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TAKEN BEFORE
INTERNATIONAL DEVELOPMENT COMMITTEE

DFID'S PROGRAMME IN NIGERIA

TUESDAY 30 JUNE 2009

DR RAUFU MUSTAPHA, MR SAM UNOM AND MR MICHAEL PEEL

Evidence heard in Public

Questions 1 - 52

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Oral Evidence

Taken before the International Development Committee
on Tuesday 30 June 2009

Members present

Malcolm Bruce, in the Chair
John Battle
Hugh Bayley
Andrew Stunell

Witnesses: **Dr Raufu Mustapha**, Lecturer in African Politics, Oxford Department for International Development, **Mr Sam Unom**, Independent Consultant and **Mr Michael Peel**, Legal Correspondent, *Financial Times*, gave evidence.

Q1 Chairman: Thank you, good morning and welcome. I wonder, first of all, if you would just introduce yourselves so we have that on the record.

Dr Mustapha: My name is Abdul Raufu Mustapha. I teach African Politics and Development Studies at Queen Elizabeth House, Oxford University.

Mr Peel: I am Michael Peel. I am a *Financial Times* journalist. I used to be the correspondent based in Nigeria and I have written a book on Nigeria and oil which is due to come out in September.

Mr Unom: I am Sam Unom. I am an independent consultant. I used to work with DFID in Nigeria and the UNDP¹ and I have been a consultant to both in Nigeria.

Q2 Chairman: We have got about an hour and a half. Please feel free, but you do not all have to answer all the questions so we move things along. Thank you very much indeed for coming. As you know, the Committee visited Nigeria earlier this month. Whilst it is a huge country and we could not really get anything other than a feel for certain aspects of it, I hope

¹ UN Development Programme

it has given us a better perspective than we had obviously before we went – that is the point of these visits. The big issue, and certainly being briefed by DFID and the British High Commission, is the issues of governance, the context of saying this is a challenging environment, which is a kind of euphemism for real difficulties. I just wondered if I could ask you collectively whether that is the biggest problem, the lack of effective governance? Indeed, within that context, what are the key failings of governance? What are the weaknesses? Is it the lack of capacity in terms of the quality of the ministers, the officials, or is it institutional failures? What are the real things? Is governance the issue and, if so, what aspects of governance is most vulnerable or most weak?

Dr Mustapha: I think governance is certainly an issue in Nigeria. Maybe it is not so much lack of capacity, as lack of the organisation and the institutional business to pool the capacities together. The Nigerian elite for various reasons are divided and they do not have a common vision of where they want to lead the country. They spend most of the time quarrelling and fighting amongst each other. This has historically been the situation, but recently there has been a much more personalised element in this fight, as individuals fight for their own control over political and economic resources. So I would say that governance is certainly an issue, because the elite are not able to have a coherent picture of where they want to take the country. Some of them are more interested in their personal ambitions.

Q3 Chairman: So it is a combination or division between selfish and perhaps less selfish aspirations of the rulers?

Dr Mustapha: Lack of a plan to start with, and then the substitution of personal agendas for a collective agenda.

Mr Unom: There has been no compelling vision to commit to a future that is broadly agreed upon amongst the elite and shared with the population. So the personal agendas that Dr Mustapha has referred to substitute for that lack of shared vision. They take the place of

what should be a vision. DFID's mission is that they are willing to provide technical assistance to help Nigeria solve the problems that can be solved with international help, but the commitment of the country itself to doing that is patchy and uneven, so you find it in pockets here and there. You find that the overarching vision that will be the basis for mobilising a consensus for going forward has been a problem.

Q4 Chairman: If it is an issue effectively of leadership and you mentioned vision, the President has his own vision – Vision 20/20 – with his various points. I think we heard of a seven point agenda and then somebody said that it should really be a two point agenda. Is that a vision; and is it something that could deliver an improvement in governance and a more unified approach to leadership?

Mr Peel: The answer to these questions is obviously complicated. I come from a very particular perspective which I think is nevertheless one that has a real broader importance, and that is the role of oil. Nigeria is quite unusual in an African context, in that the aid budget, of DFID or anyone else, is really miniscule compared with the revenues that are paid out from oil. In a sense Abuja can always take or leave a DFID programme or anything else, because of the dominant role of the oil industry. I think looking at the role of oil, which was first exported two years before the end of colonialism, it has come to dominate the economy. Despite little reforms around the edges, not much has changed in terms of the role that it plays. I think any solution to the problems of governance in Nigeria has to look not only at the Government and officials, but it has to look at the role that everyone plays in that oil industry; and that of course includes Western powers, China et cetera, multinational companies, right on through to everyone else who is involved at a local level, community leaders and so forth.

Q5 Chairman: Can I pick you up on that. What is the role of an organisation like DFID? We accept that entirely—Nigeria is not an aid-dependent country—but there is a limited amount of aid and development programmes of which the UK is a reasonable part. The actual money situation over the last 10 years has risen from £15 million to £120 million. Now £120 million spread across Nigeria is not very much. The point is: can it be spent in a way that would be effective in building the institutions and the capacity? Is that a proper role for it? Is that a useful engagement, given what you have just said that Abuja can say, “Go away, we don’t need you”; but, on the other hand, there does seem to be an engagement. Is there real potential for that to make a difference?

