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International Development Committee

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Summary

Nigeria is the most populous country in Africa. 20% of Africa's poor people are Nigerian. It is a country with huge oil wealth yet half the population still lives in poverty and its northern states have the worst human development indicators of any region which is not affected by conflict. If Nigeria fails to make significant progress, the Millennium Development Goals which aim to improve people's lives through poverty reduction and increased access to basic services, are unlikely to be achieved globally.

The Department for International Development (DFID) has significantly increased its allocation to Nigeria in the seven years since the Committee's last visit. Funding for 2009-10 is £120 million, up from £20 million in 2001-02, making it DFID's fourth largest programme in Africa. The need is clear: one child in five dies before it reaches its fifth birthday; Nigeria has 2% of the world's population but suffers 10% of maternal deaths; and it has the highest number of children who are not enrolled in school of any country in the world, the majority of whom are girls. These factors are a key contributor to Nigeria being off-track on all the Millennium Development Goals.

The obstacles to promoting effective poverty reduction in the country are huge. Oil wealth has distorted the economy and has discouraged growth in other sectors. Competition for a share of oil wealth dominates politics, feeds corruption, and diverts attention away from improving governance, management of public finances and delivery of basic services, all of which suffered under 30 years of military rule. Religious and ethnic diversity contribute to regional disparities in wealth and sometimes give rise to conflict and violence.

DFID's programme focuses on building the capacity of the Federal, State and local government in Nigeria to provide the services which its people need and to do this in a transparent way with proper systems for accountability. The vastness of the country, the problems of very poor governance and high levels of corruption in some States, and the need to focus resources where they will have most impact justifies DFID's approach of operating only in selected States where the government has shown willingness to reform.

DFID's partnership with the World Bank, which now also includes the US Agency for International Development (USAID) and the African Development Bank, offers the opportunity for donors to have an impact in a country where aid represents only 1% of GDP. The new Country Partnership Strategy provides a clear focus for DFID's work over the next three years and sets outs sensible priorities. These include assisting States to generate employment for the many young men who are currently without jobs, which wastes their potential and leaves them open to exploitation by those interested in using violence and disruption to promote their own interests.

Nigeria's dependence on oil wealth has made it vulnerable to the volatility in oil prices over the last year. The impact of falling prices is compounded by the instability in the oil-producing Niger Delta region where the poor conduct of oil companies and the failure of State authorities to use their substantial resources to benefit their citizens has allowed violence, kidnappings and abuse of the rights of local people to flourish. Resolution of the conflict and instability in the Delta must be a priority for the Federal Government, supported by donors, including DFID.

Nigeria's oil wealth should be used systematically to fund the country's development. It is right for donors to provide aid to Nigeria at the relatively low level of 1% of GDP to encourage

reform, but it would not be sensible to raise the volume of aid to that received by other poor African countries while corruption and poor governance remain such significant barriers to poverty alleviation.

The challenges for DFID of operating in Nigeria should not be minimised. But its work is having a significant impact in demonstrating what can be achieved, in supporting the Nigerian authorities to make necessary reforms, and in bringing much-needed basic services to the Nigerian people. It is, however, important to be realistic about what can be achieved: change is likely to continue to be incremental and slow until the Nigerian authorities provide stronger leadership for reform.

Given the poor standards of Nigeria's governance, it is doubly important that DFID has the necessary mechanisms in place to ensure that its funding is not misused and that its impact is not blunted by the weaknesses of domestic structures. Nigeria's regional and global significance and the scale of the human need justify the UK's continuing engagement. DFID must be able to demonstrate that its investment is making a worthwhile contribution to poverty reduction and improving the lives of Nigeria's poorest people.

1 The inquiry

1. Nigeria has the largest population of any country in Africa and is the eighth most populous country in the world.[1] Despite, or perhaps because of, oil wealth, poverty levels are high with more than half of its 150 million people living on less than $1 a day and one in five children dying before the age of five. However, for reasons which this report will make clear, the country receives relatively little development assistance per capita (around $6) compared to the average for sub-Saharan Africa (over $20). The Department for International Development's (DFID's) programme in Nigeria has increased from £35 million in 2003–04 to £120 million in 2009–10.[2]

2. The country's importance to West Africa and to the continent as a whole, and the size of DFID's programme there were the main reasons for us embarking on our inquiry, which we first announced in January 2008. Our intention then was to visit Nigeria in March of that year. Unfortunately, due to urgent business in the House of Commons, we were not able to leave Westminster and the visit had to be cancelled. Given the importance we place on seeing DFID's work on the ground and speaking to the people who are directly affected by it, we decided to postpone the inquiry until we were able to make the visit.

3. We relaunched the inquiry in April this year. We were able to make our visit to Nigeria in June and on our return held three sessions of oral evidence at Westminster, with academics and commentators, non-governmental organisations (NGOs), and with the DFID Minister (Gareth Thomas MP) and officials. We also received a number of pieces of written evidence. We are grateful to all those who contributed to our inquiry.

Our visit to Nigeria

4. We visited Nigeria from 10-18 June. We went first to Lagos, then travelled north to Kano State and ended our visit in Abuja. We met State and Federal Ministers and officials, NGOs, other donors and a wide range of Nigerian people living in both urban and rural settings. Our full visit programme is set out as an Annex to this Report. Due to time constraints and security considerations, we did not visit the Niger Delta region, but we did receive evidence on the particular issues affecting the region which informed the inquiry. We would like to express our thanks to everyone we met in Nigeria for the contribution they made to such an interesting and valuable visit, and particularly to the DFID officials who arranged our programme.

Structure of the Report

5. In Chapter 2 we examine the context in which DFID operates in Nigeria and how its country programme is structured. Chapter 3 looks at provision of basic services, including health and education. Chapter 4 analyses the challenges Nigeria faces in relation to governance. In Chapter 5 we assess the impact of oil wealth on Nigeria, how it might be better managed to benefit the Nigerian people, and the causes of the conflict in the Niger

1 Growth and Employment in States Technical Annex, April 2009, DFID Nigeria (not printed)

2 Ev 52-53

Delta. In the concluding chapter, we set out our views on DFID's future engagement with Nigeria.

2 Introduction

Nigeria's regional and global significance

6. Nigeria is the second largest economy in sub-Saharan Africa (after South Africa) and the biggest economic power in West Africa, generating two-thirds of the region's Gross Domestic Product (GDP).[3] It is Africa's most populous country. Nigeria is a leading member of the Commonwealth, the New Partnership for Africa's Development (NEPAD) and the Economic Community of West African States (ECOWAS). It is also a major contributor to peace-keeping in Africa. The World Bank describes Nigeria as "a regional giant" and says that if it could increase its growth and prosperity and make more progress towards the Millennium Development Goals (MDGs), this "would translate to gains in social and economic progress for the whole region."[4] DFID and the World Bank assess that:

> Nigeria's role in strengthening regional integration, its efforts at financial market integration, at ports and customs modernisation, to improve access to energy and sustainable land and water resources, and to align trade regimes to regional agreements are all important for the region's development.[5]

7. Nigeria is Africa's largest oil producer and the tenth largest oil producer in the world. However, "corruption and poor governance mean that [oil] resources are not being translated into benefits for the poor".[6] Moreover, a recent report from the UN Office on Drugs and Crime found that the present instability in the oil-producing Niger Delta was the "greatest rule of law challenge confronting the [West Africa] region. It directly destabilises the most powerful economy in the region, with implications far beyond the Niger Delta".[7] We discuss the challenges of oil wealth and the Delta in Chapter 5.

The context for poverty reduction in Nigeria

Scale and diversity

8. Nigeria's population was estimated to be 148 million in 2007 (with a growth rate of over 2.8%).[8] One of its 36 States, Lagos, is itself larger in population terms than 32 African countries.[9] Although recent World Bank statistics show an improvement in per capita GNI from $270 in 2004 to $920 in 2007, more than half the population lives in poverty.[10] 20% of Africa's poor people live in Nigeria; India and China are the only countries with more poor

3 Q 174

4 Country Partnership Strategy 2005-09, para 1

5 Country Partnership Strategy 2009-13, para 25

6 Ev 85

7 Transnational Trafficking and the Rule of Law in West Africa: a threat assessment, UN Office on Drugs and Crime, July 2009, Executive Summary, p 8

8 World Bank country statistics on Nigeria, available at www.worldbank.org

9 Country Partnership Strategy 2005-09, Executive Summary

10 World Bank country statistics on Nigeria, available at www.worldbank.org

people. Without significant progress in Nigeria, the Millennium Development Goals (MDGs), which aim to improve people's lives through poverty reduction and increased access to basic services, are very unlikely to be met globally. The World Bank's assessment is that "Africa will fail to meet the MDGs if Nigeria fails, given that one in five Africans is a Nigerian."[11] Nigeria is not currently on track to meet any of the MDGs.[12]

9. Nigeria is a diverse and complex country as well as a large one and donors say that this "creates huge challenges".[13] One of our witnesses, Dr Raufu Mustapha of the Oxford Department for International Development, described Nigeria as "a country characterised by intense ethnic polarisation and conflict".[14] The north of the country is mainly Islamic and the south Christian. The World Bank states that Nigeria has 200 ethnic groups and 500 indigenous languages.[15] Dr Mustapha estimates the number of ethnic groups to be even higher, at 374. These are divided into ethnic "majorities" and "minorities". The major ethnic groups are the Hausa-Faluni in the north; the Yoruba in the south-west; and the Igbo of the south-east. These three groups represent over half the population. There are also large minorities such as the Ijaw, Kanuri, Edo, Ibibio and Nupe.[16]

10. Ethnic divisions contribute to disparities in wealth and access to services: it has been estimated that a third of Nigeria's poor are concentrated in the three north-west states of Kaduna, Kano and Sokoto. Ethnic and religious differences can also lead to conflict and violence. In July 2009, hundreds of people died in three northern Nigerian states when followers of a radical Islamic cleric were involved in armed clashes with security forces.[17]

Governance

11. DFID says that one of the major challenges to Nigeria realising its full potential is weak governance.[18] Nigeria was under military rule for more than 30 years between 1967 and 1999. Civilian rule was re-established in 1999 when President Obasanjo was elected. He served for two terms, until 2007, when President Yar'Adua took office (although this was only after the Senate had blocked President Obasanjo's attempt to secure a third term). This was the first peaceful transition from one democratically elected government to another in Nigeria's history, although it followed what were widely recognised as seriously flawed elections.[19]

12. The legacy of military rule is institutional weakness and lack of capacity at all levels. There is a very low base of public finance management skills and no cadre of experienced civil servants. When civilian rule began again in 1999, some states had no budgeting system

11 Country Partnership Strategy 2005-09, para 25

12 Ev 52

13 Country Partnership Strategy 2009-13, para 39

14 *Ethnic Structure, Inequality and Governance of the Public Sector in Nigeria*, Dr Raufu Mustapha, November 2006

15 Country Partnership Strategy 2009-13, para 39

16 *Ethnic Structure, Inequality and Governance of the Public Sector in Nigeria*, Dr Raufu Mustapha, November 2006

17 "Islamist sect leader shot dead after 600 killed in Nigeria siege" *The Times*, 31 July 2009

18 Ev 52

19 Ev 51 and 54; see also Country Partnership Strategy 2009-2013, para 1

in place because military governors had felt no need for them. Governance structures have been corroded and systems for basic service delivery and infrastructure are lacking.

13. Nigeria has a federal structure which DFID says "has contributed to the survival of Nigeria as a cohesive nation".[20] The country is divided into six regional zones and 36 States.[21] The State governments spend 50% of public funds and have a high degree of autonomy. They take lead responsibility for delivery of basic services, together with the 774 local government areas (LGAs) within states. This is, however, hampered by a lack of coordination and cooperation between the three tiers of government. States are not required under the constitution to account to the Federal Government for the use of the funds allocated to them. The quality of State and local governments varies but is assessed as being "characterised by particularly weak institutional capacities". The Country Partnership Strategy identifies the main deficiencies in government as:

- limited transparency and accountability in public resource management at all levels of government, exacerbated by weak sanctions;
- low capacity of the civil service to implement programmes;
- an ineffective judicial system;
- limited effectiveness of State assemblies;
- an absence of social accountability mechanisms to give voice to citizens' views on government services.[22]

Infrastructure and basic services

14. The inadequacy of infrastructure to support provision of basic services is a major obstacle to growth in Nigeria. The power sector is a particular problem. For its 150 million people, Nigeria manages to generate around 1,800-2,000 megawatts (Mw) of electricity, the equivalent of the power consumption of the city of Bradford in England which has a population of 300,000. By comparison, South Africa has a generation capacity of 45,000 Mw for its population of 48 million.[23] Lagos is a vibrant and dynamic city which contributes 12% of Nigeria's GDP. It is also chaotic: its infrastructure was designed for 1 million people but supports a population of 15 million which is expected to reach 20 million by 2010, when it will overtake Cairo as Africa's biggest city and become one of the ten most populated cities in the world.[24]

15. 55% of Nigeria's population live on less than $1 a day; 29% of children are underweight; less than half the rural population has access to a safe water supply.[25] The World Health Organisation (WHO) has ranked the Nigerian health system 187th out of 191

20 Country Partnership Strategy 2005-09, para 31

21 See map at Ev 51

22 Country Partnership Strategy 2009-13, para 40

23 "A long embrace with the dark", *Financial Times*, 21 July 2009 and World Bank country statistics

24 Ev 93, 95; Country Partnership Strategy 2009-13, para 32. See also "Everyone's sleeping with one eye open; what's it like to live in the middle of a population explosion?", *The Guardian*, 9 May 2009

25 Country Partnership Strategy, 2005-09, para 34, Table 1

member states. Nigeria is off-track on all the health-related MDGs. Child and maternal mortality rates are extremely high, especially in the north of the country. One in every five children dies before the age of 5. Only 20% of children are fully immunised. Nigeria is also only one of only four countries globally where the polio virus is still circulating. Both DFID and Save the Children characterise Nigeria's primary health care services as being in a state of collapse.[26] Nigeria remains off-track on both education MDGs (achieving universal basic education and eliminating gender disparity in primary and secondary education). Nigeria has the most primary age children "out of school" of any country in the world, currently estimated at 8 million. The primary education net enrolment rate is around 63% and has improved only a little in the last decade.[27]

Oil

16. DFID describes Nigeria as "a classic example of a resource-dependent developing country." It says that "the discovery of oil in the 1960s, and the subsequent mismanagement of the revenues have had a profound impact on economic growth, the political economy and on the relationship between citizen and state."[28] The negative impact of resource wealth (often known as "Dutch disease") arises from large inflows of foreign capital and resulting high currency exchange rates, which makes manufacturing non-competitive and encourages de-industrialisation. In resource-rich states, politics and public services also frequently become entangled with business interests, which feeds corruption and mismanagement.[29] DFID points to Nigeria's "oil curse" as the cause of its many years of political and economic instability including 30 years of military rule.[30]

