Government Councils	\$6,872,603,797	\$17,775,795,194	\$19,273,270,983	\$15,161,734,713	-21.3%
Total, Federal Government of Nigeria	\$10,308,513,251	\$28,531,273,071	\$22,769,595,779	\$20,279,721,015	-10.9%

Source: Nigerian Office of the Accountant General of the Federation.

Table B4.2

Nigerian federal revenue allocations to eight states compared to revenues of selected African countries, 2014 (US dollars)

African country	Nigerian state	Revenue
Rwanda		\$1,900,456,968
Niger		1,896,770,681
Benin		1,670,826,700
Guinea		1,491,684,538
	Akwa Ibom	1,425,767,491
Swaziland		1,353,251,198
Lesotho		1,344,019,266
Madagascar		1,326,690,211
Malawi		1,319,997,015
	Delta	1,099,761,137
	Rivers	1,083,003,117
	Bayelsa	942,522,737
Togo		907,926,688
Burundi		825,774,119
	Lagos	750,730,784
Sierra Leone		684,327,402
Liberia		610,814,189
Eritrea		586,723,152
Seychelles		503,105,719
	Kano	477,669,372
Cape Verde		426,708,724
	Ondo	416,247,379
	Kaduna	381,019,082
Central African Republic		268,885,044
Guinea-Bissau		233,051,832
Comoros		166,542,788
São Tomé and Príncipe		87,638,621
The Gambia		84,980,564

Source: International Monetary Fund, *World Revenue Longitudinal Data*; Nigerian Office of the Accountant General of the Federation.

Table B4.3

Nigerian external debt by state, 2013 and 2015 (US dollars)

State	2013	2015	Change 2013–2015 (percent)
Abia	\$34,180,112.33	\$41,502,309.09	21.42%
Adamawa	30,556,441.13	49,056,440.81	60.54
Akwa Ibom	61,841,809.85	52,717,441.23	-14.75
Anambra	30,323,574.40	60,781,525.58	100.44
Bauchi	70,582,915.21	85,335,689.10	20.90
Bayelsa	28,662,160.25	37,602,856.36	31.19
Benue	30,722,987.68	35,700,600.77	16.20
Borno	15,585,332.20	23,189,858.24	48.79
Cross River	121,966,922.51	136,403,069.67	11.84
Delta	19,665,800.31	38,792,421.97	97.26
Ebonyi	43,314,886.43	47,166,600.06	8.89
Edo	44,292,718.14	168,186,197.48	279.72
Ekiti	37,237,967.18	54,982,558.30	47.65
Enugu	53,166,642.89	71,828,840.62	35.10
Gombe	33,652,015.79	39,822,769.29	18.34
Imo	52,712,924.49	59,163,843.12	12.24
Jigawa	35,846,252.03	34,085,704.85	-4.91
Kaduna	241,309,864.17	226,368,167.93	-6.19
Kano	63,897,444.17	57,612,298.94	-9.84
Katsina	73,725,662.92	72,153,818.01	-2.13
Kebbi	46,855,525.42	45,275,904.28	-3.37
Kogi	33,960,974.29	33,632,106.66	-0.97
Kwara	45,871,785.31	51,032,662.69	11.25
Lagos	938,135,517.81	1,207,900,597.65	28.76
Nawarawa	47,648,079.92	53,066,146.92	11.37
Niger	31,750,342.66	44,780,717.63	41.04
Ogun	116,802,098.95	103,331,349.94	-11.53
Ondo	52,134,726.59	52,089,561.21	-0.09
Osun	61,838,048.10	76,896,131.15	24.35
Oyo	80,201,551.16	66,754,604.54	-16.77
Plateau	22,674,216.60	30,474,421.99	34.40
Rivers	42,690,633.60	46,922,403.74	9.91
Sokoto	44,111,989.86	41,946,527.11	-4.91
Taraba	23,554,326.97	22,934,478.17	-2.63
Yobe	33,033,729.59	30,456,120.37	-7.80
Zamfara	32,292,716.69	34,919,653.15	8.13
Federal Capital Territory	39,218,574.39	35,044,755.92	-10.64
Federal Government of Nigeria	6,005,796,877.91	7,348,520,340.26	22.36
Total	\$8,821,816,149.90	\$10,718,431,494.80	21.50%

Source: Nigerian Debt Management Office.