Mr Peel: To look at a very specific example, a small part of the piece, which is the work that has been done on corruption over the last five years, in which DFID and EU money has gone in, there I think you see a microcosm of the problem; that - after some mixed but promising results in terms of investigations started, much better cooperation between law enforcement authorities in Nigeria and here, some high profile figures placed under investigation – suddenly, because of a change in the political temperature, a lot of those limited gains were lost; and suddenly you have a situation where joint investigations, which I think people both inside and outside the country see as very important in terms of improving governance, have been stymied. The question then is: what do you do about that? I think there is quite a strong case for saying, look at a country like Kenya where Britain has introduced travel bans against officials within the Government, whom it sees as demonstrably involved in corruption. Nothing similar has been tried in Nigeria. The question is: why is that? Is that because of the politics of oil and so forth? Is it because of an embarrassment here about the role of British financial institutions still in high level corruption in Nigeria? If you look at the case of the former governor of Bayelsa State, that is very informative in terms of the role big banks here still play post-Abacha. I think there is a sense in which certain tools which have been

used in the context of other countries and have been seen to be quite effective – Kenya is one example, in a small way – are not being used in respect of Nigeria. I think getting the answer to that would take you some way to thinking how the problem could be solved.

Q6 Chairman: Perhaps I could ask the other two witnesses if they feel DFID has a role to play?

Dr Mustapha: I think the DFID project may be small relative to what the Nigerian Government gets from oil; but there is a role for it in terms of helping to improve the governance of the country. Despite the gloom, as it were, there are pockets of efforts across the board that can also be supported, along with the humanitarian support as well. I would say I think there is a role for DFID in Nigeria. With respect to your earlier question about a seven point agenda – I think it is not so much what is written on paper but what people actually do that we ought to take into account. I think there seems to be some slippage between what is done and what is promised on paper.

Mr Unom: On that last point, that vision is truly the President's, but there is no indication that it is being widely shared across the board or owned for that matter, including even within his Cabinet. Even if he was committed to it, he would still have a job to do trying to get everybody lined up behind it. That is the difficulty of not having a modicum of consensus amongst the elite regarding the direction of travel. On the other question about what DFID can do - governance is the main challenge. That is the point we have been making. DFID, and not just DFID, but the international community more broadly speaking and the UK including the Foreign and Commonwealth Office as well which is represented in Abuja, there has to be a concerted focus on policy dialogue that persuades Nigeria - whether through encouragement or the threat of stigmatisation, or whatever it takes - to begin to sort out itself. There are many processes that are going on. The international community can insert itself into helping along reform that is on the agenda now. There are similar reform processes – the

constitutional reform process and the electoral reform process - that are also on the horizon. The international community can help bring in useful ideas in this regard. It is getting Nigeria to a point where it has a commitment to do what is right and also *can* do what is right, and *that* the international community can do. These are even more critical than helping to deliver services on the ground, because Nigeria's resources if they were used well would travel much further.

Q7 John Battle: If I go back to Dr Mustapha and Mr Unom and ask questions about whether the structure is right. There is the Government, as I understand it, and there is the federal state structure of 36 states with governors, and then you have got a whole raft underneath that of local government; and you have then got the tribal and village structure. I am just wondering whether there is any discussion of the institutional structure? Does that work against there being good governance? About 50 % of the budget goes down to the state level, but does it ever reach the local level which is supposed to be delivering schools, clinics and the rest of it? If one or two politicians or individuals siphon off the money there is no accountability back to the centre. Is there a structural problem; or is that even discussed as a means of tackling governance?

Mr Unom: Thank you for asking. We have prepared something which we wanted to share with you, so we were hoping you would ask! We will leave this with you and I will be speaking to it. Dr Mustapha has done extensive research in this regard and has published a lot of material. We have just extracted a couple of his articles here and these things are discussed in depth here but we can speak to them here as well.²

² *Institutionalising ethnic representation: How effective is affirmative action in Nigeria?*, Journal of International Development 21(2009), pp 561-576 and *Nigeria since 1999: A revolving door syndrome or the consolidation of democracy?*, Chapter 5 from Turning Points in African Democracy, Edited by Abdul Raufu Mustapha, June 2009

Q8 John Battle: Would you like to make some comment now on the record of whether the structure is right?

Dr Mustapha: I think there are certain agreed principles that Nigeria has to be a federation but the units that compose that federation are in dispute. Some people want the 36 states that there are now and others want more – their own fiefdom as it were. There has been the argument that these units are too weak vis-à-vis the centre, and that is part of the imbalance in the system. The argument is that we go to six zones, into which the country is informally divided as a way of building sub-national units that can have some effect. Federalism is agreed but the units into which that federalism is broken are in dispute. The basis on which those units are determined as well is in dispute. Some want ethnic units; others want territorial. Historically what we have had is territorial that corresponds with ethnic.

Q9 John Battle: Especially in the west?

Dr Mustapha: Yes, but they want an explicit recognition of the ethnic factor. Those are the constitutional aspects: but when we look at the way in which the current units work, what Obasanjo³ did effectively in the eight years he was there was to weaken the parliament and the judiciary vis-à-vis the executive at the federal level, and also to use federal might to weaken the states. The states have become beholden, not just because of oil money but deliberate policy and the use of federal institutions.

Q10 John Battle: I would have thought it was the other way, because some states seem to have a weak budgeting system to account for the money that they get from central government. Should not the federal government impose conditionality and some exchange? The 50 % of the money they get from the federal system should be accounted for, and when they apply for it next year it should depend on how they have used it the previous year. Am I

³ The former President

wrong to say there is not a proper budgetary and financial accountability between the states and the centre?