17. Oil provides 85% of government revenue and over 95% of export earnings and is therefore the dominant factor in both the economics and the politics of the country.[31] The World Bank points to systematic and prolonged mismanagement of oil revenues, which has "fuelled corruption, undermined trust and ultimately held development back".[32] The oil sector provides few jobs for Nigerians: it accounts for around 40% of GDP, but employs less than 1% of the workforce.[33] We were told during our visit that there is a pervasive view that the country has been blessed with oil and that there is therefore no need to do anything else to generate economic activity. The value of oil wealth also has to be put in perspective. Revenue even from 2.5 million barrels a day (a target which is not being reached at present) is about $150 million a day (with the oil price at $60 per barrel). With a population of 150 million, this is barely $1 per person per day. In 2006, estimated GDP was over $100 billion but this equates to less than $800 per capita.[34]

26 Ev 61 and Ev 80

27 Ev 85

28 Ev 86

29 Country Partnership Strategy 2005-09, Box 1

30 Country Partnership Strategy 2005-09, para 26

31 Country Partnership Strategy 2009-2013, Executive Summary, para 1

32 Country Partnership Strategy 2005-09, para 27

33 Ev 54 and 91

34 FCO Nigeria Country Profile

18. Nigeria has also been hard hit by the global economic downturn and the resulting reduction in world oil prices, which fell from a peak of $147 a barrel in July 2008 to a low of $40 in early 2009.[35] This has been compounded by a fall in output arising from increased instability in the oil-producing Delta region. Monthly oil revenue fell to $1 billion in January 2009 from an average of $2.2 billion in 2008.[36] DFID asserts that the global economic crisis has heightened the challenges to growth, development and poverty reduction which Nigeria already faced and which it believes "still emanate from within Nigeria."[37] These challenges are demonstrated at their most extreme in the Niger Delta where criminality, political power struggles and genuine grievances of local people about lack of basic services all interact, fuelling violence and insecurity.[38] After a brief lull following the 2007 elections, conflict in the Delta has re-emerged as a major security threat, with kidnappings of both Nigerians and foreign nationals and attacks on local communities and oil installations.[39]

Debt relief

19. In September 2005, Nigeria received the biggest ever debt relief package from the so-called "Paris Club"—an informal group of the world's richest countries, including the UK. The debt relief deal was worth $18 billion and represented a reduction of about 60% of Nigeria's overall debt to the Paris Club of about $30 billion.[40] The UK's share of the debt relief was £2.85 billion.[41] Nigeria's external debt now stands at less than 4% of GDP.[42]

20. The Paris Club debt deal generated annual savings of US$1 billion. US$750 million of this goes to the Federal Government budget and US$250 million to the States. The federal share is used to boost efforts to meet the MDGs and is ring-fenced in a "virtual poverty fund" which allocates resources to specific projects and programmes including in health, education, water and social safety net programmes. The Federal Government also uses Debt Relief Gains to improve service delivery and strengthen inter-governmental co-operation through the Conditional Grants Scheme for States.[43] In Abuja, we met the Senior Special Assistant to the President on the MDGs whose office oversees expenditure from the debt relief gains. She gave us some examples of how the money had been spent including: training and recruitment of 40,000 new teachers; and the construction of 57 new primary healthcare centres.

35 Country Partnership Strategy 2009-13, para 10

36 Ev 90

37 Ev 90

38 *Transnational Trafficking and the Rule of Law in West Africa: a threat assessment,* UN Office on Drugs and Crime, July 2009, Executive Summary, p 8 and p 72

39 Ev 70

40 "Paris Club agrees on a comprehensive treatment of Nigeria's debt", Paris Club press release, 20 October 2005

41 DFID, Statistics on International Development 2007 and 2008. The UK cancelled £1,649 million in 2006/07 and £1,135 million in 2005/06. See also DFID Millennium Development Goal Factsheet on Debt, November 2008

42 Ev 65

43 Ev 65

DFID's Programme

21. DFID's budget in Nigeria for 2009-10 is £120 million having risen from £32 million in 2003-04.[44] Since 2005, DFID has operated a joint Country Partnership Strategy (CPS) with the World Bank.[45] A new CPS, which will cover the period to 2013, and in which the African Development Bank (AfDB) and the United States Agency for International Development (USAID) will also participate, was approved by the World Bank board on 28 July 2009, following earlier approval by DFID and the other partners.[46] The 2005-09 CPS supported Nigeria's own priorities for development and focused on economic growth and poverty reduction; improving governance and accountability; and improving human development, particularly in health, education and HIV/AIDS.[47] The new CPS has a similar focus "to transform and diversify Nigeria's economy" by improving governance; maintaining non-oil growth; and promoting human development.[48]

22. 75% of DFID's expenditure in Nigeria is on technical assistance; 20% is spent on MDG-related projects; and 5% goes to civil society organisations. 60% of expenditure is at State level, where the main responsibility for delivery of services lies.[49] DFID established an office in Abuja in 2001 and now also has regional offices in Enugu, Lagos and Kano States.[50] Kano and Lagos are the two largest States in Nigeria which between them contain 15% of the national population.[51]

23. Few other bilateral donor agencies operate in Nigeria. The biggest donors are the World Bank, USAID, the AfDB and the European Commission.[52] Nigeria is not an aid-dependent country: indeed aid represents less than 1% of GDP. This compares to a sub-Saharan African average of 10%. DFID says that this influences the way it operates in the country: it seeks to leverage better use of Nigeria's own resources rather than focusing on transfer of resources.[53]

24. DFID has programmes in a limited number of States—currently four—"which have demonstrated commitment to reform and to poverty reduction".[54] Gareth Thomas MP, the Minister of State for International Development, told us that DFID certainly did not choose to work only in the States with the fewest problems or the best governance: the States in which it worked had "significant challenges". However, it was necessary for DFID

44 Ev 53; Country Partnership Strategy 2005-09, para 15

45 World Bank Group and Department for International Development (UK) Country Partnership Strategy for the Federal Republic of Nigeria (2005-2009), 2 June 2005

46 Ev 86

47 Ev 54

48 Country Partnership Strategy 2009-13, Executive Summary, para 6

49 Ev 86

50 Ev 54

51 Ev 87

52 Ev 54

53 Ev 56

54 Ev 56; Q 106

to avoid the risk of spreading its impact too thinly and to operate where its resources would have the most impact.[55]

25. The Minister's view was that DFID's strategy of picking a few states in which to work at a "deep level" was the correct one and should continue:

> Our judgment has been that it is clearly more sensible to work in those states and with those institutions that are most keen to have access to expertise and advice and who are most committed to trying to tackle poverty in their areas. That has certainly informed the choice of states where we have worked. I do not think you can say that Kano state or Jigawa state are amongst the most well off states.[56]

However, the new Country Partnership Strategy points out that the lead state approach raised issues in relation to the "geopolitical balance" among Nigeria's six regions and that, for this reason, the partners will move away from a single set of lead states. Instead, "state selections will be based on states' needs, agreement with Government, state level governance capacity and commitment, geopolitical balance" and existing programmes.[57] Mr Thomas highlighted that DFID was working at some level in 21 out of the 36 States. We saw the example of a community policing project during our visit which is being implemented to some extent in 18 States.[58] The Minster asserted that DFID had shown a willingness to respond positively to specific requests from the Government to extend programmes to States beyond the focus ones.[59] He believed that DFID's success in its focus States could have a wider effect in terms of sharing experience and learning lessons, both through DFID's relationship with the Federal Government and from States learning from each other.[60]

26. **In such a vast and diverse country, we believe that DFID is right to focus on a limited number of States where the standards of governance are sufficient to permit an aid programme to operate at a meaningful level and have a significant impact. These focus States need to be chosen carefully and to reflect DFID's overriding priority of poverty reduction. The Federal Government and the focus States should be encouraged and supported to share information about successful programmes so that other States can replicate them using their own resources.**

55 Q 107

56 Q 145

57 Country Partnership Strategy 2009-13, Executive Summary, para 12

58 Ev 106

59 Q 106

60 Qq 107-108

3 Provision of basic services

Power supply

27. The inadequacy of the power sector is a serious obstacle to economic growth and to decent living conditions for many people in Nigeria. The World Bank reports that "the quality of the electricity services is the largest barrier to business in Nigeria".[61] We were told that businesses were leaving Lagos and Kano to relocate elsewhere in West Africa because of the unreliability of the power supply. It is impossible to spend even a short time in Nigeria without noticing how inefficient the electricity supply is. During all our meetings, including in the capital city, there was at least one power cut and often several. The sound of generators is known as "the anthem of Nigeria" because of its pervasiveness. 90% of businesses have their own generators which provide 60% of their energy needs.[62] President Yar-Adua has included reform of the power sector in his 7-Point Agenda, identifying it as the key constraint to growth in Nigeria.[63] In our recent Report on *Urbanisation and Poverty*, we highlighted the importance of reliable and affordable power supply for poor people trying to run small businesses or travel to work in urban centres.[64]

28. The country currently has an effective generation capacity of 2.5000 Mw against an estimated peak requirement of 10,000 Mw.[65] Only 60% of the population has access to electricity and national consumption is amongst the lowest in the world.[66] It has been estimated that it would cost $50 billion to ensure a reasonable electricity supply, a sum which is likely to be well beyond what the Federal Government can afford. The new Minister of Power, Lanre Babalola, has said that significant private investment will be needed if Nigeria is to add the capacity it needs to meet its economic goals.[67] The focus is therefore on rehabilitation of the existing infrastructure and distribution network to enable the current output to be increased to 6,000 Mw by the end of 2009, although doubt was expressed to us as to whether this would be achieved.

29. Capital investment is not the only problem—other significant challenges are establishing a regulatory framework for the power industry and fixing tariffs. We were told during our visit that there is a widespread view that the price of electricity has to be kept low to help the poor but that this is a myth, because people rely on the proliferation of private generators which are far more expensive to buy and run than paying a reasonable sum for a reliable publicly provided supply would be. The official tariff for mains electricity is 6 naira per kilowatt hour; running a generator is estimated to cost about 35 naira per kilowatt hour.[68] Location of new power stations is also an issue: it would make sense to

61 Country Partnership Strategy 2005-09, Annex 2, para 21

62 "A long embrace with the dark", *Financial Times*, 21 July 2009

63 Ev 64

64 Seventh Report, Session 2008-09, *Urbanisation and Poverty,* HC 511-I, paras 92-98

65 Ev 96

66 Country Partnership Strategy 2009-13, para 26

67 "A long embrace with the dark", *Financial Times*, 21 July 2009

68 World Bank project appraisal for the Nigeria Electricity and Gas Improvement Project, May 2009, available on the World Bank website at www.worldbank.org

locate them in the south where the gas reserves are but the northern States want control over their own supply.

30. DFID is working with the Federal Government to build project management capacity which is a major stumbling block to progress in the power sector. The Nigeria Infrastructure Advisory Facility (NIAF) is providing £13.5 million over five years from 2007-2012 for technical assistance to improve planning, management, implementation and maintenance of infrastructure investment and related regulatory functions in the power, transport and water sectors.[69]

31. In June 2009, the World Bank approved funding of $200 million for the Nigeria Electricity and Gas Improvement Project aimed at strengthening the electricity transmission system and improving service delivery. The Project is intended to improve the availability and reliability of the gas supply to increase power generation in existing public sector power plants; and to improve the power network's capacity to transmit and distribute electricity to consumers. Enhancement of the transmission and distribution infrastructure is focused on a number of cities including Kano, Kaduna, Abuja and Port Harcourt.[70]

32. **It is vital that Nigeria meets the challenge of ensuring a reliable power supply with sufficient capacity to meet the needs of its people. If it fails to do so, the country's economic development and progress towards the MDGs will be jeopardised. This is therefore a crucial area for donor support and we welcome DFID's contribution through the Nigeria Infrastructure Advisory Facility: building capacity within Nigeria's public sector to plan, manage and implement major projects will be a key factor in transforming the power supply. DFID is a major donor to the World Bank and shares the goals for Nigeria set out in the joint Country Partnership Strategy. It should use this position to ensure that reform and improvement of the power sector remains a high priority for World Bank activity in Nigeria.**

Employment and economic growth

33. The new Country Partnership Strategy says that Nigeria faces an "unemployment crisis".[71] The Nigerian Government's own assessment is that "the performance of the manufacturing sector, which is expected to be a major driver of the economy, is abysmal".[72] More than 90% of the Nigerian workforce is employed in the informal sector and less than 10% of the 6 million new entrants into the labour market each year gain access to formal employment. DFID highlights that recent rapid economic growth has not resulted in the creation of jobs and that the oil sector, which generates 85% of government revenue, provides little employment for Nigerians.[73]

69 Q 116; Ev 67

70 See information on the World Bank Nigeria Electricity and Gas Improvement Project on the World Bank website at www.worldbank.org/

71 Country Partnership Strategy 2009-13, para 27

72 *MDGs Policy Brief,* Office of the Senior Special Assistant to the President on the Millennium Development Goals, p 6

73 Country Partnership Strategy 2009-2013, Executive Summary, para 1; GEMS Technical Annex, para 1.1

34. During our visit we were told by both Federal ministers and State Commissioners that the public expected the government to provide jobs but that this was not possible. They believed that a more conducive business environment had to be created and a more entrepreneurial spirit encouraged. High youth unemployment is both a waste of Nigeria's potential and a contributory factor in crime and violence: the recent DFID White Paper points to large numbers of unemployed young men as one of the "underlying causes of conflict and fragility".[74] DFID asserts that "In Nigeria, private investment will have to play the decisive role in increasing non-oil growth and creating jobs", particularly as government funding is likely to be affected by the fall in oil revenues. [75] Nigeria has a large well-educated diaspora which could make a significant contribution to private sector development.