Table B4.4

Domestic debt by states, 2013 and 2015 (Nigerian Naira)

State	2013	2015	Change 2013–2015 (percent)
Abia	₦31,736,723,709.99	₦33,530,526,404.80	5.65%
Adamawa	15,976,516,325.57	47,201,622,579.96	195.44
Akwa Ibom	125,037,037,605.70	147,575,744,158.56	18.03
Anambra	3,025,797,046.67	3,575,774,874.94	18.18
Bauchi	16,825,508,391.99	57,652,771,752.74	242.65
Bayelsa	69,513,133,900.54	103,374,234,640.82	48.71
Benue	24,987,874,907.59	39,944,214,752.45	59.85
Borno	23,943,150,000.00	22,338,730,000.00	-6.70
Cross River	116,061,634,844.18	115,522,252,057.76	-0.46
Delta	102,100,201,248.42	320,605,705,560.12	214.01
Ebonyi	13,236,092,949.91	34,168,940,626.65	158.15
Edo	48,190,150,127.26	46,289,079,475.93	-3.94
Ekitti	22,376,368,393.61	52,564,975,851.05	134.91
Enugu	12,061,395,495.12	37,550,234,882.49	211.33
Gombe	27,992,839,304.52	53,454,395,426.58	90.96
Imo	12,633,534,789.87	71,743,513,593.94	467.88
Jigawa	1,612,286,807.20	22,194,825,541.33	1276.61
Kaduna	9,831,844,875.14	49,847,912,415.07	407.00
Kano	32,207,008,565.09	65,007,329,454.77	101.84
Katsina	269,653,436.00	11,495,034,109.56	4162.89
Kebbi	853,678,192.00	63,793,338,564.49	7372.76
Kogi	7,109,873,890.72	42,034,626,226.84	491.21
Kwara	22,416,654,388.02	31,966,815,195.18	42.60
Lagos	278,867,066,559.64	218,538,866,537.99	-21.63
Nawarawa	28,848,544,842.82	40,557,054,662.42	40.59
Niger	24,731,746,161.25	21,501,786,900.47	-13.06
Ogun	58,381,996,066.07	75,921,433,395.59	30.04
Ondo	30,883,178,135.70	26,647,789,528.58	-13.71
Osun	41,400,000,000.00	144,699,560,798.75	249.52
Oyo	19,106,047,344.26	47,437,006,181.97	148.28
Plateau	52,416,334,018.77	96,204,851,687.47	83.54
Rivers	129,549,646,455.00	134,966,595,276.76	4.18
Sokoto	5,739,570,055.40	11,658,206,030.82	103.12
Taraba	13,883,978,775.15	27,646,234,687.08	99.12
Yobe	1,122,635,101.66	3,867,455,411.90	244.50
Zamfara	28,217,646,668.06	46,280,694,674.28	64.01
Federal Capital Territory	84,324,102,643.49	133,900,288,428.20	58.79
Total	₦1,537,471,452,022.38	₦2,503,260,422,348.31	62.82%

Source: Nigerian Debt Management Office.

Table B4.5

Salaries and allowances for legislators: A comparison of Nigeria and other countries

	United States		United Kingdom	India	Tanzania	Singapore	Nigeria		Kenya	Philippines	Australia
	House	Senate					House	Senate		Senate	
Annual basic salary	\$174,000	\$174,000	£67,060	\$25,758	\$84,000	\$116,986	\$9,926	\$10,132	\$61,964	\$23,414	\$195,130
Allowances for office expenses (average) ^a	\$1,255,909	\$3,235,422	£427,225	\$27,936	\$133,200	\$136,483	\$156,813	\$174,829	\$111,585	\$204,543	\$451,100
Constituency Development Fund (CDF) ^b	—	—	—	\$420,790	\$13,761	—	\$1,460,000 ^b	\$1,460,000 ^b	\$794,464	\$4,270,000	—
Total	\$1,429,909	\$3,409,422	£494,285	\$474,484	\$230,961	\$253,469	\$1,666,739	\$1,684,961	\$968,013	\$4,497,957	\$646,230

Notes: a. Includes expenses for staff, mail, and travel. b. The Constituency Development Fund (CDF), as captured here for other countries, is not applicable to the Nigerian National Assembly. Instead, the entire amount of salaries and allowances for Nigerian legislators and the costs for running the National Assembly are reported in a single line item entitled "first line charge." This totaled ₦150 billion in 2015. If the amount for basic legislator salaries and benefits is deducted, this amount becomes ₦135 billion. On a per capita basis, this amounts to ₦288 million (\$1,460,000) worth of National Assembly support per legislator. Nigerian legislators also have a separate allocation in the capital budget for constituency projects. — = not applicable.