Dr Mustapha: The argument is that the states have a right to those monies constitutionally, so it is their right to get it and when they get it it is the State Houses of Assembly who are supposed to impose that accountability, but they are even worse than the federal legislature.

Mr Unom: Historically the executive has been very strong in Nigeria - the executive at the federal level and the state level. There have been no instances of checks over the executive. The states having the autonomy simply means that the state executives are free to use the money as they like; and the other institutions that exist on paper are either too timid or too corrupt to impose a check on this. By bringing in the federal government we raise all kinds of constitutional issues.

Q11 John Battle: You have mentioned your paper which we will receive and read, but is there any public and political pressure within Nigeria at federal level, state level or government level for structural and institutional change; or is it coming from without? You have commented on it but is there a foment of concern about the structure not working?

Dr Mustapha: My reading would be that many communities are struggling to get their own share - to get a foot in - in a complex situation they feel unable to control. That would be where the energies of most people go to, and the elites encourage that as well because it favours their own career prospects. Beyond that, among the middle classes there is certainly a feeling that things are not working well. If I may add on the earlier question, the current problem on the table is the way in which the states have made it difficult for local governments to function through appropriating all their resources and powers. If the local governments were much closer to the people and were able to function better, there would be improvements in some of the service delivery.

Mr Peel: I have a couple of comments on that: the state versus federal disconnect. One thing I was very struck by, which I did some reporting on in my book, was at the time of the G8 summit here in 2005—when there were a lot of very warm words between Abuja and London about various reforms and so forth at a federal level—that what was going on at the state level was completely unaccountable. While there was talk of the federal oil money and the special fund that was being kept – I actually visited Rivers State, one of the richest states in the Niger Delta and I got hold of a copy of the draft budget for that year and it was absurd. There had been no effort even to cover over the fact that money was being used completely unaccountably; there were huge security discretionary budgets; there were things like fleets of cars being bought, the swimming pool budget for the Governor’s residence had been raised by some huge percentage; and it was very striking that there was no attempt even to cover over this fact. Because there was no pressure, the state authorities felt completely unaccountable and they felt that they could just get away with this. One of the structural problems that is related to that – I do not know how much attention has been paid to these over the last couple of years – certainly a recurring theme I saw was that discretionary spending, some of it through structures I think inherited from the colonial era, the so-called Esta codes, the imprest funds which were basically funds of money into which officials could dip in order to go travelling, were still very actively used; and this was one of the things that led to this culture of complete unaccountability. That is something I found very striking and something that structurally could be looked at as a practical means of perhaps changing things just a bit.

Q12 John Battle: I was not on this recent visit but I was in Nigeria three years ago when Hugh Bayley was with us and I remember our visit to a village and to a clinic was hijacked by a political candidate who wanted to film visiting MPs from Britain in his neighbourhood. He took us to a clinic and there was a gang of people around and I actually did not get inside the clinic, if I remember rightly, but was stood outside talking to a man holding a child and he

told me the clinic had never been opened because there was no staff; it looked quite good from the outside but it stood there for two years and had never been opened and it was his flagship. He could show people there was a clinic but, in practice, there was not a clinic. I just wondered, why are the budgets from the centre not tied down through the state and then to the local government and saying, “Look, if we’ve given you money for health care, why isn’t there a tracking of the allocation?” Why isn’t there a demand on the ground from the people saying, “We don’t just want a clinic that’s a building we show tourists or visiting MPS. We want a functioning clinic”. As well as revealing the corruption of people buying fleets of cars, what about the demands for public services at the local level and demanding that accountability? Is there no evidence of that in the system?

Dr Mustapha: I think if you were to put yourselves in the shoes of the ordinary man in the village, to make an effective demand you need to make common cause with a number of people for it to carry some weight. Such people who go to that length of building empty buildings and then using it for show, will never tolerate that kind of political challenge. That one may be one reason. It is just a recognition that you do not stand a chance.

Mr Unom: The elections would have been the mechanism for ensuring strict accountability. At every opportunity Nigerians have tried to use elections to insert themselves into the discourse, but they are hopelessly mismanaged; so they are nowhere near reflecting the will of the electorate yet. Public opinion counts; but it will not really count in Nigeria until elections start counting. So until public opinion counts, whatever actions the aggrieved citizens embark upon might be fruitless. As you keep losing you become disillusioned and many people just shrug their shoulders and reconcile themselves to fake governors. The electoral reform that has been promised by the Government has to be husbanded very carefully so that it delivers credible elections that Nigerians are yearning for. You need to have that to make an impression on the system.

Mr Peel: I would agree with that. Perhaps I could just talk for a minute about my own experience. I covered both the 2007 and the 2003 elections in Rivers State, and I deliberately went back in 2007 to a lot of the places I had been to in 2003 to compare and contrast. What was interesting was that in 2007 there was a lot of publicity internationally about how flawed the elections were, which was absolutely right - they were. In 2003 it was just as bad as far as I could see. I was very struck by the strength of feeling that day which reflected what Sam said. There were thugs around; I saw ballot boxes being stuffed; there were tales of ballot boxes being taken at gunpoint; and people were coming and grabbing me and saying, "You know, the world must know about this. Write my name down. I want it to be known that I object to this". I and the other reporters, foreign, Nigerian and the NGOs, who reported on that election, were very struck by how, despite lots of these credible reports, internationally there was absolutely no appetite to really say, "Look, this was wrong", and we all know the reasons for that. I agree with Sam, when something like that happens no-one should be surprised when people take a very pragmatic view and say, "Let's just limit our losses. We'll just navigate the system because we are not going to change it".