35. There are, however, two key "binding constraints" to economic growth and employment generation which DFID has identified: weak infrastructure; and the high-cost of and restricted access to finance.[76] As previously discussed, the inadequate and expensive power supply is a major obstacle to people setting up their own small businesses as buying a generator and the fuel to power it is often beyond their means. DFID also points to high transport costs, arising from poor roads which have decayed because of "decades of inappropriate maintenance due to funding shortages and lack of institutional capacity". Only 15% of federal roads are assessed by the Government as being in good condition. The railways "barely function". The resulting transport problems depress investment returns and act as a deterrent to business.[77] An example of the impact is that, with meat consumption increasing by 6-7% annually, the meat industry in Kano and Kaduna has the potential to grow rapidly. But it is hampered by the "hugely inefficient" transport of live animals from the north to the south, which substantially increases costs.[78]

36. When we met the President's Special Assistant on the MDGs, she drew attention to the impact on growth of the huge skills gap and the lack of vocational training. For example, the growth of Lagos's information and communication technology (ICT) sector is being hampered by the failure of the education system to turn out adequately trained workers. DFID and the World Bank also highlight a shortage of skilled staff as one of the key constraints on economic development. Nigeria is assessed as having "particularly low quality of science and technology education [and] a smaller number of enrolled and graduates in tertiary education" as a proportion of its population and in comparison with other countries (although many Nigerians have been educated, or have chosen to live, abroad).[79] All the industries which have been identified as having the potential for significant growth "require improvement of technical and vocational skills". [80]

37. DFID is currently working with the World Bank to develop a new programme for Growth and Employment in States (GEMS). This will provide technical assistance at the

74 *Eliminating World Poverty: Building our Common Future,* DFID, July 2009, Cm 7656, para 4.17

75 GEMS Technical Annex, para 1.1

76 GEMS Technical Annex, para 1.1

77 GEMS Technical Annex, para 1.1; Country Partnership Strategy 2009-13, para 26

78 GEMS Technical Annex, para 3.2

79 Country Partnership Strategy 2009-13, paras 27 and 30

80 GEMS Technical Annex, para 3.2

State and Federal level to improve the legal and regulatory environment for investment and "support medium, small and micro enterprises to enhance productivity in key value chains."[81] The aim of the programme is to deliver:

- Lower cost and risk of investment;
- Increased competitiveness and returns to investment in selected industries;
- Dissemination of lessons learned to increase impact.[82]

The Minister estimated that "we can potentially create 100,000 direct jobs through the GEMS programme and potentially more generally improve about 600,000 livelihoods."[83] Mr Thomas was not able to provide us with any details of the sectors or regions in which these jobs would be created. However, the Head of DFID Nigeria told us that the GEMS programme was based on very detailed analysis, including business climate surveys in 10 States. DFID has since provided us with a copy of this technical study.[84]

38. The GEMS programme is part of the wider commitment given in the recent DFID White Paper to "help fragile and post-conflict countries generate economic opportunities which will benefit 7.5 million men, women and their dependants in five priority countries over five years." [85] The Minister told us that "the GEMS programme was very much in our mind as we were drafting the White Paper."[86]

39. **At present, Nigeria is failing to exploit the potential of its economically productive people. Moreover, in an ethnically diverse country with a long history of political instability, the existence of large numbers of young unemployed men presents risks to stability and security. Nigeria needs support from donors to build its non-oil economic sectors and to generate jobs. DFID's Growth and Employment in States (GEMS) programme clearly has the potential to bring much needed jobs to Nigeria. The current target of 100,000 jobs is a promising start. However, given the size of the population in Nigeria and its rapid growth, and existing high levels of unemployment, it is important that it acts as a catalyst for Nigeria's State and Federal Governments to allocate resources to create similar programmes of their own. We recommend that further details about the economic sectors in which the GEMS jobs will be created, and in which parts of Nigeria, are provided in response to this report. We also request further information about how DFID's job generation programme is expected to complement the work of other donors and the Nigerian government's own efforts to create employment opportunities, and facilitate economic growth and private sector development**.

81 Ev 67

82 GEMS Technical Annex para 1.3

83 Q 137

84 Q 140; GEMS Technical Annex (unprinted paper)

85 *Eliminating World Poverty: Building our Common Future,* DFID, July 2009, Cm 7656, para 4.32. The five countries are: Afghanistan, Ethiopia, Nepal, Nigeria, and Yemen.

86 Q 137

40. **We note that the Growth and Employment in States programme is expected to benefit 600,000 people in Nigeria. The recent DFID White Paper gives an overall commitment to create jobs which will benefit 7.5 million people in five countries. This leaves nearly 7 million beneficiaries to be reached through DFID's programmes in the other four countries in the next five years (Afghanistan, Ethiopia, Nepal and Yemen). We request, in response to this Report, a breakdown of the number of beneficiaries which DFID expects there to be in each of these four countries and further details about the types of employment it expects to generate through its programmes in each case.**

41. DFID is also working to promote rural livelihoods, in its Promoting Pro-Poor Opportunities through Commodity and Service Markets programme (PrOpCom) which is providing £17.5 million for the period 2005–2010.[87] This programme supports agricultural producers and processors in the rice and soya value-chains to enhance their productivity and access to markets. We saw two examples of PrOpCom projects in Kano State. We met women rice processors in the village of Karfi. Rice is parboiled in Nigeria as part of the processing. Support from DFID had enabled the women to improve their product and the price they receive for it, as well as helping them to organise themselves into co-operatives which has facilitated their access to finance and the acquisition of business management skills. We also met the Karfi association of rice-millers. The PrOpCom programme had assisted them to improve their equipment, to focus on quality and to investigate better marketing techniques in an effort to add value to their product and compete with imported rice which is currently more popular than that produced domestically.

Access to finance and financial exclusion

42. The Country Partnership Strategy highlights that Nigerian "business operators and particularly small scale enterprises are starved of funding for medium and longer term productive investments".[88] A World Bank study found that less than 5% of businesses had access to loans.[89] DFID is supporting the Enhancing Financial Innovation and Access for the poor project (EFINA) with £9.2 million over the period 2007–2012. When we met the Chief Executive of EFINA, she highlighted the problem of financial exclusion in Nigeria. A survey showed that 74% of the population had never had a bank account (rising to 86% in rural areas) and only 7% had ever taken out a loan. EFINA's work is intended to contribute to reducing legal and regulatory barriers to financial services; gather data on the financial sector; and develop innovative financial services and products to increase access. The Minister told us that DFID hoped that the initiative would provide access to formal financial services to an additional 5 million people by 2011.[90]

43. When we visited Kenya earlier this year, we learned of the M-Pesa scheme, supported by DFID, which uses mobile telephone technology to provide banking services to previously excluded people. A recent study showed that income in households in Kenya using M-Pesa increased by between 5 and 30%.[91] Access to mobile phones in Nigeria is

87 Ev 67

88 Country Partnership Strategy 2005-09, para 45

89 Nigeria Investment Climate Assessment, World Bank, 2008; see also GEMS Technical Annex, para 1.1

90 Q 142

91 "The power of mobile money", *Economist*, 26 September 2009

fairly widespread with 75% of the urban and 39% of the rural population having access to a prepaid mobile phone. 25 million Nigerians who have mobile phones do not have bank accounts. This suggests that mobile-banking facilities could have the potential significantly to increase financial inclusion in the country. The Minister told us that EFINA had the potential to fund similar schemes to the M-Pesa model in Nigeria.[92] The Head of DFID Nigeria explained:

> There are some technical, legal issues to be sorted out about who the bank is and who is holding the money once it is actually going through the mobile phone network which are going to take a little bit of working out, but it is certainly one of the ambitions of this programme to make it easier for people to remit monies through mobile phones. There are 60 million mobile phones […] That is a massive expansion over the last couple of years. There is huge potential there to use that network now for banking.[93]

44. **Nigeria's future economic growth will require much greater access to finance and banking services for small and medium-sized business, and for individuals. The DFID-supported Enhancing Financial Innovation and Access for the Poor (EFINA) project has done valuable work to establish statistics on the existing levels of access. It now needs to move quickly to the next stage of devising schemes which will fill the gaps and help businesses and individuals to gain access to loans and financial services. We believe that EFINA should also seek to exploit the potential of banking services through mobile phone technology which has worked so effectively in other African countries.**

Health services

45. The World Health Organisation (WHO) has ranked the Nigerian health system 187th out of 191 member states. It is estimated that 660,000 Nigerian children die every year of conditions that could be prevented. Life expectancy at birth was 47 years in 2007, unchanged since 2000.[94] DFID describes the health system as "fragmented and poorly coordinated". The DFID Minister identified three key problems:

- responsibility for provision of services between federal, state and local government levels is not clearly defined;
- uneven distribution of health workers, resulting in insufficient coverage in poorer and more remote areas;
- weaknesses which affect the public sector as a whole in Nigeria in terms of planning, budgeting and accountability.[95]

The majority of public health facilities do not have sufficient drugs, equipment or staff. Most people use the poorly regulated informal and formal private sectors for their health

92 Q 143

93 Q 144

94 World Bank country data profile, available on the World Bank website at www.worldbank.org

95 Q 119

care.[96] We were told during our visit that money is often wasted in building health clinics, because these are seen as tangible evidence of government activity, but that these often have no staff and therefore do not function.

46. Save the Children says that "DFID is playing a leading role in shaping the way health resources are used and allocated, issues of staffing and management, and service quality."[97] DFID has supported the Nigerian Government's efforts to improve health sector governance, service delivery and access to basic health services. The main vehicle for this has been the Partnership for Transforming Health Systems Strengthening programme (PATHS1), which provided £56 million in the period 2002–2008, and which will provide £148 million in 2008–2014 (PATHS2).[98] The Minister told us that DFID was working with five states on health care and planned to extend this to two more. The overall aim of the programme was to "help put in place the public financial management systems to get more investment in health care and frankly help to get a more sensible distribution and allocation of those resources that are already there."[99]

47. DFID has also provided £30 million for the Health Commodities and Equipment Procurement project for the period 2004-2009. Its assistance has included the provision of drugs and medical equipment to 1,000 health facilities in six States. DFID says that, by the end of the project in November 2009, a total of 1,468 facilities will have been supported, ensuring availability of drugs for 24 million outpatient consultations a year.[100]

48. We met the Federal Health Minister, appointed in December 2008, in Abuja. His priorities include better co-ordination between the different tiers of government responsible for health services; increased focus on primary health care; and the development of properly costed plans for health care at Federal and State level.[101] Under the new Country Partnership Strategy, DFID and its donor partners plan to support the Nigerian authorities to improve health care by increasing the emphasis on service delivery, rather than by funding particular disease programmes, and by increasing access to and use of health services by "the extreme poor and vulnerable".[102]

49. In Kano, we met the State Commissioner for Health (the State level minister). She told us that Kano was in the process of passing a bill through the State House of Assembly which would establish free provision of maternal and child health services. DFID is supporting the Kano State Government through PATHS2 to improve policy, planning and budgeting. It is also providing practical support, such as providing basic drugs at primary health care clinics. We visited one of these in the village of Garun Mallam where the medical director told us about the improvement in drug supplies and the consequent impact on people's willingness to use the health clinic.

96 Ev 61

97 Ev 80

98 Ev 62

99 Q 119

100 Ev 62

101 Ev 62 and discussions during the Committee's visit

102 Country Partnership Strategy 2009-13, Executive Summary, para 9

50. **DFID's support for Nigeria's health services has provided significant resources and made a real impact on services in the States where the programmes have operated. However, there is still a very long way to go until service provision is anywhere near adequate, even in the States where DFID is providing assistance. DFID's focus in the second stage of its Partnership for Transforming Health Systems Strengthening programme seems to us to be the correct one: as in other areas of public services, the emphasis must continue to be on building up the Nigerian authorities' own ability to plan, fund and deliver health care and improving the level of co-ordination between the different tiers of government. It is vital that those least able to pay for health services are given priority in measures to increase access. The new Country Partnership Strategy states that the poor and vulnerable will be a key focus for health service support from donors. We invite DFID to provide us with further information, in response to this Report, on how this targeted assistance will be delivered.**

Malaria

51. Nigeria accounts for over 25% of malaria cases in Africa and, together with the Democratic Republic of the Congo, for 30% of global malaria deaths. DFID estimates that over 30% of child deaths and 11% of maternal deaths in Nigeria are caused by malaria. The annual loss to Nigeria's economy as a direct result of malaria infections has been estimated at $1 billion and it represents 40% of total reported disease at Nigerian public health facilities.[103] DFID is providing $50 million to Nigeria's National Malaria Programme (SuNMaP) which aims to provide two bed-nets for every Nigerian household, a total of 63 million nets by 2010, of which DFID's contribution will be 6 million, together with technical support for their distribution.[104] The rate of household mosquito net ownership in Nigeria was only 1.8% before the campaign began.[105] The programme is also being supported by the Global Fund to Fight AIDS, TB and Malaria, the World Bank, USAID and UNICEF.

52. Kano was the first State in Nigeria to begin the distribution of 2.1 million bed-nets, funded by DFID, in May 2009. The local traditional ruler whom we met in Garun Mallam village in the State told us that at least one of his six children had previously had malaria every month but that there had been no incidences since his family had been using the treated bed-nets. The second phase of DFID's campaign in Kano began in August 2009 and will involve the distribution of a further 2 million nets. It includes training volunteers to visit households to provide information on the campaign; publicity on bed-net use on the radio and through drama groups; and using community leaders to spread the message to local people. [106]

53. In our report on the 2008 DFID Annual Report, we welcomed the Department's support for the Global Action Plan on Malaria (GMAP), announced at the UN High Level Event on the Millennium Development Goals in September 2008. We agreed with DFID

103 Ev 106; DFID press release, 31 August 2009, "UK drive to rid Nigeria of malaria".

104 Ev 62

105 Ev 106

106 DFID press release, 31 August 2009, "UK drive to rid Nigeria of malaria".

that its support for the GMAP was a "wonderful investment".[107] DFID's bed-net project in Nigeria is part of its overall commitment to the GMAP. **Malaria is a major cause of child death in Nigeria and has a serious impact on economic output. Bed-nets are a cheap and effective way of preventing malaria and we commend DFID's significant support for the Nigerian National Malaria Programme. We recommend that DFID provide us with further details of progress on implementation of the programme in response to this Report.**

Maternal health

54. Nigeria has 2% of the world's population but suffers 10% of global maternal deaths. This is a shocking statistic and reflects both the woeful state of health service provision in Nigeria and the low status of women in many parts of the country and sectors of society. In our 2008 report on *Maternal Health*, we identified the key factors behind the failure world-wide to make progress on the Millennium Development Goal of reducing maternal mortality:

- Lack of skilled birth attendants–only 40% of births in sub-Saharan Africa are attended by a skilled worker;
- Lack of emergency obstetric care including basic drugs and equipment;
- Gender inequalities which prevent women gaining access to health services.

We highlighted that the overriding problem was a lack of political will to improve maternal health and reduce the unacceptable number of deaths. We also pointed out that, in addition to the women who die in childbirth, many others are left with permanent disabilities and ill health because of a lack of appropriate care and treatment.[108]

55. We learned from our discussions in northern Nigeria that the problem there is compounded by the local tradition of women giving birth completely alone, without even a traditional birth attendant or a relative present.[109] Given that many women have their first babies when they are still teenagers, and that health facilities are often too distant to reach in an emergency, this must be a terrifying prospect. This societal practice contributes to significant regional disparities in maternal mortality rates as shown in the table.