Source: National Institute for Legislative Studies, "Legislators' Salaries and Allowances: A Cross-Country Comparison," Nigerian National Assembly, July 10, 2015, <http://nils.gov.ng/docs/legislators-salaries-and-allowances.pdf>; Mark Baskin, *Constituency Development Funds (CDFs) as a Tool for Decentralized Development* (Nairobi: State University of New York Center for International Development, SUNY/CID, 2010).

Table B7.1

Nigeria by the numbers: Selected macroeconomic indicators

a. GDP, oil and nonoil GDP, budget deficit, debt, current account, and foreign reserves, 2005 to 2017 (projected)													
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017 projected
GDP (current prices, US\$ billion)	\$169.64	\$222.791	\$262.215	\$330.260	\$297.458	\$369.062	\$414.095	\$460.952	\$514.965	\$568.496	\$493.841	\$405.952	\$400.621
GDP (constant prices, % annual change)	7.008%	6.726%	7.318%	7.199%	8.353%	11.259%	4.887%	4.279%	5.394%	6.310%	2.653%	-1.541%	0.833%
Oil GDP (% annual change)	0.5%	-4.5%	-4.5%	-6.2%	0.5%	5.0%	-2.2%	-4.9%	-13.1%	-1.3%	-5.4%	-13.6%	-7.8%
Nonoil GDP (% annual change)	8.6%	9.4%	9.5%	9.0%	8.3%	8.4%	8.3%	5.9%	8.3%	7.3%	3.6%	-0.3%	0.2%
Inflation (% change in CPI) ^a	17.856%	8.218%	5.401%	11.581%	12.536%	13.742%	10.825%	12.225%	8.495%	8.048%	9.010%	15.699%	17.350%
Budget deficit ^b	4.908%	8.695%	-1.067%	5.701%	-5.365%	-4.235%	0.245%	0.092%	-2.472%	-2.211%	-3.527%	-4.427%	-5.049%

Table B7.1 (continued)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017 projected
Gross debt (% of GDP)	18.927%	7.708%	8.116%	7.276%	8.617%	9.597%	12.629%	12.539%	12.609%	10.605%	12.112%	18.621%	23.263%
External debt (US\$billion) ^c	—	—	—	—	—	—	\$5.667	\$6.527	\$8.822	\$9.711	\$10.718	\$11.406	—
Current account balance (% of GDP)	21.53%	16.39%	10.54%	8.83%	4.66%	3.55%	2.58%	3.77%	3.70%	0.16%	-3.19%	0.65%	0.99%
Foreign reserves (US\$billion)	\$28.3	\$41.8	\$51.3	\$53.0	\$42.4	\$32.3	\$32.6	\$43.8	\$42.8	\$34.3	\$28.3	\$27.0	\$27.1
Exchange rate ^d	128	126	116	130	147	148	156	155	155	167	197	304	—

Notes: a. CPI stands for Consumer Price Index. b. Net lending and borrowing as percent of GDP. c. External debt from the Nigerian Debt Management Office, reported December 31 of each year, <https://www.dmo.gov.ng/debt-profile/total-public-debt>. d. Exchange rates (US dollar to Nigerian Naira) from the Central Bank of Nigeria, reported December 31 of each year, <http://www.cbn.gov.ng/rates/ExchangeArchives.asp>. — = not available.

Sources: International Monetary Fund, *World Economic Outlook Database*, accessed July 2017, <https://www.imf.org/external/pubs/ft/weo/2017/01/weodata/weoselgr.aspx>; International Monetary Fund, *Article IV Consultations for Nigeria*, various years, <http://www.imf.org/external/country/NGA/index.htm?type=9998#56>.