Q13 John Battle: Is DFID's strategy right, in the sense that if DFID commits itself to working with those states where it believes there is support for governance change - so working with the guys that are trying to make change and make it more accountable, transparent and make sure the resources reach the people - if DFID works with those states and not with the worst ones, is that the wrong strategy, because the worst ones might never be prompted to change?

Mr Unom: It is what DFID has been struggling with in Nigeria, I suppose. There are trade-offs whichever way you lean. One might argue that working with the winners is safer and presents a greater chance of success; but the counterpoint to that would be that the main prize is to get the bad states to become reasonably sensible states. Picking winners might be

helpful in the short-term but would leave the larger question of governance unresolved. Whichever way you swing there will be a trade-off. My view – and I do not know what the other witnesses might think about that - is to have a two-pronged strategy that looks at both; so you deliberately know that here you are up against it and your strategy is simply to get people to get to a point where they begin to commit to something sensible. While in the other instance you can straightaway deploy your technical assistance so you have a strategy that on the one hand encourages the poor performers to step up and, on the other hand, works with the better performers to deliver.

Dr Mustapha: I think I agree there is a temptation to try to use resources best by concentrating on those who use it in the most effective way. In the Nigerian context that would immediately lead to certain ethnic or religious groups; so that you would then stand the danger of being accused of partisanship, which complicates rather than improves the effectiveness of what you are trying to do. On the electoral reform, that is key to getting anything done in that country. Across the board, the elites do not believe in elections; and until they are forced to take elections seriously I do not think we will ever get any accountability from them. It is quite an important issue.

Mr Unom: Just to illustrate, the tensions in the Niger Delta one might venture to say would be reduced considerably if you had credible elections there because there have been additional, substantial resources over the last 10 years, and there have been policies and interventions other than the statutory allocations to the states in the region; but the difference has not been significant. It is clear that if you had more accountable or responsive governance in the region itself, part of the problems we are dealing with now would be addressed. That is how critical it is to have good elections.

Mr Peel: I think it is very important to look beyond resources, and to look at measures which actually can be quite cheap but effective. The example I come back to is that of the

law enforcement cooperation between Britain and Nigeria which led to tangible results. That is unprecedented. You had a situation where investigators from this country and Nigeria – and I saw it from both sides – grew to trust each other and actually to like each other in many instances. That has never happened before. That led to real investigations; it led to charges in this country; it led to criminal proceedings in Nigeria as well. That was something that had a tangible effect and obviously fitted in with the broader policy goals that we are discussing today.

Q14 Hugh Bayley: Does this all mean that corruption in Nigeria *is* being tackled? What progress has been made, say, in the last five years?

Dr Mustapha: I think there was an effort to tackle corruption by Obasanjo. I think whatever one may say about Obsanjo he took a lot of personal risks and has done much more for the country than most people of his generation have done. Unfortunately also, the system was abused, i.e. political enemies of the President were also targeted in ways that were inexplicable. There was the case of somebody called Ted Oshin in Ogun State who was never a government official, had never done anything with the Government and was being hounded for corruption and the basis was not clear at all either. The only thing that was obvious was that he was running for the Senate seat that Obasanjo's daughter was also running for! That was an unfortunate example. That notwithstanding, Obsanjo did a lot of good work for that country and those who are hounding him now intend to do much worse, so it is not a criticism of him as being irrelevant as such. What Absanjo did - which I think was quite important - he went for the big guns. He went for the governors at the state level. This also featured in Obasanjo's strategy of getting them under control. What it did was to make sure that everybody below then knew that they had no cover. What has happened since 2007 is that all those people have been let free. Before 2007 corruption at the federal level was hardly looked into, only at the state level; now they have concentrated at the bureaucratic level within the

federal system, not even at the ministerial level. All the governors are going about doing their own things unchallenged; all the ministers are doing the same. It is the bureaucrats at the federal level who are taking the heat; which means they have to find the resources to confront maybe 2,000, 3,000 and 4,000 major corruption cases, rather than taking one person and using him to set an example further down the pyramid.

Q15 Hugh Bayley: There is a great danger in generalising. I have only been to Nigeria twice, once as John has said four or five years ago, where it struck me that there was endemic corruption with senior officials quite brazenly touting for percentages, down to the man in the airport who suggested a backhander would make sure my luggage got on the plane. On that occasion we met people, probably the governors although I cannot remember, in government in Rivers State, in Enugu State and Benue State, and on our more recent visit we met people in government in Lagos State and in Kano State and met some federal ministers. I felt this time there were people who at least talked the talk whom you felt you could work with. Do you think we were led to see a few beacons of excellence; or do you think the quality of governance overall in Nigeria has changed in the last five years?

Dr Mustapha: You went to Nigeria just this year - the anti-corruption war has slipped since 2007, that is the import of what I am saying, and Michael said that much also, regardless of what people say.

Q16 Hugh Bayley: There was some progress, particularly at high level, and there has been some backsliding?

Dr Mustapha: Yes, a different target has now been chosen for attack.

Mr Unom: It is pretty complicated for the President because the impression is given personally that he is clean and wants to remain clean. It is not clear whether it is a question of him just having bad friends who are then hampering the work, or whether he thinks it is a

risky strategy in the first term of his administration to go after the big guns but that is where we are.