107 Second Report of Session 2008-09, *DFID Annual Report 2008,* HC 220-I, paras 15-20

108 Fifth Report of Session 2007-08, *Maternal Health*, HC 66-I, Summary

109 See also Q 124

Maternal deaths per 100,000 live births	
Nigeria national average	828
South-east zone	286
South-west zone	165
North-east zone	1,549
North-west zone	1,025
Kano State	2,400
Average for sub-Saharan Africa	900[110]

Source: Ev 52, Country Partnership Strategy 2009-13, Table 4 and para 20

56. Our 2008 Report identified that one of the most serious obstacles to improving maternal health outcomes is women's lack of control over their access to health services. Often very simple interventions, such as the provision of drugs, are enough to save women's lives, if only they can reach the centres where these are available. However, decisions on whether a woman can be taken to a health centre are frequently made by husbands or fathers who also control the household finances and are the ones responsible for arranging transport and procuring drugs and other necessary items. As Aboubacry Tall of Save the Children told us: "it is the man in the house who says just get on with it, there is nothing serious here, it happens, just do it, and then the worst outcome often results".[111] Women are too often powerless to secure the help they need, even where services are available.

57. Nigeria ranks 123rd out of 140 countries in the Gender Development Index. The DFID/World Bank Country Partnership Strategy says that "discrimination against women has contributed to persistent gender disparities in key social indicators".[112] Gareth Thomas acknowledged that "the question of the position of women […] is far more complex and the response needs to be much more broad ranging than just around tackling health issues specifically." One approach which has been shown to be effective is to raise the issue with religious and traditional leaders in communities which the Minister said "does on occasion begin to challenge some of the gender stereotypes in order to get support for better access to services."[113]

58. The potential of this approach was borne out by Aboubacry Tall of Save the Children who told us of some success they had had elsewhere in West Africa in tackling gender inequalities. Local community and religious leaders (imams and paramount chiefs) were encouraged to become advocates for changes in behaviour affecting women which might previously have been perceived as going against tradition or religion. Mr Tall believed that,

110 World Bank statistics from the Global Monitoring Report 2009

111 Q 73

112 Country Partnership Strategy 2009-13, para 20

113 Q 128

in addition to changes in legislation, "the creation of those kinds of partnerships where the other person that people listen to, be they a father or a religious leader, a traditional leader, undertakes to participate in certain changes" could be crucial in achieving change which then had a multiplier effect.[114]

59. Specifically in relation to maternal health, Save the Children told us of an initiative in Gambia, where an older, respected woman within a community took on the role of monitoring all the pregnancies within a particular geographic area. If this woman identified specific warning signs in the mother's health, she took steps to ensure that the woman was taken to a health centre, including intervening with her husband or father where necessary. Mr Tall told us that "it was not costly in terms of money but it was brilliant in terms of understanding the local context and creating solutions that take advantage of the roles people generally play".[115]

60. **Better maternal health in Nigeria will only be achieved if there is improvement in two areas: access to and quality of health services; and women's status in society. Changing negative attitudes to women requires a innovative and multi-dimensional approach. It is unacceptable that women's lives are being lost in childbirth because some societies fail to value them and allow them the access to the care which they need. DFID has a clear commitment to gender equality. Improving maternal health is an integral part of progress towards such equality. We accept that donors must act sensitively in raising these issues, and must take account of varying societal factors in different countries and in different regions of the same country, but maternal mortality rates, particularly in northern Nigeria, provide a clear indication that the most basic rights of many of the country's women are not being met. We recommend that DFID, in partnership with the Nigerian authorities, other donors and with organisations which have been successful in changing attitudes to women elsewhere in Africa, devote more resources and effort towards ensuring that real progress is made on reducing the number of women who die needlessly through lack of care. This would be a major justification for DFID's Nigeria programme, which is large in terms of the contribution made by the UK taxpayer but small in proportion to the scale of the challenge.**

Education

61. Legislation was passed in 2004 which provided for access to free, universal basic education in Nigeria: every child should receive nine years' good quality education between the ages of 6 and 15.[116] However, Nigeria remains off-track on both education MDGs (achieving universal basic education and eliminating gender disparity in primary and secondary education). Nigeria has the highest number of primary age children who are not enrolled in school of any country in the world, currently estimated at 8 million. The majority of these "out of school" children are girls The primary education net enrolment rate is around 63% which equates to just over 22 million children.[117]

114 Q 67

115 Q 73

116 Ev 85

117 Ev 60

62. DFID describes Nigeria's education system as facing "a multi-dimensional crisis". Access is limited and quality is poor; DFID research found that learning outcomes in Nigerian schools were worse than in many other countries in sub-Saharan Africa. There are insufficient qualified teachers, especially in rural areas. Quality of teaching is often low. Many children leave primary school and junior secondary school without adequate literacy, numeracy and life skills. Teachers are often poorly supervised and are described as having "low motivation and inadequate incentives."[118] In addition, half of existing schools need some renovation and almost twice the existing number of classrooms would be needed to achieve universal basic education.[119]

63. During our visit to a school in Kano, we saw children sitting on the floor for lessons. They had few textbooks. There was one borehole to provide water and one toilet block for 1,800 pupils. Nevertheless there was greater demand for places than the school could meet. DFID officials told us that however poor the facilities seemed to us, they were better than in many other schools in the state. One in three schools has no access to water and fewer than half have electricity.[120]

64. From 2003 to 2008, DFID provided £18 million in support to the education sector through its Capacity for Universal Basic Education (CUBE) programme which focused on building the education governance capability of the Federal Government and selected States through technical assistance with policy, planning, information systems, and reform of the education inspection services. CUBE operated in Kano, Kaduna and Kwara States with the aim of developing prioritised and costed 10-year education sector plans, and assisting the three States to implement the World Bank's $65 million State Education Sector Project (SESP), which is supplying educational materials, improving infrastructure, and providing school grants.[121]

65. The successor programme to CUBE is the Education Sector Support Programme in Nigeria (ESSPIN). ESSPIN has a budget of £106 million for the period to 2014, and operates in five States (Jigawa, Kaduna, Kano, Kwara and Lagos) and at Federal level. It will continue the focus on strengthening government capacity, but DFID says that it will also work with communities and civil society "to promote greater accountability and responsiveness in the delivery of services."[122] The Head of DFID Nigeria told us:

> […] through ESSPIN what we are trying to do is to recognise that the state has to be responsible for education, not DFID. We are trying to help them to build a system, to plan, to manage, to budget and to monitor, also looking at issues like for example teacher distribution and teacher quality.

ESSPIN will also be piloting a system of grants, available to 315 schools, to improve the quality of education and school facilities, including water and sanitation.[123]

118 Country Partnership Strategy 2009-13, para 35

119 Ev 61

120 Country Partnership Strategy 2009-13, para 35

121 Ev 61

122 Ev 61

123 Qq 131 and 133; Ev 61

66. DFID points out that data on education are extremely poor. The latest available information is for 2005 and is likely to be "heavily flawed". The proportions of children enrolled in government and non-government schools are not recorded.[124] DFID says that "reliable data on basic education are fundamental to planning and management in the sector." Through the ESSPIN programme, it is supporting the strengthening of education management information systems at Federal level and in the five States in which its education programme operates. From November 2009, States will be responsible for conducting an annual school census to collect coherent and comparable data. However, DFID expects it to take "a number of years until comprehensive, quality data is available across all States" particularly in areas where many children attend non-government schools, including Islamic schools in the north of the country. [125]

67. The school which we visited in Kano State was an Islamiyya school. 90% of children in Kano attend schools offering Islamic teaching but less than 50% attend State schools offering secular education. Islamiyya schools offer both Islamic and secular education through what is known as IQTE—Integrated Islamic, Qur'anic and Tsangaya Education. Kano State is prioritising IQTE to offer secular education to more children while still meeting the requirement of many families for their children to receive Islamic education.[126] DFID's ESSPIN Programme has been providing support to Kano State to help to develop its IQTE strategy. The aim is to encourage more schools to incorporate the core curriculum by offering the incentive of assistance with provision of teachers, books and materials. DFID plans to begin a pilot project later this year through the ESSPIN programme, offering support to a number of Islamiyya schools in Kano State, in partnership with the State government.[127] The Minister told us:

> We need to recognise that the Islamic schools do enjoy significant parental support. Our strategy to try and work with the state and with both types of schools, government schools as well as the Islamic schools, is the way in which we are likely to make most progress in terms of raising educational standards and getting people into school in the short term.[128]

The Head of DFID Nigeria told us that the school we visited in Kano is likely to be one of those which receives a grant under the pilot scheme.[129] VSO believed that DFID's involvement in Islamiyya schools was "a brave move" and reflected the need to be creative in trying to improve education in Nigeria.[130]

68. **We support DFID's view that it is for the State governments in Nigeria to provide education, not DFID. However, the capacity of States to do this remains weak and DFID's Education Sector Support Programme in Nigeria (ESSPIN) is providing much-needed assistance to increase government's ability to provide education. The support**

124 Ev 85

125 Ev 85

126 Ev 106

127 Ev 106

128 Q 132

129 Q 131

130 Q 88

through ESSPIN for the integration of religious and secular education in Islamiyya schools in northern Nigeria is an innovative approach which we welcome. It is essential for the development of the country that all children have access to good quality education in subjects which will help them to find employment and improve their life chances. The impact of DFID's support for Islamiyya schools does, however, require careful monitoring. We recommend that DFID provide us with further information, in response to this Report, on the evaluation it plans to undertake on the effectiveness of the ESSPIN programme and in particular the Islamiyya element.

Girls' education

69. We explored with witnesses from Save the Children and VSO the reasons why so many girls in Nigeria are not in school, particularly in northern Nigeria. They believed the reasons were common to many developing countries: lack of adequate sanitation facilities in schools; lack of female teachers; and girls needing to travel long distances to school which their families see as putting them at risk.[131] Save the Children pointed out that the cost of education often represented as much as 16% of household expenditure and that the opportunity cost of sending girls in particular to school was a barrier to access as girls were often expected to work to contribute to household income.[132] Julia Ajayi of VSO expanded on this:

> [...] in the North there are areas where early marriage is part of the culture and girls are not expected to stay in school and some of them are not even starting school. Also, the aspirations for many girls from the family are that they will be married and therefore in terms of education, with limited funds to invest in children's education, the boys are seen as a better bet and more able to have a reward from the investment needed.[133]

The Country Partnership Strategy notes that, in the North West zone, which includes Kano State, the adult literacy rate for women is 20%. The median age of first marriage is 14.6 years.[134] (Early marriage usually results in early pregnancy which is a significant contributor to maternal deaths.)

70. DFID has provided £37 million to UNICEF to implement a Girls Education Project in six northern Nigerian states with the worst disparities between boys' and girls' enrolment in primary school. The project uses "a combination of advocacy, community mobilisation and provision of educational materials and infrastructure for selected schools". It also funds young women from rural areas to train as teachers, with the aim of tackling the shortage of women teachers and therefore making education for girls more attractive to Muslim families. A second three-year phase of the project began in July 2008. The project is co-financed by the State governments.[135] The Minister told us that there had been a 15%

131 Q 88

132 Ev 81 and Q 89

133 Q 86

134 Country Partnership Strategy 2009-13, para 20

135 Ev 61; see also DFID Factsheet on Girls Education, June 2009

increase in girls' enrolment in schools where the programme operated.[136] Girls' education in northern Nigeria is also given particular focus in the new Country Partnership Strategy.[137]

71. Aboubacry Tall of Save the Children believed that Islamiyya schools could help to tackle some of the obstacles to more girls attending school: they tended to be based in local communities so avoided the problem of girls travelling long distances; and the integration of religious and secular education might attract parents who would not wish their daughters to be educated solely in secular subjects.[138]

72. **The disparity between the number of boys and girls in school, particularly in northern Nigeria, is a clear indication of gender inequality. UNICEF's Girls Education Project, supported by DFID, has demonstrated that resistance to sending girls to school can be overcome if the barriers are addressed in a sensitive way. We recommend that DFID continue its support for UNICEF's work and seek to build on this where it has proved effective in increasing girls' enrolment rates.**

136 Q 131; see also DFID Factsheet on Girls Education, June 2009

137 Country Partnership Strategy 2009-13, Executive Summary, para 9

138 Q 88

4 Governance

73. DFID identifies weak governance as being one of the major challenges to Nigeria realising its full potential.[139] The new Country Partnership Strategy (CPS) emphasises that "governance remains the main challenge at all levels of government" and states that it "will be both a core theme and a cross-cutting theme, an integral part of virtually every form of support" provided under the CPS. The document sets out the donor partners' key areas for governance support:

- Transparency and accountability
- Participation
- Sector governance
- Capacity development
- Judicial reform and democratic governance.

Assistance will continue to be provided to initiatives aimed at strengthening procurement processes, public financial management, civil service reform and statistical capacity. [140]

Legacy of military rule

74. The decades of military rule which Nigeria suffered "corroded governance structures, systems for basic service delivery and infrastructure, and have hampered growth outside the oil sector."[141] The DFID Minister was clear that "we have to recognise that it is not that long ago that military rule came to an end" and that one of the key roles for donors was therefore to help Nigeria recover from the damage done during that 30 year suspension of democracy:

> […] the systems that we would take for granted in the UK to do budgeting and planning, to manage finances effectively, simply were not there to the extent that we would recognise. You have that huge legacy of a loss of effective civilian capacity in key ministries […] Part of the development challenge has been how do you build up that capacity to manage things in a more effective way […][142]

The Minister told us that "the experience and tradition of democracy, of political parties operating and having their own internal democracy, of civil society engaging with those political parties, is extremely young".[143] He believed that there was still "an awfully long way to go" in rebuilding the necessary structures.[144] One of the most challenging symptoms

139 Ev 52

140 Country Partnership Strategy 2009-13, Executive Summary, paras 4-6 and 11

141 Ev 57

142 Qq 117, 148

143 Q 148

144 Q 156

of the weakness of democratic structures is a lack of accountability and widespread corruption, as we discuss below.

Government structures

75. Under Nigeria's federal structure the 36 State governments take lead responsibility, with the 774 local government areas (LGAs), for delivery of basic services. States are not required under the constitution to account to the Federal Government for the use of the 50% of public funds allocated to them. Under the 30 years of military rule, many States operated without budgets and public finance management is therefore a particular weakness. The capacity of local government to manage and deliver services is also weak.