Table B7.1 (continued)

b. Value added by sector: Agriculture, industry, manufacturing, and services, 2010 to 2015 (percent of GDP)

Sector	2010	2011	2012	2013	2014	2015
Agriculture	23.90%	22.30%	22.10%	21.00%	20.20%	20.90%
Industry	25.30	28.30	27.30	26.00	24.90	20.40
Manufacturing	6.55	7.12	7.79	9.03	9.75	9.53
Services	50.80	49.40	50.60	53.00	54.80	58.80

Source: World Bank, International Bank for Reconstruction and Development/International Development Association, *DataBank*, <http://databank.worldbank.org/data/reports.aspx?source=2&country=NGA>.

c. Sectoral growth: Agriculture, industry, manufacturing, and services, 2010 to 2015 (annual percent change)

Sector	2010	2011	2012	2013	2014	2015
Agriculture	5.82%	2.92%	6.70%	2.94%	4.27%	3.72%
Industry	5.95	8.39	2.43	2.16	6.76	-2.24
Manufacturing	7.57	17.82	13.46	21.80	14.72	-1.46
Services	12.40	4.90	3.97	8.38	6.85	4.78

Source: World Bank, International Bank for Reconstruction and Development/International Development Association, *DataBank*, <http://databank.worldbank.org/data/reports.aspx?source=2&country=NGA>.

Appendix C: The Tragedy of the Missing Chibok Girls and an International Initiative to Keep Schools Safe in Nigeria

One of Nigeria's greatest tragedies and a stain on the reputation of the Goodluck Jonathan administration was the kidnapping of 276 girls from the Chibok School by Boko Haram terrorists on the night of April 14, 2014. I was in Mexico City, cochairing a conference of the Global Partnership for Effective Development Cooperation with Justine Greening, the United Kingdom's Secretary for Development Cooperation. During a coffee break on the morning of April 15, I noticed a buzz among participants. Several people rushed over to me and asked, "Are you aware of what is happening in Nigeria?" and told me that 276 girls had been kidnapped from a school in the north of my country!

I was shocked. My reaction seemed to echo the shock waves traveling throughout the room. How does anyone, even a terrorist organization, kidnap that many girls? When I checked my e-mails, I saw that my staff had sent me several urgent messages alerting me to the incident. Now fellow participants were asking me what my government was doing to rescue the girls. I had no answers but knew this was extremely important, so I decided to go to the highest authority and find out. I phoned President Jonathan and was heartened when "Control" put me through on the first try.

When the President came on the phone, he sounded tired. It was easy to sense the fatigue in his voice. I told him what I had heard in Mexico and the reaction of participants. The President confirmed that the kidnapping had happened, that they were still trying to determine with the state authorities exactly what happened, and that the total number of girls taken was still not known. He told me that it seemed the girls had been taken to a Boko Haram hideout in the Sambisa forest. He went on to say that he could not imagine how even a terrorist organization could stoop so low. He could not imagine how he would feel if his two daughters were abducted like that.

I could sense that the President was pained. I asked him what could be done to rescue the girls. He said that he was discussing the abduction with security people and the situation presented a dilemma. If the military went in by air, they might end up killing the girls as well as the Boko Haram terrorists, or Boko Haram might slaughter the girls if they felt the government closing in. The approach to rescue needed some thought, he said.

Then he made a statement that startled and touched me. He said “CME, we must get those girls out alive! I don’t care what they say about me, but I don’t want those girls dead. We must get them back alive.” The statement was deep and heartfelt and gave me a great sense of comfort that I had not felt earlier. I thanked the President and returned to the conference, where I shared the security dilemma and news of the planning underway to rescue the girls with participants who had shown concern.

Two days later, I returned to Nigeria to a media frenzy. Opinion was divided as to who was responsible for this national catastrophe. State and local government officials had decided to hold a national examination in the school against advice from federal government, which led the girls to stay in the school’s boarding facilities with no electricity or adequate security. But the federal government was responsible for the overall security of the country.

Lots of finger pointing was going on, but there was little mention of what the government felt or was planning to do to rescue the girls. There was no mention of the personal anguish I had heard the President express about the disappearance of these girls. There was a serious communication problem, and it was making the government look as if it did not care. Nigerians took to social media to express their anger and frustration at what they perceived to be a lack of government response.

On April 23, 2014, a lawyer in Abuja, Ibrahim M. Abdullahi, first used the hashtag “#BBOG” (Bring Back Our Girls), and a movement was born. On April 30, hundreds of people marched through Abuja to protest what they termed government indifference to the mass abduction. In the meantime, the international media swarmed Abuja, giving heightened international attention to the issue. In a CNN interview, I tried to express the horror felt by many in government, to let Nigerians and outsiders know that we cared deeply and confirmed that the government was actively looking at a response. I also appealed to any governments that could help us to do so. But there was still no official

systematic engagement to communicate the government's thinking or actions, which raised suspicions of indifference and seriously harmed the government's reputation.