Q17 Hugh Bayley: My question is this: DFID has a large bilateral programme in Nigeria but is completely unlike the programme in Ghana or Tanzania. It is not providing welfare assistance; it is not addressing basic human needs. It is basically addressing the quality of governance. Is that a realistic strategy? Can well-meaning foreigners working with the administration change the quality of tax collection, the transparency of records presented to the public and to the legislatures; or is that a risky strategy for DFID? Would DFID be better to pull out and say, “This is an impossible place to work”?

Dr Mustapha: That would not be my advice! 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.

Q18 Hugh Bayley: Why does the UK then see a need for a bilateral programme, but not many other countries? The Americans and Canadians have a bilateral programme but the Dutch do not really, the Germans do not and the French do not. Why do these wider security issues matter to Britain but not matter to Germany, the Netherlands or Sweden?

Mr Unom: I thought the other Europeans were represented in the EU; certainly that is the impression that the EU gives in Nigeria, that other Europeans are represented in the EU.

Q19 Chairman: The EU was so under-staffed on our visit they were not able to provide anybody to meet us!

Mr Unom: Maybe it is a strategy because they implement mostly through government, or through government projects. This is a slightly different strategy to DFID's. All the others are engaged, even if they are not directly providing assistance; but the EU, US Government, DFID and the major international players, the Canadians, are punching their weight; but it is clear that all are interested for the reason that Dr Mustapha has given. Despite the frustrations, there have been indications of progress scattered around. Corruption, for instance, remains front-page news in Nigeria. It is simply part of the public discourse in Nigeria. You cannot escape it. That is an important development in itself. For eight years under Babangida nobody mentioned corruption but now there is a public debate going on regarding the fight against corruption. There have been indications that now the public is really tuned in. It is difficult to go back on the agenda, but there will be periods when the enthusiasm might wane on the part of the Government; but the agenda cannot be swept under the carpet; it just cannot go away any more. There is a chance that if Nigerians themselves keep plodding away something might happen. The joke in Nigeria is that the fight against corruption might be more critical over here in the UK than back in Nigeria, since the work of the Anti Money Laundering Unit here has had important repercussions in Nigeria, as Michael said earlier. That international contribution to that fight is very critical, and was never large. In fact it is because things are changing over here in the UK that Nigerians have hope; it is because there is a chance of arresting the Governors over here that Nigerians are interested.

Q20 Hugh Bayley: Forgive me for cutting across you Sam because I know Andrew Stunell is going to follow-up that particular issue further. I have one final question, and it is this: corruption steals from the poor; it steals school places; it steals immunisation; it takes money which would be available for public welfare away from providing services for the public. Given that DFID in Nigeria is focussed on improving the quality of governance, where should DFID address its efforts most urgently? In other words, where does corruption do most

damage: at federal level, state level, local government level; in the private sector? Where should DFID target its resources most urgently in terms of improving governance?

Mr Unom: Following through a strategy that focuses on executive agencies, hoping they will behave themselves, is difficult. What to do is to strengthen the checks outside of the executive. Where there is a will you strengthen systems of prevention; but outside the executive agencies there is a legislature that has to do a job. There is a whole law enforcement side that has to do a job. So far the focus has been on the executive, the enforcement agencies such as the EFCC⁴, and the Code of Conduct Bureau, the ICPC.⁵ You need to bring in a large array of players – especially the legislature; but this is a work in progress. If you want to kill many birds you need to have the clean elections we mentioned. If the elections begin to count then, even where the law fails to deal with bad cases, the Nigerians themselves can deal with them at elections.

Mr Peel: I would say that a lot more attention needs to be devoted to money flows around the oil industry. What you have in place at the moment is the Extractive Industries Transparency Initiative which is international, and the Nigerian version of that, which takes you a certain way but only at the very top level of revenue flows, according to what the oil companies take and what is transferred to government. There is a whole cascade of relationships which are extremely important and, at their worst, very damaging to governance but are really not exposed; and I am talking here, for example, about costs which are booked by companies. Are they real costs? You need mechanisms for checking that. What are the relationships between companies and government officials? There was a US Senate committee report on Equatorial Guinea in 2004, I think, which exposed an embarrassing array of land deals, joint ventures and so forth which, by most people's definition, was a kind of corruption between oil companies and the regime. To give a practical example, here one of

⁴ Economic and Financial Crimes Commission

⁵ Independent Corrupt Practices and Other Related Offences Commission

the things that Scotland Yard has been looking at is links between James Ibori the former Governor of Delta State, whom I should say denies all wrongdoing, and major oil companies who hired houseboats for oil industry workers from a company he controlled. These are the kinds of things that need to be out in the open. There are large money flows; they also factor directly on how the country is governed. If DFID can put in funds which help to air that and expose to more light the network of relationships I think that would be a very useful thing to do.

Q21 Andrew Stunell: Perhaps I could pick up the points which are emerging here, one of which is there is an issue of corruption within Nigeria; and the other is corruption as it spills out into the international community and here in the United Kingdom. Clearly DFID and the UK Government can take a position in relation to both of those. Can I, first of all, just come to the EFCC. We heard different, perhaps contrasting, reports about the impact of the change of the chairmanship. You said that it was a step backwards. I heard evidence that actually they had brought forward hundreds of cases. Certainly the newspapers in Nigeria are full of story after story of people being brought before the courts. Could you just explore for me a little bit more about whether you think EFCC is doing the right job, has got the right leadership, has got the right sort of support, or is it just fundamentally not the right instrument for delivering what is needed?