76. DFID highlights that "inter-governmental collaboration is weak, disparate and uncoordinated resulting in poor service delivery and risks to macroeconomic stability".[145] The Federal Government has tried to overcome this obstacle by setting up service delivery agencies in particular sectors but DFID assesses that this "further crowds and complicates the institutional landscape". It gives the example of education where, in addition to the Federal and 36 State education ministries, 20 government agencies and institutions also operate.[146]

77. Witnesses agreed that there were significant structural weaknesses. Dr Raufu Mustapha believed that States were deliberately keeping LGAs weak by preventing sufficient funding from reaching them, despite the fact that LGAs share responsibility for delivering important services such has health and education.[147] Aboubacry Tall of Save the Children told us that the lack of co-ordination between the different tiers of government meant that progressive and useful Federal policies, for example on health care, had not survived the "translation" down to State and local level.[148]

78. We met the Minister for National Planning in Abuja. The Ministry houses the National Planning Commission which is responsible for the co-ordination of forward planning across the country. He said that co-ordination was "easier said than done" under the Federal system but he believed that there had been a drastic improvement under this Administration; a meeting with all 36 State Governors is now held every month.

79. Some witnesses identified a lack of a common vision within Government and amongst the elite in Nigeria on future directions for the country, which resulted in personal agendas dictating policy.[149] The President's Vision 2020 plan, to be launched on Independence Day on 1 October 2009, aims to make Nigeria the world's 20th largest economy by 2020. We asked the DFID Minister for his assessment of the potential of Vision 2020. He believed that the Federal Government had "more work to do" to ensure that its objectives were realistic and achievable. The Head of DFID Nigeria is a member of the Steering Group for Vision 2020. DFID believed that what emerged from the Vision 2020 process would not be

145 Ev 92

146 Ev 87

147 Q 11

148 Q 56

149 Qq 2-3

very different from the previous Administration's policy framework—the Nigerian Economic Empowerment and Development Strategy (NEEDS).[150]

Electoral system

80. DFID says that "Nigeria's political system has largely developed as a mechanism for exploiting and sharing oil revenue, by its rulers and the elite".[151] As is the case in many resource-dependent countries, stability and political power have been maintained by its leaders "sharing the spoils" to ensure that they keep the support of allies and limit the influence of potential political rivals. Using oil resources to maintain political power has prevented the development of a "social contract" between the government and the people. Political leaders see themselves as owing their position to other members of the elite rather than to the people who voted for them. [152]

81. Dr Mustapha told us that "elites do not believe in elections; until they are forced to take elections seriously I do not think we will ever get any accountability from them."[153] Sam Unom, an independent consultant, highlighted that the existence of "cynical politicians who just do not care" was a major obstacle to proper accountability. He believed that this would come about only if there were free and fair elections in which incumbents risked losing their position and which therefore "impose a cost on politicians" for unacceptable behaviour.[154]

82. 2007 saw the first transition between democratic regimes since independence, although the election was identified as being seriously flawed.[155] DFID says that, following the 2007 elections, it undertook lesson-learning exercises on the impact of its support for the process.[156] The main lesson was that the international community and Nigerian bodies should avoid concentrating only on the elections as a single event; they should support changes in the wider electoral process. DFID regards its support to the electoral process as "contributing directly to the wider goal of improving the accountability of Nigeria's government to the legitimate demands of Nigeria's people". It says that it will adopt "a more holistic approach" to its support to the next elections in 2011, with a broader programme seeking to strengthen the capacity of key democratic organisations, including "the National Assembly, electoral management bodies, political parties, the media, civil society, and conflict prevention mechanisms" to make them more effective, accountable and responsive.[157]

83. Michael Peel, formerly the West Africa correspondent for the *Financial Times,* pointed to the weak response from the international community to the flawed elections of 2007. He challenged DFID's view that "questions around the legitimacy of the election

150 Q 147

151 Ev 87

152 Ev 87

153 Q 13

154 Q 49

155 Ev 57

156 Ev 57

157 Ev 57

overshadowed the tenure of the new President *until* an election tribunal upheld the result at the end of 2008" (emphasis added).[158] He believed that few Nigerians would accept that the tribunal had removed the doubts about the election results.[159]

84. The Minister accepted that DFID had a responsibility "to work with government on trying to make the next round of elections a further significant improvement on what has gone before". However, he believed that the challenge went wider than the electoral system: "the whole process of governance and democracy in Nigeria clearly needs to develop and change in a very significant way.[160] The President's Electoral Reform Commission was established in August 2007 and has presented a report to the President.[161] The Minister told us that the President had now accepted 170 of the Commission's 186 recommendations and published them in a white paper. DFID wished to see the implementation of these recommendations as a minimum requirement in terms of electoral reform. Another priority for DFID was for:

> […] the Electoral Commission to be able to function on its own and to have a source of funding from the government which does not make it dependent on the government to operate on a day to day basis. That would be one of the most important reforms that we could see and should expect to push government for. [162]

Sam Unom stressed that electoral reform had to deliver the "credible elections which the Nigerian people are yearning for".[163]

85. **Fair and free elections are not the only element in a functioning democracy but they are an essential one and give a clear indication of whether a developing country is making the necessary progress towards proper governance. The 2007 elections demonstrated that Nigeria is a long way from achieving this. The political elite needs to do more to demonstrate that it understands that politicians are accountable to the people, that political power must be bestowed by the people through the ballot box, and that it has moved away from a situation where power is carved up between those with vested interests, in a crude "sharing of the spoils". We believe that donors, including DFID, need to apply increased pressure on the Nigerian authorities, and work with them, to continue to reform the political system. This should include a new and fully independent Electoral Commission, whose recommendations are properly considered and implemented.** The inter-relationship between politics and oil wealth is discussed below.

Parliamentary strengthening

86. We have made clear in the past our view that DFID does not devote enough attention to strengthening parliaments in developing countries.[164] We highlighted that, although

158 Ev 54

159 Ev 58 and Q 50

160 Q 148

161 Ev 57

162 Q 149

163 Q 12

164 See First Report of Session 2007-08, *DFID Annual Report 2007*, HC 64-I, paras 63-66

DFID funding for governance increased from about £85 million in 1997 to over £322 million in 2008, the allocation for parliamentary strengthening was still only £14 million (4.3%). In our Report on the 2008 DFID Annual Report, we welcomed the Permanent Secretary's indication that DFID would increase its work on building parliamentary capacity and recommended that this was accompanied by a significant uplift in funding.[165]

87. In its White Paper published in July 2009, DFID undertook to do more to improve transparency and accountability in developing countries: "The UK will commit to setting aside an amount equivalent to at least 5% of its budget support funds to strengthen mechanisms for making states more accountable to their citizens." However, no special role is identified for parliaments in developing countries; they are simply grouped in with "citizens groups, local media, […] audit bodies and others" who are seen as having a role in monitoring how governments use their resources.[166]

88. The Minister was not able to tell us how much of this increased funding for accountability would be spent specifically on support for the Nigerian parliamentary system.[167] DFID has, however, provided significant support to the National Assembly in the past, through its Strengthening the National Assembly Programme (SNAP), to which it has allocated £2.7 million over the past three and a half years. DFID says that its support has resulted in:

- Awareness-creation and capacity-building for new members and administrative staff on committee functions, use of Nigeria's debt relief gains, and budgeting for achievement of the MDGs;
- Support for passing of key economic reform legislation including the Fiscal Responsibility Act, the Public Procurement Act and the Nigeria Extractive Industries Transparency Initiative Act;
- Establishment of a civil society liaison office to strengthen linkages between civil society organisations (CSOs) and the National Assembly on MDG issues, and training for CSOs on advocacy and lobbying skills.[168]

89. The National Assembly is bi-cameral, with a 109-member Senate and 360 members in the House of Representatives. It is assessed by DFID as "still developing, lacks institutional memory, and needs assistance to build its capacity."[169] In Abuja, we met the Chair of the National Assembly Committee on International Donors and Civil Society. She welcomed the support which DFID had provided for the Assembly and specifically for her Committee, including funding for "retreats" in which committee members could engage with donors and civil society. She regarded the high turnover at Nigerian elections as a serious issue: only 25% of parliamentarians retained their seats in the 2007 elections resulting in a loss of experience and capacity. She favoured further electoral reform to improve the conduct of elections, and a properly independent Electoral Commission and

165 Second Report of Session 2008-09, *DFID Annual Report 2008,* HC 220-I, paras 97-100

166 *Eliminating World Poverty: Building our Common Future*, DFID White Paper, 6 July 2009, Cm 7656, para 7.18

167 Q 151

168 Ev 58

169 Ev 58

believed increased donor assistance for such reforms was needed. She believed it was also an important part of the reform process for politicians themselves to show a much greater willingness to accept defeat in elections.

90. DFID's SNAP programme will end in September 2009.[170] There will be a broader successor programme—Deepening Democracy in Nigeria—which is still in the design phase but which DFID says will seek to strengthen the Assembly's capacity "to be a more effective venue for the articulation and scrutiny of reform policies and legislation." It will also improve the technical support available to legislative committees.[171] DFID expects to allocate £20 million to the programme as a whole, although it is not yet clear how much of this will be spent on the parliamentary element.[172]

91. **We have made clear in the past our view that parliamentarians have a specific and important role to play in promoting transparency and accountability in developing countries. Nigeria has a long way to go in this respect and it is vital that the National Assembly is assisted by the international community to understand and fulfil its scrutiny role. We are not convinced that DFID yet understands the centrality of parliaments to effective governance and this is reflected in the small proportion of DFID's governance budget which goes to parliaments. We urge DFID to live up to the renewed commitment to transparency and accountability made in the White Paper by ensuring that support to the Nigeria National Assembly is a central and properly funded pillar of its new Deepening Democracy in Nigeria programme. DFID should provide specific support to the National Assembly to help develop robust mechanisms for holding the government to account, and to assist individual parliamentarians and parliamentary committees to become more effective.**

Corruption

92. Corruption is described by DFID as being "endemic" at every level of government in Nigeria and across society more broadly.[173] Nigeria's position in Transparency International's Corruption Perceptions Index improved from a ranking of 152 in 2005 to 121 in 2008. However, DFID points out that the 2008 report is based on 2007 data, so it does not necessarily reflect the current situation.[174] At a roundtable meeting with civil society in Abuja, we were told that an estimated 60% of public procurement expenditure was lost to corruption. Tackling corruption is one of the priority areas in President Yar'Adua's 7-point agenda.

93. Michael Peel believed that a promising start had been made on tackling corruption under the previous Administration and that limited gains had been made but that those had been lost because of "a change in the political temperature".[175] DFID agreed that

170 Q 152

171 Ev 58

172 Q 153

173 Ev 55

174 Ev 59

175 Q 5

momentum has not been sustained.[176] The Economic and Financial Crimes Commission (EFCC) was established in 2003 and began to make an impact with a number of high-level prosecutions. Between 2005 and 2008 convictions increased from 20 to 200 and assets recovered rose from $1 billion to $5 billion. The DFID Minister told us that under the Obasanjo administration:

> […] between 2005-07 we saw about $5 billion of assets recovered that had been corruptly purloined and the prosecutions of about 82 comparatively senior people. I think there was a significant improvement in terms of accountability for people who were guilty of corruption.[177]

However, more recently there have been reports of increased political interference and influence over the EFCC, particularly since the dismissal of its former Chairman, Nuhu Ribadu, which the DFID Minister said did "not send the best of signals in terms of the future direction of the work of the Commission".[178] He told us that there were "some questions being asked […] about the current Government's commitment to working with the EFCC" and pointed to frustration arising from slow progress in cases against Governors and a number of cases being adjourned.[179]

94. Dr Mustapha believed that former President Obasanjo had taken personal risks in tackling corruption but that it was now really only being addressed at State rather than at Federal level. It was also only officials who were being investigated now, rather than politicians. Corruption cases were being pursued against thousands of bureaucrats at enormous administrative cost and with little real impact, rather than trying to deal with the key individuals at the top.[180] The Head of DFID Nigeria thought this could be viewed in different ways:

> […] quite a lot more people are being looked at […] There are a lot more federal officials, for example, being investigated. You can obviously take that in either of two ways: it is good in that the net has been broadened, or you can say it is bad and that is putting the spotlight on to different people and off others. It is extremely difficult to say which it is.[181]

The Minister also highlighted a lack of capacity in the EFCC with a shortage of investigators and prosecutors.[182] DFID would continue to support the Commission to build up its effectiveness but higher level action was also required:

> The international community, including ourselves, needs to continue to press at ministerial level in particular for the Federal Government and, indeed, state

176 Country Partnership Strategy 2009-13, para 3

177 Q 157

178 Ev 59 and Q 157

179 Q 157

180 Q 14

181 Q 159

182 Q 157

> governments to take the issues of corruption seriously and seek to move Nigeria on to the next level in terms of addressing corruption.[183]

95. The Head of DFID Nigeria was emphatic that "governance is at the core of everything we do in Nigeria". It was important to recognise that it was not just through the obvious, direct measures that corruption was being tackled:

> You also tackle it through programmes like GEMS [Growth and Employment in States], for example, […] which helps to take discretion out of the system, that helps to reduce the number of licences that you need to open a business and, therefore, reduces the number of opportunities there are in that process for graft. We need at least a three-pronged approach: one is working upfront in the anti-corruption effort; the other is helping to build the systems; but then you also need to reduce the opportunity for corruption.[184]

Reforms to improve transparency and tackle corruption in the public services which DFID is supporting include:

- The Federal Government's financial allocations to States are now published monthly on the internet.
- Budget and payroll systems have been improved, leading to the removal of an estimated 70,000 ghost workers from State and Federal budgets. One State reduced its pension bill by two-thirds.
- Nigeria is a leader in the Extractive Industry Transparency Initiative (EITI) which promotes transparency of revenues from natural resources (see below).
- The Pharmaceuticals Licensing Body (NAFDAC) is taking a stronger stance against corruption, leading to a dramatic reduction in counterfeit and fake drugs.[185]

Sam Unom pointed out that corruption was now an inescapable front-page issue in Nigeria: it could no longer be "swept under the carpet", which was an important development in itself.[186]

96. **We support DFID's approach that puts good governance at the core of its programme in Nigeria. It is right that corruption should be tackled both through direct and overt support for bodies such as the Economic and Financial Crimes Commission and through programmes which reduce opportunities for corruption and build Nigeria's own systems of accountability and transparency. However, this is a battle which is nowhere near being won: as DFID acknowledges, corruption remains endemic in Nigeria. It is a canker which, if not removed, will continue to obstruct improvement in the lives of millions of poor Nigerians. We recommend that DFID and its international partners continue to press the Nigerian Government to prioritise tackling**

183 Q 157

184 Q 159

185 Ev 59

186 Qq 14,19, 21

corruption as the most effective route to overcoming many of the other obstacles which threaten development in the country.