By the time the President publicly addressed the issue on May 4, asking for help, the government had lost much domestic and international goodwill. As the #BBOG movement became a global campaign, the political opposition seized on government's mistakes and used the #BBOG rallying cry to further tarnish the government's image.

The tragic incident became increasingly politicized in Nigeria, while world figures, like US first lady Michelle Obama, joined the #BBOG campaign. On May 7, Michelle Obama tweeted, "Our prayers are with the missing Nigerian girls and their families. It's time to #BringBack-OurGirls" and was photographed displaying a #BBOG sign.

In the midst of this domestic and global campaign, I began to talk to the President about what we could do to support the Chibok girls and their parents and prepare for the day the abducted girls returned. Fifty-seven girls had jumped off the Boko Haram trucks carrying the abducted girls and escaped when they realized what was happening. We could support those girls in regaining their lives while planning for the return of their schoolmates. We also could work on how to protect other vulnerable children in the North East from being abducted.

The President suggested that we could rebuild the Chibok school, which Boko Haram had burned down, to prepare for the girls' return. In light of ongoing security challenges, it would be wise to use the army for this effort, he said.

While we were discussing this, I got a call from the Rt. Hon. Gordon Brown, former UK Prime Minister and now the UN Secretary General's Special Envoy on Global Education, an old friend, asking how he could help. Gordon was interested in how to make schools and learning safer for children in Nigeria. He said he could try to rally the international community to support this goal and raise resources to make schools safer if the government signed on. He also offered to help get private sector support for the initiative. Through the Global Business Coalition for Education, which was run by Sarah Brown and included a number of Nigerian business people, we could create a public-private partnership to deliver on safe schools. I was grateful for Gordon's help, and the President supported the ideas, which meshed nicely with those we had been discussing. The Safe Schools Initiative was born.

The initiative was formally launched on May 7, 2014, at the World Economic Forum Africa held in Abuja. The focus would be on school

and community interventions to protect at-risk and vulnerable children, protect school buildings, and train school safety personnel and counselors. It was launched as a national initiative and initially focused on children in the North East and five hundred pilot schools in the north. Rebuilding the Chibok school would be a special project within the Safe Schools Initiative umbrella. The Nigerian private sector, led by billionaire businessman Aliko Dangote and publishing magnate Nduka Obaigbena, pledged a kickoff grant of \$10 million, and the government immediately pledged a matching grant. President Jonathan created a steering committee jointly chaired by Gordon Brown and me and including donors (Germany, Norway, United Kingdom, the African Development Bank, the United Nations Development Programme, UNICEF, and others), representatives from the private sector, state governors from the pilot North East states along with their Commissioners of Education, and relevant federal government agencies (such as the National Emergency Management Agency). The initiative would be housed in the Ministry of Finance.

During this period, the President invited the fifty-seven girls who had escaped and their parents and guardians to visit him at the presidential Villa. The girls told us about their harrowing ordeal, which was the first time we had heard a firsthand account of what happened.

The girls were in the school dormitories in the dark when men dressed in Nigerian army uniforms rounded them up, saying they had come to rescue them from an imminent Boko Haram attack. The students were terrified and thought that Nigerian soldiers were taking them to safety. Not until they marched a few miles, were loaded onto trucks, and overheard the men's conversation did they realize they were in the hands of Boko Haram and in grave danger. Those who had the courage jumped off the trucks and ran into the nearby bush to escape. The girls' story was devastating for all of us to hear.

After their presentation, I spoke with some of the girls and asked them what they needed and how we could support them. While it was obvious that counseling was a top priority, and we later added this to the tools we had included in the Safe Schools Initiative, they repeated what they had told the President: that their greatest concern was rescuing the remaining girls. The President made clear that the government's top priority was to rescue the remaining girls and support the fifty-seven escapees and their families.

Following up on this pledge, I asked the girls about their desire to return to school. Several girls were eager to resume learning—although

in other parts of the country. The Safe Schools Initiative supported some of these girls in boarding schools in places like Jos. The initiative reassigned, on a voluntary basis, more than two hundred other children from the North East to safer boarding schools elsewhere in the north. We supported learning for children in Internally Displaced Persons (IDP) camps in Maiduguri, Yola, and elsewhere through UNICEF's work with schemes such as "school in a bag," which provides students and teachers with learning materials.

Despite an intense social media campaign and help from several governments such as the United States and United Kingdom, months passed and the missing girls were not found. The media scrutiny was intense, and the reporting on government action or inaction was sometimes brutal. As the government continued its search for the missing girls, communication missteps also continued. At one point, it was incorrectly announced the girls had been found, giving false hope. Then there was news that negotiations were being held to release them, and again this came to naught.