Dr Mustapha: I think there has been a debate about the change of leadership of the EFCC and what motivated it. My own considered opinion is that in fact all the changes were aimed at undermining the institution, preventing it from targeting particularly the governors, the former governors especially. That seemed to be the motive. Of course, since then many individuals have been brought to trial. Beyond the Minister of Health, who was somebody with no political base as such, she was a technocrat, no major senior person has been brought to trial. All have been middle level people by and large and in the bureaucracy largely. The

war has been diverted into the wrong targets, in my view. They have not abandoned it but they are certainly not targeting the real people who need to be put on notice.

Mr Unom: The latter part of your question was whether the EFCC was of sufficient status or had the proper strategy and I think that is a very important question indeed. Even if you had a very, very effective EFCC the question would be whether it is sufficient. There is no indication that it is sufficient. For all the work that EFCC did, even in its more glorious days, there is no important elected official who is in jail as we speak. You have to accept that even a most effective EFCC would still be up against it regarding the challenges. There are 1,600 plus elected officials at federal and state levels alone; there are hundreds of thousands of appointed officials; and assuming that each of these is a potential case for investigation the EFCC will never have the resources to track all that it needs to track. So you need something way beyond the EFCC. The enforcement strategy is important because it conveys the message that corruption is a risky business. That is the main contribution that the EFCC at its best can make to make corruption risky. You need other things, however, to have this transformation that is required.

Mr Peel: Cooperation between Nigerian and British law enforcement authorities has fallen off a cliff in the last year or two. Why is that? That seems to me a backward step, in that there were investigations going on that most people felt were reasonable investigations based on grounds for suspicion; suddenly that flowering of cooperation has died and that has really harmed the prospect of cases being brought here and in Nigeria. To return for a moment to what I think is something of a titanic case, which is the investigation into the former Governor James Ibori, on which a lot of work has been done both in this country and in Nigeria, this has now been going on for some years. Technically I think he is still being investigated in Nigeria; but where is that investigation going? There is no evidence that it is coming to a resolution one way or another, i.e. a conclusion that there is a case to answer or else a

decision that actually there is not and that it should be formally dropped. It is a classic tactic of a politicised law enforcement agency, and I make this point hypothetically and generally—to just keep an investigation open and open and open; then that way you say you are doing something and you avoid the outcry that might come if you said, “Actually, we’ve stopped looking at this altogether”. Until we see some evidence of movements in cases which, as the other witnesses have said, do not just involve medium level officials, but actually have very senior officials at the centre of them, then one has to conclude that there is not that much behind this anti-corruption campaign now.

Q22 Andrew Stunell: Taking that a step further, what should the United Kingdom Government be doing either through DFID or through other government agencies to make sure that those investigations in the UK are proceeding as fast as they can and to exert some leverage in Nigeria to get the Nigerian side of the investigation back on track?

Dr Mustapha: Before I answer directly, I think the point about the international cooperation, the role it plays is very, very important in fighting corruption. The Ibori case, for instance, is in court but it cannot proceed because the woman with whom he is charged is in Britain here and she has not been extradited, or no pressure has been put for her to go back. Secondly, the highly important case that the Government is trying to handle - the Americans have the documents but they have refused to hand them over. With this kind of lukewarm international environment there is a ready excuse for those who want to evade any prosecution or any justice in Nigeria.

Q23 Andrew Stunell: I am sorry to interrupt, but are you saying that the United Kingdom authorities are themselves dragging their feet in these cases?

Dr Mustapha: I am not sure that the concern of your Committee is widely shared. If it were I do not know why the woman is still hanging around here without being sent back to get the

process going. I do not what is happening within the British Government because she has been here for over six months or so now.

Mr Peel: Is she not on trial here? Some people are on trial.

Dr Mustapha: One or two are on trial here but this one is not on trial here.

Q24 Chairman: I should point out that we may have privilege but you do not, so be careful!

Dr Mustapha: Thank you. I think your contribution, in making sure that these kinds of people and the information are readily made available in Nigeria, will make it more difficult for the Government to evade its responsibilities.

Q25 Hugh Bayley: A quick supplementary on that. Two years ago the Africa All Party Group in this House published a report on corruption called *The Other Side of the Coin*. It provoked a response from the Government which, amongst other things, meant that a corruption tsar was appointed within the Cabinet. Initially it was a DFID minister Hilary Benn and when he moved from DFID it became a DTI minister. Given what you have just said, that top levels of government are not sharing the interests of this Committee, do you think it would make sense for the Secretary of State for International Development once again to be given responsibility for leading UK policy to tackle trans-national bribery and corruption?

Mr Unom: Yes, is my short answer!

Mr Peel: It is the Justice Secretary now who has that role, does he not?

Q26 Hugh Bayley: Yes, you are absolutely right, it has moved on yet again.

Mr Peel: I think rather DFID than the DTI.

Q27 Hugh Bayley: No, it is Justice. One sees the sense of the Serious Fraud Office coming under Justice?

Mr Peel: It should actually be the Serious Fraud Office, which comes under the Attorney-General's Office. Justice of course has responsibility for the new legislation – the draft anti-bribery bill; but the question I would raise is that what it does not have is the day-to-day contact that DFID has and the real understanding of the grit of these problems on the ground, which is actually crucial. Yes, I would say DFID is the logical place, especially as DFID of course funds these police units that we have been talking quite a lot about in the Met and in the City of London police.