UK-Nigeria co-operation to tackle corruption

97. The DFID White Paper published in July gives a commitment to triple the funding for tackling corruption in developing countries:

> Funds will be provided to support new approaches to gathering intelligence, working with the private sector and the Serious Organised Crime Agency. Funding will also be increased to the Metropolitan Police's Proceeds of Corruption unit so that they can pursue more investigations across more countries […] DFID will provide new funding for the Crown Prosecution Service to enable them to take further action against those who steal and seek to hide proceeds in the UK. The UK will report on its efforts to track, freeze and recover illegally acquired assets […] The greatest progress against corruption will be made by integrating international and country level initiatives. [….] DFID will also provide new resources to Interpol, to deal with corruption and give developing countries and the international community the reach to pursue those who steal funds.[187]

98. Witnesses stressed the importance of complementary anti-corruption measures in the UK and effective co-operation between the two countries. Michael Peel told us that these had led to "tangible results" in the past but had "fallen off a cliff in the last year or two".[188] The Minister disputed this and said that it was not the case that the UK was "passively accepting that corruption is just an issue for the Nigerian authorities and there is nothing that we can do about it".[189] He pointed to successes to date: the Metropolitan Police's Proceeds of Corruption Unit had restrained almost £80 million worth of Nigerian assets which were subject to judicial proceedings; since 2006 there had been 24 arrests directly connected to Nigerian assets and two successful prosecutions, including a three-year conviction for money laundering; and almost £21 million worth of money had been returned to Nigeria following criminal or civil proceedings.[190] However, although the UK had "stepped up the work" in London and in Nigeria, which the Minister believed was "beginning to make a difference", he accepted that "there is always more you can do given the scale of the corruption issue in Nigeria" and he indicated that the UK's anti-corruption co-operation with Nigeria would be further enhanced.[191]

99. **A key part of the support which the UK can offer Nigeria in tackling corruption is to ensure that its criminals do not find refuge in the UK. Strong and concerted measures must be taken against them in the UK justice system, including the recovery of assets. DFID has given a commitment in its new White Paper to triple the funding for tackling corruption in developing countries. Nigeria's endemic corruption is an obvious target for additional effort and resources, both in-country and in the UK. We recommend**

187 *Eliminating World Poverty: Building our Common Future*, paras 2.55-2.57

188 Qq 21-24

189 Q 162

190 Q 160

191 Q 161

that DFID provide us with details of the specific action the Government, the Serious Fraud Office and other UK agencies intend to take to assist Nigeria to reduce corruption, under the White Paper proposals.

Civil society

100. Effective transparency and accountability require a strong and active civil society. The DFID White Paper says:

> The work of governments alone will never be enough. For lasting change, states must interact with voluntary groups, charities, faith and diaspora groups, trade unions, co-operatives and others. These organisations can and do often deliver basic services where states cannot or will not. They can challenge governments to ensure that policies benefit ordinary people, including the poorest. And they can help citizens hold their states to account.[192]

The capacity of civil society is still developing in Nigeria after a long period of inactivity under the military regimes. Moreover, public expectations of government in Nigeria are very low because people have "little or no experience of Government service delivery".[193] This means that public expression of demand for basic services is largely absent and civil society needs to be supported to voice this demand effectively.

101. Eamon Cassidy, the Head of DFID Nigeria told us "there has been a bit of an explosion since 1999" in the number of civil society organisations (CSOs).[194] However, DFID's view is that they vary widely in their capacity and capability and that they are just beginning to learn how to work with government and the private sector to press for change.[195] DFID's Coalitions For Change (C4C) programme aims to help Nigeria's CSOs to advocate effectively for change by bringing a range of civil society and public and private sector actors together into coalitions to focus on specific issues. Eamon Cassidy explained that DFID Nigeria had tried to move away from the old model of selecting individual organisations to work with and building their capacity, which sometimes simply turned them into "donor consultants". The emphasis now was on ensuring that civil society was "strongly Nigerian-led". It was not about providing direct funding to individual NGOs, but rather helping groups to build their capacity to work on specific issues "around the management of the budget, for example, around oil proceeds and, [...] things like climate change which is relatively new in Nigeria."[196]

102. Coalitions developed and supported by C4C include:

- Constitutional Review Coalition, which supports the development of a dialogue mechanism for the constitutional review process;

192 *Eliminating World Poverty: Building our Common Future*, para 7.40

193 Ev 87

194 Q 165

195 Ev 58

196 Q 165

- Monitoring the Virtual Poverty Fund, which monitors debt relief gain expenditure in key areas and certain States;
- Extractive Industries Revenue Transparency Initiative, which aims to strengthen the management and application of oil revenues;
- Northern Nigeria Water Governance Initiative, which supports new public funding mechanisms for integrated water resource management in northern Nigeria;
- Nigeria Climate Action Network, which aims to strengthen Nigeria's response to climate change;
- Disabled People's Rights, which supports legislative change and other forms of advocacy around disabled people's rights.[197]

103. Save the Children argued that, in supporting the development of CSOs, it was important for donors "not to over-rely on a limited number of large 'issue based' advocacy projects". It believed that capacity building of CSOs was a key element in addressing the lack of external accountability in Nigeria and that DFID should "demonstrate the same long term commitment to building the influence and capacity of non-governmental actors as it does to state and local governments."[198] Dr Mustapha told us that donors who worked with civil society tended to focus on "like-minded people in and around Abuja" and believed that they needed to engage more with people in remoter areas "who do not have e-mail addresses".[199] The Minister rejected this claim and pointed to DFID support for rural co-operatives.[200]

104. **Civil society is an essential pillar in the transparency and accountability structure of any country. Given Nigeria's challenges of endemic corruption and huge inequality in access to basic services, the role of the country's non-governmental sector in voicing demand for services, securing a fair share of resources and ensuring public money is not stolen or wasted, are central to the country's development. We believe that DFID is right to provide strong support to Nigerian civil society. In such a large and diverse country, it is however important to ensure that this support is not just provided to the high profile, educated and largely middle-class organisations in the cities. Under-represented sections of society, in rural and remote areas, are most likely to be the poor and marginalised people who have the greatest need for services and the least access to ways of voicing this need. We request that DFID, in response to this Report, provides us with more details on the ways in which it aims to support civil society, and in particular organisations which represent the interests of people living in more remote areas, who do not have access to the internet and other information networks.**

197 Ev 107

198 Ev 81

199 Q 48

200 Q 163

5 Oil wealth and the Niger Delta

Managing oil wealth

105. Nigeria is the world's 10th, and Africa's largest, oil producer. Oil provides 85% of government revenue and over 95% of export earnings. In 2005, 75% of foreign direct investment was in the oil sector. It is therefore a dominant factor in both the economics and the politics of the country. DFID says that management of oil resources is fundamental to Nigeria's economic, social, political and environmental future.[201] Oil production is currently estimated to be 1.5 million barrels per day (bpd) against a government target of 2.3 million.[202] The turbulence and insecurity in the oil-producing Delta region has contributed to this decline in production (see below). It is estimated that Nigeria has received oil revenues over the last 25 years of US$300 billion (excluding payments to oil companies)[203] yet half the population lives on less than a dollar a day and 90% are estimated to live on less than $2 a day.[204]

106. Michael Peel has described Nigeria as an "oil-ruined country".[205] Whilst fully acknowledging that there was "huge poverty" in Nigeria, he believed that the real challenge was the:

> [...] marginal richness that oil brings; and while that pot of money is there, and there is not much else going on, the temptation is always to try and get yourself in a network to benefit from those revenues as they flow down, rather than particularly to be involved, say, in building up social services in your area or small industries and so forth.[206]

The impact of oil wealth on public attitudes to taxation and economic diversification were made clear to us during our visit. Many people see oil as a blessing which obviates the need for them to seek other sources of economic activity or to contribute to the provision of services through taxation. Lagos State is exceptional in raising 50% of its revenue from non-oil sources. Many Nigerian people quite reasonably question the point of paying taxes when they have to pay for most services, including health and education, separately. Businesses, too, often evade taxes: they see little return in the provision of infrastructure or public goods and therefore regard taxes simply as a way for Federal, State and local authorities to extract money from them.[207] It was pointed out to us that a heavy burden is placed on people registered to pay tax because squeezing them is easier for the Government than bringing the many people in the informal sector into the formal, tax-paying sector.

201 Ev 64; GEMS Technical Annex, para 1.1

202 Ev 91-92

203 *Oil-dependence and civil conflict in Nigeria*, Aderoju Oyefusi, Department of Economics & Statistics, University of Benin, 2007, Section 2.2

204 Ev 89

205 Michael Peel, *A swamp full of dollars: pipelines and paramilitaries at Nigeria's oil frontier, (London,* September 2009), prologue, p xviii; see also Q 37

206 Q 20

207 GEMS Technical Annex, para 2.3

107. The Federal Government has carried out significant reforms to end the shocks to the economy created by fluctuations in oil prices and to remedy previous regimes' failure to manage oil receipts prudently. In 2004, the Government broke the link between government expenditure and oil price fluctuations by introducing a budget system based on a conservative reference price for oil. All income which the Government receives when oil sells at above the reference price is now saved in an Excess Crude Account rather than being spent. DFID says that "this mechanism has succeeded in avoiding boom-bust cycles of spending that had plagued Nigeria since the 1970s" and that it was central to the turnaround in Nigeria's economic performance.[208] However, oil wealth continues to distort the economy and is a major contributory factor in, and victim of, the corruption which pervades the country. It also contributes to the view that government should provide jobs, rather than a successful private sector.

Nigeria Extractive Industries Transparency Initiative (NEITI)

108. The Extractive Industries Transparency Initiative (EITI) is an international framework, initiated by the UK. It has established a coalition of governments, companies and civil society to promote transparency in oil, gas and mining. Its aims are to "make natural resources benefit all" and it sets a global standard for companies "to publish what they pay and for governments to disclose what they receive".[209] Nigeria passed specific EITI legislation in 2007 which DFID says "reinforced its position as a global leader in this initiative." DFID has supported Nigeria's adoption of EITI with £3 million over four years.[210] The DFID Minister told us that "We are probably the leading partners supporting the establishment" of NEITI.[211]

109. The NEITI board is appointed by the President and comprises representatives from civil society, government, extractive industry companies and the media. Day-to-day work is carried out by the NEITI Secretariat, which works to deepen awareness of NEITI-related issues and build the capacity of government and civil society to understand and monitor extractive revenue transparency. Under the 2007 legislation, NEITI has the authority to withdraw licences from oil companies which do no co-operate with its work. This has not been tested yet.

110. NEITI's first audit report covered the period 1999-2004 and was published in April 2006.[212] It put into the public domain financial data, information on volumes of oil produced, refined and exported and the legal framework of the petroleum sector. This encouraged tighter scrutiny of oil revenue flows for 2004 and 2005 which enabled the Government of Nigeria to recover additional revenues due to it from oil companies of about £500 million.[213] The 2005 audit has been submitted to the Federal Government for approval, before its public release.[214] The NEITI Chair told us that the process for

208 Country Partnership Strategy 2009-13, paras 3-4; Ev 92

209 See EITI website at www.eitransparency.org

210 Ev 64

211 Q 157

212 Nigeria Extractive Industries Transparency Initiative, Audit of the period 1999-2004

213 Q 167

214 Q 167

producing audits would now be speeded up and that those for 2006-2008 would be published together. The DFID Minister welcomed this.[215]

111. The NEITI Chairman told us that his organisation could only be effective if it was part of an integrated government reform programme but that there was no evidence that this was taking place yet. Witnesses welcomed NEITI's work and believed that DFID's contribution to it was important and should continue. However, their view was that it was only a small part of a bigger picture and that the Federal Government should put better systems in place to trace oil from the well-head to the export point and that the use of oil money needed to be closely tracked once it reached the Treasury.[216] They agreed with the NEITI Chairman that improving transparency in the oil sector could not be achieved until the interaction between oil wealth and politics had been addressed. Sam Unom summed it up: "oil lubricates politics".[217] DFID agreed that "oil wealth distribution is at the heart of Nigerian politics" and that division of oil revenue still dominated discussions about the federal system which should properly be focused on the elements of a well-functioning country: accountability, coordination and institutional capacity.[218]

112. **The Nigerian Extractive Industries Transparency Initiative (NEITI) has brought a very welcome increase in transparency and accountability to the country's oil sector. We commend DFID for taking such a strong lead in supporting the initiative. However, as its Chairman made clear to us, NEITI is an important, but at the moment isolated, element in what needs to be a much broader, integrated and government-led programme to reform both the oil industry and its relationship with the country's economic and political structures. While oil and politics remain inextricably linked, corruption and mismanagement will prevail. We recommend that DFID take every opportunity to apply pressure to the Nigerian Government to prioritise oil industry reform measures, including publication of data on the contribution which oil revenues make to the public finances and on the programmes which oil revenues fund, and the separation of oil wealth from politics. These measures should also include provision of adequate resources to NEITI to maintain and build upon its excellent work to date and full co-operation with NEITI in the provision of data to ensure that publication of the audits for 2006-08 can be expedited.**

Conflict in the Niger Delta

113. In the last few years the oil-producing Niger Delta region has seen a serious deterioration in its security situation. There was a lull in the violence immediately after the 2007 elections but kidnappings and violent attacks on communities and oil installations soon restarted. A state of emergency was declared in Rivers State late in 2007 and a military Joint Task Force was sent in.[219] Michael Peel, the author of a recently published book on the oil sector in Nigeria, believed that a military crack-down was not the answer to the

215 Q 167

216 Qq 42-45

217 Q 43

218 Ev 92

219 Ev 70

Delta's problems and that a bigger military presence in the Delta would be "extremely dangerous".[220]

114. A recent report from the UN Office on Drugs and Crime (UNODC) highlighted the seriousness of the problems in the Delta:

> […] the threat posed by oil seems to be the greatest rule of law challenge confronting the [West Africa] region. It directly destabilises the most powerful economy in the region, with implications far beyond the Niger Delta. The problem has been allowed to persist for so long that it will be difficult to uproot […].[221]

UNODC says that the conflict in the Delta "is rooted in grievances of residents who, despite the wealth beneath their land, remain very poor" and who believe that environmental damage related to the industry has undermined their traditional livelihoods. UNODC estimates that 10% of total production is lost through theft and smuggling (known as "bunkering"). This means that as much as a third of the oil income which makes up 80% of Nigeria's national budget is lost, with the Nigerian public being the "net loser".[222] President Yar'Adua has compared illegal oil bunkering to the trade in "blood diamonds" that fuelled the conflicts in Sierra Leone and Liberia and has called for international action to arrest the flow of "blood oil".[223] Solving the problem of insecurity and criminality in the Niger Delta is one of his key areas in his 7-Point Agenda. The new Country Partnership Strategy highlights the need for "sustained efforts to end militancy in the Delta."[224]