In a July 3, 2014, interview with Christiane Amanpour of CNN, I talked about this communication problem and tried to focus on the Safe Schools Initiative. But as long as the girls were missing, even positive steps were of secondary importance. We pressed on with the work of the initiative, determined to honor the girls by working to make other young people safer in schools.

Because Boko Haram was still active in Borno state, including occasional suicide bombings in Maiduguri, the capital, not many people wanted to travel there. But the Safe Schools Initiative team decided that we needed to be on the ground to talk to the children and parents we were trying to assist and see what would be needed to protect vulnerable schools.

On June 18, I visited Maiduguri with a team of experts from the Safe Schools Initiative, including consultants financed by the United Kingdom's Department for International Development, and we worked closely with the state Governor, Deputy Governor, and other local officials. The situation in Maiduguri looked dire. We saw several bombed-out schools in the city. Children had not been to school for two years and were everywhere on the streets. We began identifying what was needed to get schools back in operation in a safe environment and what we could do to promote learning in the internally displaced persons camps while waiting for schools to be restored. For physical reconstruction, we needed fire-retardant materials, better lighting, protective

walls, early warning systems, and other safety features. We also met with the principal of the destroyed Chibok girls' school, who had been away in Maiduguri when the girls were abducted, and began discussions about how the Chibok school might be rebuilt.

On March 5, 2015, I became the first high-ranking government official and the first minister to visit Chibok. The President deputized me to represent him when at the last minute he had to cancel a planned trip to meet with the parents of the missing girls and lay the foundation stone for a rebuilt school. It was an honor but terrifying because Boko Haram was still active in the Chibok area, marauding on the highways.

Because the roads were mostly closed off by the army, we boarded large Ukrainian helicopters and flew for almost two hours from Yola. An Alpha jet hovered above us for protection. On the ground, we were met by Colonel Adamu, the army battalion commander in Chibok, and by Brigadier General Mshelia, commander of the sector. I traveled with a Safe Schools Initiative team, including Sani Sidi, the Director General of the National Emergency Management Agency. We were accompanied by the General commanding the Army Corps of Engineers, Brigadier General E. Eruwa, and by Air Commodore Otegbade. The Army Corps of Engineers had been designated by the President to reconstruct and improve the school with all the features of a safe school. We were also accompanied by the principal of the Chibok School and Dr. Danladi, a young Chibok doctor whom I had met when he fled to Abuja.

We toured Chibok town and saw many padlocked houses and empty compounds, the owners having run away to Maiduguri or other parts of the country. But large numbers of people and virtually all the parents of the missing girls were still there. I met the father of one of the missing girls whose wife Esther had fled Chibok, no longer able to bear the memories of her missing daughter, and now worked in my office in Abuja as a clerk.

The people of Chibok gathered to meet us with mixed emotions. When I addressed them and listened to their responses, I could see gratitude and relief because the President had finally sent a high-level official to represent him on the ground, meaning that he cared. I could see anger because it had taken so long and the girls were still not found. And I could sense the weariness and resignation because it would be almost too much to hope for the girls' safe return. There were lots of tears, including from me, as I gave them the President's message

of hope—that the girls were still being searched for, they would be found and brought home, and therefore we must prepare for them by rebuilding the school.

The parents reiterated that their priority was finding their girls but welcomed the President's gesture of rebuilding. They requested to be fully consulted and integrated into the work plans and be employed as labor for the project, given the high unemployment in the town—another casualty of the Boko Haram insecurity. With the commander from the Army Corps of Engineers there, we were able to agree, on the spot, that the army would meet their demands. With that settled, we went to the burned-out school and laid the foundation stone for reconstruction.

On March 28, 2015, Nigeria held its presidential elections and the opposition party won. The work on the Safe Schools Initiative ground to a halt. At the Finance Ministry, where the initiative was housed, we prepared careful handover notes, with the hope that work would be continued under the new government. I believe work is ongoing under a reshaped approach for the North East.

In December 2016, the world heard the joyful news of the negotiated release of twenty-one more Chibok girls, giving rise to the hope the rest would soon be found and set free. On May 7, 2017, eighty-two more girls were released following successful negotiations between the Buhari administration and Boko Haram representatives. About 116 Chibok girls are still missing, and Nigerians and the rest of the world still hold out hope for their release.

Notes

Preface

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