Q28 Andrew Stunell: During our visit and in our briefings we were repeatedly told of the importance of the ethnic and religious diversity of Nigeria – I think that is perhaps the polite way of expressing it. Would you like to say something about the impact of that diversity on inequality? How far is that inequality within Nigeria driven or motivated by ethnic and religious divisions; and how much is it just the happenstance of geography and climate?

Dr Mustapha: One of the papers that we were going to leave with you deals in detail about some of these inequalities. Maybe I should add that the work was funded by DFID itself. In a sense it is part of the country vision. For various historical and geographical reasons different parts of the country have different attributes. Some control the bureaucracy, some the informal trade, some formal trade, some the political system. What you had were claims and counterclaims in the media. One of the things that has been done is to set up the Federal Character Commission which collects data so we can at least monitor what is happening even if the policies that there are are not hitting the target just yet. The main solution that the Nigerian State has used to try to address these problems is affirmative action. That has partly solved some problems but also raised a lot of animosity amongst those who feel that they are being disfavoured in terms of access to jobs. As you see in our top point to you, we think

those measures should be made better. DFID could engage with the government institutions with this and try to fashion better instruments for achieving a certain level of equity. Historically in Nigeria communities who felt that they were being left behind often came together, collected money and built schools to leverage themselves up; and that is what many communities are not doing today, particularly in the north, and until that happens the problem will persist.

Mr Unom: As you will have heard already, there is more poverty in the north than in the south. That is simplifying it, but that is the situation which exists. You will have seen from Dr Mustapha's paper, it is not only due to the collapse of industry in the north, this is also in turn related to the political dominance of the north; because among the elites people see government as an industry and they did not pay attention to developing the economy in the north. Insofar as the Government itself is an industry, it is only the elite in the north that have access to government. There is no conscientious commitment locally and by the elite from the region to developing the region, so there has been a problem. It is true that the oil producing region now accesses more resources from the centre than elsewhere. There are also other advantages. You will see in the documents we will hand over to you that the education is better in the south than in the north. You have more qualified professionals in southern regions than in others. They have the advantage going forwards. You need some concerted local action not just what the centre can do, but what the state governments, local authorities and others in the regions can do. You need to do that to begin to close that gap.

Mr Peel: I think it would be a mistake to see this as a situation where there needs to be a transfer of resources from the slightly richer south to the poor north, in that although the other witnesses have described very well what the relative situations of the two regions are, it is not as if the north has been marginalised politically – far from it. Most of the leaders since independence have come from the north and that is quite important to remember when you

are considering these dynamics. The other thing is that the big picture economic problem which, to some extent transcends these very, very complex cultural and religious boundaries we have been talking about, is that the problem is not so much mass poverty in the round, although there is huge poverty in Nigeria, it is the kind of 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. That is the real challenge that needs to be got over. There are people who are trying to do that at a piecemeal level. One thing I can follow-up on actually is an interesting power project in the east of the country run by a Nigerian-American engineering professor who has come back to apply his expertise in Nigeria and the International Finance Corporation has some involvement and so forth. That is quite an interesting micro example of how you can perhaps to some degree skirt round some of those bigger problems and have a real effect on a big issue like supplying people with power.

Mr Unom: The banks here are doing great work with small businesses. That is the sort of assistance that can really go a long way in Nigeria. The experience and expertise that the banks here have in small business administration supports small business capacity building and will be very useful insofar as assisting small businesses to grow their way out of poverty. That will be important as well.

Q29 Andrew Stunell: If we come back to what DFID has set itself to do, which is to tackle the Millennium Development Goals, if one looks at Nigeria and particularly the northern part of Nigeria, a large fraction of the shortfall in reaching those goals is to be found in the north of Nigeria, in gender inequality and all sorts of things like that. What are going to be the right mechanisms for DFID to prompt that, to promote that and to overcome or facilitate that being a central challenge for the Nigerian Government?

Dr Mustapha: At the end of the day societies in Nigeria, be they in the north or south, will have to also stand up and contribute to these processes. There is no amount of money or goodwill from outside that will do it; so the elites, the civil society organisations, the professional bodies in the north may be difficult to encourage, apart from the other governance issues and cleaning up financial processes; but, until Nigerian communities stand up and contribute, outside help can only go that far. I would not even suggest any vision that sees DFID as saving the north from itself; that just would not work.

Mr Unom: This ought to be advocated by the leaders of the regime even more than DFID or other donors. Indeed there have been many forums by governors which have focused on the poverty and the education problems in the areas which are clearly at a disadvantage. That focus needs to be translated into action. It is not enough to lament how hopeless, how bad the situation is. That needs to be followed up with policies that address poverty reduction but there is no indication that that has been advocated except in one or two states. In Jigawa the Governor has consciously focused on poverty. You might question the strategy of giving money to beggars every month but at least there is an indication that somebody has decided that poverty is an important issue. You need to have that across the 19 northern states. So you need to have that energy, that concern about poverty coming from the region itself. You need to have a focus on this at the political level. DFID has opened an important office in the North and it is looking to do this but it needs to have that sort of pull from the states that they really want to work on this and that is how the work of DFID can travel far.

Q30 John Battle: As well as the wide question of distribution and whether it is all going elsewhere, in terms of inequality, ethnic and gender inequality, it is much exercised by access to basic services. If it is true that 80 % of people who go to university in Nigeria are from the South, where less than half the population is, or areas where I have worked in and been to in the past where there is conflict and tension between Christians and Muslims, where the

educational access of Christian girls is higher than, for example, Muslim girls, that does ricochet through as inequalities in the distribution of access to services in the future, in power, in participation in democracy and governance. I wonder is there not a much wider consideration of what steps should be taken to actually reduce those kinds of systemic inequalities which seem to be built into conflicts around ethnic and religious division?