115. UNODC argues that the violent political struggle in the region "provides a convenient smokescreen for those intent on personal enrichment. Militants and officials earning good incomes off the conflict may be less than eager to come to the negotiating table." The report highlights the intersection between oil theft and corrupt election practices with young men involved in stealing oil also being used to "get out the vote" at election time.[225] Michael Peel similarly highlighted the cross-over between militants, "gangsters" and young men armed and paid by politicians "who needed to rig elections".[226] The Chair of the NEITI Board told us that the violence and lawlessness in the Delta were part of a wider problem of how politics was financed in Nigeria and that security in the Delta would not be possible until the underlying causes were resolved. DFID asserts that the problem in the region "is not one of resources".[227] Its assessment is that:

220 Q 38; Michael Peel, *A swamp full of dollars: pipelines and paramilitaries at Nigeria's oil frontier, (London,* September 2009)

221 *Transnational Trafficking and the Rule of Law in West Africa: a threat assessment,* UN Office on Drugs and Crime, July 2009, Executive Summary, p 8

222 UNODC report, op cit, p 4

223 UNODC report, op cit, p 72

224 Country Partnership Strategy 2005-09, Executive Summary, para 16

225 UNODC report, op cit, p 4

226 Qq 37-38

227 Ev 87

> The situation in the Niger Delta is largely a result of poor governance, particularly a failure on the part of the governments of the region to use their substantial resources for the benefit of their citizens. There are legitimate grievances about the existence of poverty in the face of extreme wealth and dissatisfaction with some of the ways in which the oil companies have operated.[228]

116. Some steps are being taken to try to tackle violence and instability in the Delta. The Governors of the six Delta region states have held a summit meeting in which they resolved to improve governance and build regional infrastructure.[229] The Federal Government established a Ministry of Niger Delta Affairs in late 2008, but it is unclear how effective it will be. Sam Unom described it as "gesture politics" and the sort of "quick fix" which was unlikely to have an impact and which itself was exposed to becoming another part of the "patronage system".[230] The International Crisis Group (ICG) says that the Ministry's low budget, uncertain division of responsibilities and unclear guiding principles have reduced its credibility.[231] Dr Mustapha agreed that the new Ministry's resources were "miniscule" and believed that it was just "another thing to dazzle people".[232]

117. DFID has funded a £2 million programme to improve social cohesion and delivery of basic services by local government in Rivers and Delta States (Supporting Transparency and Accountability in the Niger Delta programme (STAND)).[233] However, DFID points out that it remains difficult for donors to have an impact on the MDGs there until the State governments show greater willingness "to improve governance, reduce corruption and address the security situation."[234] The DFID Minister told us:

> Where development donors […] can begin to make a difference, and we are certainly trying to, is in two ways: one is in terms of the dialogue we have with ministers and politicians in Nigeria; secondly, in the sort of pro transparency and voice programme that we are funding in the Delta areas […] to begin the process of helping officials and politicians in the Delta States be held accountable for progress, or lack of progress, against the MDGs.[235]

The conduct of oil companies

118. While donors have a clear role to play in trying to bring stability to the Delta region, the oil companies who are benefiting from exploitation of the natural resources of the region have an equal, if not greater, responsibility. However, some commentators believe they are part of the problem rather than the solution.

228 Ev 55

229 Ev 55

230 Q 39

231 International Crisis Group Africa Briefing No. 60, "Nigeria: seizing the moment in the Niger Delta", April 2009

232 Q 39

233 Ev 88

234 Ev 87

235 Q 168

119. Amnesty International has recently highlighted violations of the rights of the local people in the Delta to an adequate standard of living, and to work, food, water and health.[236] It believed that the UK Government should do more to:

> […] encourage the Nigeria Government to ensure robust, independent and coordinated oversight of the oil industry, including its impact on human rights. They must make the assessment of the social and human rights impacts of all oil and gas projects mandatory and ensure systematic clean-up of oil pollution.[237]

The majority of evidence which Amnesty has collected relates to the operations in the Niger Delta of Shell Petroleum Development Company, which is a subsidiary of Royal Dutch Shell, a company with a registered office in London. It believes that the UK Government should require such companies to undertake and report on human rights due diligence measures and that, where human rights of people in overseas countries are harmed by a company's operations, they should have access to effective remedy in the UK if this is not available in their own country.[238]

120. We put Amnesty's proposals to the DFID Minister. He told us that he was:

> […] sceptical at this stage about whether there is a magic bullet in terms of a piece of legislation that might operate from the UK and lead to a dramatic transformation of what is happening in the Delta. I think it is a much more complex problem. Our job has got to be to help Nigeria improve its structures.[239]

We agree with the Minister that the challenge is to make Nigeria's own institutions effective, including ministries and the National Assembly and to strengthen its structures and mechanisms to tackle human rights abuses and to ensure that public money is being spent in the way it is supposed to be.[240] The Minister said that the appropriate role for donors was to:

> […] strengthen the ability of the government in Nigeria and the parliament and state legislatures to hold their politicians and officials to account and, if they think it is appropriate, to introduce the relevant legislation to bear down further in terms of human rights abuses, poor environmental standards, etc, and have the capacity to follow through and check whether businesses and, indeed, other organisations operating in that country are adhering to those laws and regulations.[241]

121. Other witnesses agreed with Amnesty International that the behaviour of oil companies was a significant factor contributing to the instability in the Delta. Shell in particular was identified as a company with complex relationships with local communities in the areas where it operates. We were told that it provided benefits such as clinics, boats and education scholarships to what are described as "host" communities. However, there

236 Ev 46; see also Amnesty International, *Nigeria: Petroleum, Pollution and Poverty in the Niger Delta*, June 2009

237 Ev 46

238 Ev 46

239 Q 172

240 Q 170

241 Q 172

were frequent disputes about what constituted a "host" community and what share of any benefits neighbouring communities should have when they also suffered the environmental and other impacts of oil exploitation.[242] Sam Unom said that it was sometimes "difficult to reconcile the value of what is on the ground with the value that is in Shell's books" in terms of its huge community budget.[243]

122. We invited Shell to respond to these claims and also asked the company a series of questions about its co-operation with the Nigeria Extractive Industries Transparency Initiative. The DFID Minister said that he would be "very interested to see the response".[244] We received a response from Shell as we were finalising our report.[245] Shell asserts that it "has met all the data and information requests from NEITI and cooperated with the auditors in all respects." It points out that Shell Petroleum Development Company (SPDC) was the first company to disclose the revenues it pays to the Nigeria government. It highlights a recent report from Transparency International in which "Shell scored 'high' overall in revenue transparency initiatives and 'very high' in transparency initiatives in Nigeria".[246] In relation to the contribution it makes to the Nigerian economy and local communities in oil-producing areas, Shell says that it spent $25.2 million on community development projects (as part of a $84 million SPDC joint venture), in addition to the $56.8 million it contributed in 2008 to the Niger Delta Development Commission, the government development agency for the region.[247] Shell says that the problems in the Delta "can only be solved with collaborative solutions" and that it wishes to see "coherent action that addresses the root causes of the issues that affect the people of the Niger Delta and brings positive change".[248] We have some queries about the responses we have received from Shell to our questions on its co-operation with NEITI. The chairman of the company offered to discuss these matters in more detail with us but, as we received Shell's evidence so late in the inquiry, we have not had an opportunity to do this. We do, however, intend to pursue these issues in oral evidence with Shell at a later date.

123. **Violence and instability in the Niger Delta are having a serious impact on Nigeria's oil industry and therefore on its economic situation. The people of the region suffer poverty and live in fear, despite the wealth being generated in the region. The causes are complex and reflect the interaction between oil, politics, crime and corruption in Nigeria which have to be tackled in a co-ordinated and integrated approach. We believe DFID must do more to support the Nigerian authorities to meet their responsibility to provide this response. This should include the adoption where necessary of stronger legislation to compel oil companies to honour the rights of local people and to conduct their business in a way which enables Nigeria's oil wealth to be shared by its people, with robust mechanisms in place to guarantee transparency and accountability in the flows of money and oil.**

242 Q 47

243 Q 47

244 Q 173

245 Ev 107-110

246 Ev 108

247 Ev 108

248 Ev 108

6 Conclusion: DFID's future engagement

124. The size and diversity of Nigeria and the scale of the challenges it faces makes it a very difficult country for DFID to operate in. As Dr Mustapha told us:

> I think it is a difficult and complex situation but it is a job that needs to be done, both in the interests of Nigerians and, let it be said, in the interests of the British public as well. Should the country unravel the whole of West Africa is gone and the consequences will ripple right across the globe. It is an engagement that is necessary and not always easy but I think needs to be done.[249]

The enormity of the need in Nigeria is clear: northern Nigeria has the worst human development indicators of any region in the world outside conflict and post-conflict areas.[250] Gareth Thomas was clear that the "dominant factor" behind DFID's continued engagement in Nigeria was the need to make progress on the MDGs: "just the huge numbers of poor people who need assistance in Nigeria itself".[251]

125. However, a number of the people whom we met during our visit emphasised the need to be realistic about what could be achieved by donors, particularly given that aid represents only 1% of GDP. It was evident to us that DFID's work is having an impact, albeit on a small-scale and in a limited number of States. Where success can be demonstrated, there is potential for it to be replicated and scaled up by both the Federal Government and the more effective State governments, who are now showing greater capacity to do this. Nevertheless, change is likely to be incremental and slow so long as the lack of Nigerian leadership continues.

126. There are positive signs. The Federal Government has achieved macroeconomic stabilisation through fixing a benchmark price for oil and saving the excess revenue rather than spending it, avoiding the boom-bust cycles of previous regimes. The huge debt relief package agreed for the country in 2005 has freed up resources to spend on progress towards the Millennium Development Goals, which should bring desperately needed improvements to basic services such as education and health care. Nigeria's non-oil average growth rate increased to 8.1% between 2002 and 2007, up from 3.5% in 1997-2000 (although DFID estimates that this growth rate needs to average 15% between 2010 and 2015 to achieve the first MDG on poverty reduction).[252]

127. The global economic crisis, and in particular its impact on oil prices, threatens this progress. Nigeria has to find ways to make its economy less dependent on oil, to encourage a vibrant and diverse private sector, and to create meaningful employment for its large numbers of young people, particularly young men who may otherwise be tempted into criminality and violence. The assistance DFID and the World Bank plan to offer in this area through the Growth and Employment in States programme will be valuable.

249 Q 17

250 Ev 88

251 Q 174

252 Country Partnership Strategy 2009-13, para 1.1; see also Ev 54

128. It is vital that Nigeria's oil wealth is used systematically to fund the country's development. We believe that it is right for donors to provide aid to Nigeria at the relatively low level of 1% of GDP to encourage reform, but it would not be sensible to raise the volume of aid to that received by other poor African countries while corruption and poor governance remain such significant barriers to poverty alleviation.

129. The obstacles to development, particularly weak governance, corruption and lack of capacity in management of public finances and delivery of services, make it doubly important that DFID ensures that its funding is not misused or wasted. The Minister told us that "our concerns about the effectiveness of government and the government systems" affect the way DFID operates in Nigeria.[253] Its written evidence elaborates: "DFID has designed its programme with a view to protecting aid funds from corruption. No DFID money is spent through Government of Nigeria systems. All programmes are tightly monitored and audit processes are in place."[254] NGOs also recognise the potential risk to their programmes which corruption presents and avoid direct transfers of funding.[255]

130. **DFID's programme in Nigeria is its fourth largest in Africa and its allocation for 2009-10 is £120 million. This is a significant amount of money and we would find it difficult to support this level of funding were it not for the high level of poverty, and the country's size and strategic importance. These factors have persuaded us that, despite the challenges and the inevitably slow progress, DFID should maintain its commitment to Nigeria. The numbers of poor people and the appalling lack of progress on the Millennium Development Goals, particularly those on maternal and child mortality and on gender equality, mean that global development targets will only be met if there is significant progress in Africa's most populous country. A healthy realism about what is achievable should be combined with a continued emphasis in DFID's programme on building the capacity of the Nigerian authorities to deliver the services they are responsible for out of their own resources. The Federal and State Governments should be encouraged to learn from successful projects, to replicate them and to disseminate good practice as widely as possible**.

131. **The scale of the UK's contribution and the weaknesses in Nigeria's systems demand that DFID take the greatest care to ensure that maximum benefit is derived from its funding in terms of improving the lives of Nigerian people. It should have robust mechanisms in place which enable it clearly to demonstrate, to the Nigerian people, to UK taxpayers and to Parliament, that funding is not misused, diverted or wasted as a result of deficiencies in Nigeria's own structures. DFID should also continue to work with its donor partners to apply sustained pressure on the Federal and State Governments to address these deficiencies and to focus their efforts on effective delivery of services and a fair, transparent and accountable use of oil wealth.**

253 Q 158

254 Ev 60

255 Q 55

Conclusions and recommendations

DFID's Programme

1. In such a vast and diverse country, we believe that DFID is right to focus on a limited number of States where the standards of governance are sufficient to permit an aid programme to operate at a meaningful level and have a significant impact. These focus States need to be chosen carefully and to reflect DFID's overriding priority of poverty reduction. The Federal Government and the focus States should be encouraged and supported to share information about successful programmes so that other States can replicate them using their own resources. (Paragraph 26)

Provision of basic services

2. It is vital that Nigeria meets the challenge of ensuring a reliable power supply with sufficient capacity to meet the needs of its people. If it fails to do so, the country's economic development and progress towards the MDGs will be jeopardised. This is therefore a crucial area for donor support and we welcome DFID's contribution through the Nigeria Infrastructure Advisory Facility: building capacity within Nigeria's public sector to plan, manage and implement major projects will be a key factor in transforming the power supply. DFID is a major donor to the World Bank and shares the goals for Nigeria set out in the joint Country Partnership Strategy. It should use this position to ensure that reform and improvement of the power sector remains a high priority for World Bank activity in Nigeria. (Paragraph 32)

3. At present, Nigeria is failing to exploit the potential of its economically productive people. Moreover, in an ethnically diverse country with a long history of political instability, the existence of large numbers of young unemployed men presents risks to stability and security. Nigeria needs support from donors to build its non-oil economic sectors and to generate jobs. DFID's Growth and Employment in States (GEMS) programme clearly has the potential to bring much needed jobs to Nigeria. The current target of 100,000 jobs is a promising start. However, given the size of the population in Nigeria and its rapid growth, and existing high levels of unemployment, it is important that it acts as a catalyst for Nigeria's State and Federal Governments to allocate resources to create similar programmes of their own. We recommend that further details about the economic sectors in which the GEMS jobs will be created, and in which parts of Nigeria, are provided in response to this report. We also request further information about how DFID's job generation programme is expected to complement the work of other donors and the Nigerian government's own efforts to create employment opportunities, and facilitate economic growth and private sector development (Paragraph 39)

4. We note that the Growth and Employment in States programme is expected to benefit 600,000 people in Nigeria. The recent DFID White Paper gives an overall commitment to create jobs which will benefit 7.5 million people in five countries. This leaves nearly 7 million beneficiaries to be reached through DFID's programmes in the other four countries in the next five years (Afghanistan, Ethiopia, Nepal and

Yemen). We request, in response to this Report, a breakdown of the number of beneficiaries which DFID expects there to be in each of these four countries and further details about the types of employment it expects to generate through its programmes in each case. (Paragraph 40)

5. Nigeria's future economic growth will require much greater access to finance and banking services for small and medium-sized business, and for individuals. The DFID- supported Enhancing Financial Innovation and Access for the Poor (EFINA) project has done valuable work to establish statistics on the existing levels of access. It now needs to move quickly to the next stage of devising schemes which will fill the gaps and help businesses and individuals to gain access to loans and financial services. We believe that EFINA should also seek to exploit the potential of banking services through mobile phone technology which has worked so effectively in other African countries. (Paragraph 44)

6. DFID's support for Nigeria's health services has provided significant resources and made a real impact on services in the States where the programmes have operated. However, there is still a very long way to go until service provision is anywhere near adequate, even in the States where DFID is providing assistance. DFID's focus in the second stage of its Partnership for Transforming Health Systems Strengthening programme seems to us to be the correct one: as in other areas of public services, the emphasis must continue to be on building up the Nigerian authorities' own ability to plan, fund and deliver health care and improving the level of co-ordination between the different tiers of government. It is vital that those least able to pay for health services are given priority in measures to increase access. The new Country Partnership Strategy states that the poor and vulnerable will be a key focus for health service support from donors. We invite DFID to provide us with further information, in response to this Report, on how this targeted assistance will be delivered. (Paragraph 50)

7. Malaria is a major cause of child death in Nigeria and has a serious impact on economic output. Bed-nets are a cheap and effective way of preventing malaria and we commend DFID's significant support for the Nigerian National Malaria Programme. We recommend that DFID provide us with further details of progress on implementation of the programme in response to this Report. (Paragraph 53)

8. Better maternal health in Nigeria will only be achieved if there is improvement in two areas: access to and quality of health services; and women's status in society. Changing negative attitudes to women requires a innovative and multi-dimensional approach. It is unacceptable that women's lives are being lost in childbirth because some societies fail to value them and allow them the access to the care which they need. DFID has a clear commitment to gender equality. Improving maternal health is an integral part of progress towards such equality. We accept that donors must act sensitively in raising these issues, and must take account of varying societal factors in different countries and in different regions of the same country, but maternal mortality rates, particularly in northern Nigeria, provide a clear indication that the most basic rights of many of the country's women are not being met. We recommend that DFID, in partnership with the Nigerian authorities, other donors and with organisations which have been successful in changing attitudes to women elsewhere in Africa, devote more resources and effort towards ensuring that real progress is made on reducing the number of women who die needlessly through lack of care. This would be a major justification for DFID's Nigeria programme, which is large in terms of the contribution made by the UK taxpayer but small in proportion to the scale of the challenge. (Paragraph 60)

9. We support DFID's view that it is for the State governments in Nigeria to provide education, not DFID. However, the capacity of States to do this remains weak and DFID's Education Sector Support Programme in Nigeria (ESSPIN) is providing much-needed assistance to increase government's ability to provide education. The support through ESSPIN for the integration of religious and secular education in Islamiyya schools in northern Nigeria is an innovative approach which we welcome. It is essential for the development of the country that all children have access to good quality education in subjects which will help them to find employment and improve their life chances. The impact of DFID's support for Islamiyya schools does, however, require careful monitoring. We recommend that DFID provide us with further information, in response to this Report, on the evaluation it plans to undertake on the effectiveness of the ESSPIN programme and in particular the Islamiyya element. (Paragraph 68)

10. The disparity between the number of boys and girls in school, particularly in northern Nigeria, is a clear indication of gender inequality. UNICEF's Girls Education Project, supported by DFID, has demonstrated that resistance to sending girls to school can be overcome if the barriers are addressed in a sensitive way. We recommend that DFID continue its support for UNICEF's work and seek to build on this where it has proved effective in increasing girls' enrolment rates. (Paragraph 72)

Governance

11. Fair and free elections are not the only element in a functioning democracy but they are an essential one and give a clear indication of whether a developing country is making the necessary progress towards proper governance. The 2007 elections demonstrated that Nigeria is a long way from achieving this. The political elite needs to do more to demonstrate that it understands that politicians are accountable to the people, that political power must be bestowed by the people through the ballot box, and that it has moved away from a situation where power is carved up between those with vested interests, in a crude "sharing of the spoils". We believe that donors, including DFID, need to apply increased pressure on the Nigerian authorities, and work with them, to continue to reform the political system. This should include a new and fully independent Electoral Commission, whose recommendations are properly considered and implemented. (Paragraph 85)

12. We have made clear in the past our view that parliamentarians have a specific and important role to play in promoting transparency and accountability in developing countries. Nigeria has a long way to go in this respect and it is vital that the National Assembly is assisted by the international community to understand and fulfil its scrutiny role. We are not convinced that DFID yet understands the centrality of parliaments to effective governance and this is reflected in the small proportion of DFID's governance budget which goes to parliaments. We urge DFID to live up to the renewed commitment to transparency and accountability made in the White Paper by ensuring that support to the Nigeria National Assembly is a central and properly funded pillar of its new Deepening Democracy in Nigeria programme. DFID should provide specific support to the National Assembly to help develop robust mechanisms for holding the government to account, and to assist individual parliamentarians and parliamentary committees to become more effective. (Paragraph 91)

13. We support DFID's approach that puts good governance at the core of its programme in Nigeria. It is right that corruption should be tackled both through direct and overt support for bodies such as the Economic and Financial Crimes Commission and through programmes which reduce opportunities for corruption and build Nigeria's own systems of accountability and transparency. However, this is a battle which is nowhere near being won: as DFID acknowledges, corruption remains endemic in Nigeria. It is a canker which, if not removed, will continue to obstruct improvement in the lives of millions of poor Nigerians. We recommend that DFID and its international partners continue to press the Nigerian Government to prioritise tackling corruption as the most effective route to overcoming many of the other obstacles which threaten development in the country. (Paragraph 96)

14. A key part of the support which the UK can offer Nigeria in tackling corruption is to ensure that its criminals do not find refuge in the UK. Strong and concerted measures must be taken against them in the UK justice system, including the recovery of assets. DFID has given a commitment in its new White Paper to triple the funding for tackling corruption in developing countries. Nigeria's endemic corruption is an obvious target for additional effort and resources, both in-country and in the UK. We recommend that DFID provide us with details of the specific action the Government, the Serious Fraud Office and other UK agencies intend to take to assist Nigeria to reduce corruption, under the White Paper proposals. (Paragraph 99)

15. Civil society is an essential pillar in the transparency and accountability structure of any country. Given Nigeria's challenges of endemic corruption and huge inequality in access to basic services, the role of the country's non-governmental sector in voicing demand for services, securing a fair share of resources and ensuring public money is not stolen or wasted, are central to the country's development. We believe that DFID is right to provide strong support to Nigerian civil society. In such a large and diverse country, it is however important to ensure that this support is not just provided to the high profile, educated and largely middle-class organisations in the cities. Under-represented sections of society, in rural and remote areas, are most likely to be the poor and marginalised people who have the greatest need for services and the least access to ways of voicing this need. We request that DFID, in response to this Report, provides us with more details on the ways in which it aims to support civil society, and in particular organisations which represent the interests of people living in more remote areas, who do not have access to the internet and other information networks. (Paragraph 104)

Oil wealth and the Niger Delta

16. The Nigerian Extractive Industries Transparency Initiative (NEITI) has brought a very welcome increase in transparency and accountability to the country’s oil sector. We commend DFID for taking such a strong lead in supporting the initiative. However, as its Chairman made clear to us, NEITI is an important, but at the moment isolated, element in what needs to be a much broader, integrated and government-led programme to reform both the oil industry and its relationship with the country’s economic and political structures. While oil and politics remain inextricably linked, corruption and mismanagement will prevail. We recommend that DFID take every opportunity to apply pressure to the Nigerian Government to prioritise oil industry reform measures, including publication of data on the contribution which oil revenues make to the public finances and on the programmes which oil revenues fund, and the separation of oil wealth from politics. These measures should also include provision of adequate resources to NEITI to maintain and build upon its excellent work to date and full co-operation with NEITI in the provision of data to ensure that publication of the audits for 2006-08 can be expedited. (Paragraph 112)

17. Violence and instability in the Niger Delta are having a serious impact on Nigeria’s oil industry and therefore on its economic situation. The people of the region suffer poverty and live in fear, despite the wealth being generated in the region. The causes are complex and reflect the interaction between oil, politics, crime and corruption in Nigeria which have to be tackled in a co-ordinated and integrated approach. We believe DFID must do more to support the Nigerian authorities to meet their responsibility to provide this response. This should include the adoption where necessary of stronger legislation to compel oil companies to honour the rights of local people and to conduct their business in a way which enables Nigeria’s oil wealth to be shared by its people, with robust mechanisms in place to guarantee transparency and accountability in the flows of money and oil. (Paragraph 123)

DFID’s future engagement

18. DFID’s programme in Nigeria is its fourth largest in Africa and its allocation for 2009-10 is £120 million. This is a significant amount of money and we would find it difficult to support this level of funding were it not for the high level of poverty, and the country’s size and strategic importance. These factors have persuaded us that, despite the challenges and the inevitably slow progress, DFID should maintain its commitment to Nigeria. The numbers of poor people and the appalling lack of progress on the Millennium Development Goals, particularly those on maternal and child mortality and on gender equality, mean that global development targets will only be met if there is significant progress in Africa’s most populous country. A healthy realism about what is achievable should be combined with a continued emphasis in DFID’s programme on building the capacity of the Nigerian authorities to deliver the services they are responsible for out of their own resources. The Federal and State Governments should be encouraged to learn from successful projects, to replicate them and to disseminate good practice as widely as possible (Paragraph 130)

19. The scale of the UK's contribution and the weaknesses in Nigeria's systems demand that DFID take the greatest care to ensure that maximum benefit is derived from its funding in terms of improving the lives of Nigerian people. It should have robust mechanisms in place which enable it clearly to demonstrate, to the Nigerian people, to UK taxpayers and to Parliament, that funding is not misused, diverted or wasted as a result of deficiencies in Nigeria's own structures. DFID should also continue to work with its donor partners to apply sustained pressure on the Federal and State Governments to address these deficiencies and to focus their efforts on effective delivery of services and a fair, transparent and accountable use of oil wealth. (Paragraph 131)

Annex: Committee's Visit Programme in Nigeria

The Committee visited Nigeria from 11-18 June 2009.

Members participating: Malcolm Bruce (Chairman), Hugh Bayley, Mr Virendra Sharma, Mr Marsha Singh, Andrew Stunell

Accompanied by: Carol Oxborough (Clerk); Ben Williams (Assistant Clerk)

Lagos

Thursday 11 June

Briefing from DFID and FCO officials

Meeting with Ben Akabueze, Lagos State Commissioner for Economic Planning and Budget

Visit to Land Registry project

Meeting with Professor Akin Mabogunje, Chair of the Lagos Mega-City Development Authority

Friday 12 June

Visit to urban HIV/AIDS project in Ketu

Field visit through Lagos on new City Bus and briefing on the transport sector from Lagos Metropolitan Area Transport Authority (LAMATA)

Visit to Obalende urban community regeneration project

Meeting with the Enhancing Financial Innovation and Access for the Poor (EFINA) project

Meeting with Programme Managers of DFID-funded programmes in Lagos

Kano State

Saturday 13 June

Visit to Tiga Dam (water resource management)

Field visit to rice parboilers and millers rural livelihoods project in Karfi village (part of DFID's Promoting Pro-Poor Opportunities through Commodity and Service Markets programme)

Kano city

Sunday 14 June

Field visit to Thamarul Qur'an Islamiyya School

Field visit to Market Division Community Policing Project

Dinner briefing from Programme Managers of DFID-funded programmes in Northern Nigeria

Monday 15 June

Meeting with the Kano Deputy State Governor and State Commissioners

Field visit to Garun Mallam primary health care facility

Abuja

Tuesday 16 June

Meeting with Dr Shamsuddeen Usman, Federal Minister for National Planning

Meeting with Professor Humphrey Asobie, Chairman of the Board of the Nigerian Extractive Industries Transparency Initiative (NEITI)

Meeting with Professor Babatunde Osotimehin, Federal Minister for Health

Meeting with Dr Mansur Muhtar, Federal Minister of Finance

Wednesday 17 June

Meeting with Amina Az-Zubair, Senior Special Assistant to the President on the Millennium Development Goals

Meeting with Chairs of the National Assembly House Committees on Donors and Inter-Parliamentary Relations

Roundtable meeting with civil society organisations

Dinner briefing from donor partners: African Development Bank, Canadian International Development Agency (CIDA), IMF, UN Development Programme (UNDP), World Bank

Formal Minutes

Tuesday 13 October 2009

Members present:

Malcolm Bruce, in the Chair

John Battle
Hugh Bayley
Richard Burden
Mr Virendra Sharma
Mr Marsha Singh
Andrew Stunell

Draft Report (*DFID's Programme in Nigeria*), proposed by the Chairman, brought up and read.

Ordered, That the Chairman's draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 131 read and agreed to.

Annex and Summary agreed to.

Resolved, That the Report be the Eighth Report of the Committee to the House.

Ordered, That the Chairman make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Written evidence was ordered to be reported to the House for printing with the Report, together with written evidence reported and ordered to be published on 5 and 30 June 2009.

Written evidence was ordered to be reported to the House for placing in the Library and Parliamentary Archives.

[Adjourned till Tuesday 20 October at 10.00 am

Witnesses

List of written evidence

List of unprinted written evidence

The following written evidence has been reported to the House, but to save printing costs it has not been printed and copies have been placed in the House of Commons Library, where it may be inspected by Members. Other copies are in the Parliamentary Archives, and are available to the public for inspection. Requests for inspection should be addressed to The Parliamentary Archives, Houses of Parliament, London SW1A 0PW (tel. 020 7219 3074). Opening hours are from 9.30 am to 5.00 pm on Mondays to Fridays.

DFID Nigeria, Growth & Employment in States (GEMS)—Technical Annex, April 2009

List of Reports from the Committee during the current Parliament

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2008-09

First Report	Work of the Committee in Session 2007-08	HC 138
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