Dr Mustapha: We draw attention to some of this. The one constant the Nigerian elite have reached is to have corrective action at the point of entry, so with most Nigerian bureaucracies now you enter based partly on your qualifications but also on your state of origin, and that is the way to try to make sure everybody gets a look in. Once you enter, progression becomes political. In a sense, that is part of the problem. For every 10 Southern candidates for a job, you have maybe one or two from the North, and when you run them in terms of their qualifications maybe those two come in the middle or the bottom, and you are obliged to give the posts to those persons, and that is where the animosity comes in. What we are suggesting is that you need to go beyond the bureaucracies and look at social indicators which concern ordinary people, and then you need a much more flexible way to make sure that if you want to get someone from Kano you get the best from Kano. Interestingly, Kano State about 20 years ago decided to make up for deficiencies in their science education and they built four specialist schools and they were able to quickly fill all their slots in medical training, so states can do a lot to help and that is what is not happening.

Q31 John Battle: Did you say at the beginning that some of the research had been funded by DFID?

Dr Mustapha: Yes, the paper we are going to give you mentions that.

Q32 John Battle: What more should or could DFID be doing in this area?

Mr Unom: In the paper we suggested that they should work closely with the Federal Character Commission to help the Commission to set out short to medium term goals which deal with things more consciously. The Government is doing things which need to be brought into a strategy, and among the criteria for dispensing the Federation Account is the question of disadvantage, and states which are disadvantaged get a top up to deal with that, in the same way as ecological problems get a top up. So the Federal Character Commission can look at the data that it is generating and then advise on such further strategies which may be necessary to deal with these, and that should be their response, and then DFID works with the states to deal with the issues because a lot of action has to be taken at a sub-regional level, and that has not been done, and DFID can help deal with that as well.

Dr Mustapha: Apart from the connection between inequality and the MDGs, there is also the connection between inequality and conflict which I think is something in the Nigerian context we need to keep in mind.

Q33 Chairman: Just before I address the particular issue of oil dependence and oil wealth, we have not mentioned it yet but it was pretty well impossible to have a meeting when we were in Nigeria without discussing, for very practical reasons, the power crisis, not least because we did not get a meeting I do not think where the lights did not go off. There seems to be a total inability to resolve that, yet the two parts of Nigeria we visited which had the capacity to develop non-oil – or were developing or had developed non-oil – revenue were Lagos, where 50 % of their tax revenues come from non-oil sources, and Kano, where there had been a manufacturing industry, but in both cases they were losing investment not to other parts of Nigeria but elsewhere because they could not give reliable power supply. So if the country is not even capable of delivering a power supply to sustain those parts of the economy which can diversify away from oil and gas, what prospect has it of actually delivering anything?

Mr Peel: It is a huge problem, there is no doubt about it. As an *FT* correspondent, it was a familiar lament of business people as well as of course the ordinary citizens, who do not have access sometimes to even the intermittent power that some businesses do. I think the Lagos example is a very interesting one. I was there last month and was struck by the degree to which you have a state government which is trying to do some quite interesting things; they are a bit more complicated than the write-up in the “New Lagos Reborn” agenda which is put about, but one of the things which is stymieing them is problems which can only be addressed at a federal level. But here I think is something which can be focused on. When President Obasanjo came to power, he made electricity a priority. Why has that not been delivered on? There are all kinds of reasons that we know about but the practical point is to look for solutions to that. The oil companies have been doing some work on power supply, that has not come on as quickly as expected, and given the international dimensions to that, it would be something which DFID would be in quite a good position to explore and investigate what was the cause of that not being rolled out further. I mentioned earlier the Nigerian professor who helped put in place this project in Enugu to help manufacturers there, that again is an example of a small-scale project but one that had an international dimension which was backed by the International Finance Corporation. These are the kind of projects which at least at a piecemeal level can help, and the Enugu one was interesting because it was relatively localised but it was quite an important locality because there were a lot of businesses there. Obviously, ideally this should be happening at a federal level, the problem will be solved at a federal level, and clearly outsiders have a limited influence on that, so therefore perhaps the answer is to look to work with local officials in the public and private sector who can make those kind of changes, whether it is government in a place like Lagos, or someone from the private sector who has a decent project going.

Q34 Chairman: In your forthcoming book, *A Swamp Full of Dollars* – is that the title?

Mr Peel: Yes.

Q35 Chairman: You say that it is an oil-ruined country – using your words – so given that it is the biggest oil producer in Africa as well as the biggest country in Africa (obviously the discussion we have just had explains it in a lot of different ways) fundamentally why is it not possible for Nigeria to use those revenues in ways which actually deliver development? What is stopping them?

Mr Peel: It is possible, I think. I would never argue it is impossible, for all sorts of reasons, but what it needs is a collective effort such as there has never been before, because the question of how the oil industry operates and how the revenues are used concern so many different actors both on the ground in Nigeria and internationally that there has never been an attempt to weave them together and forge a common purpose. There have been piecemeal efforts, whether it is particular oil companies saying, “We will be more transparent on X or Y or change how we do our community projects”, or the Federal Government saying, “We are going to set up an oil fund”, or whatever, but it is always piecemeal. I made the point, which is glib in a way, of the idea that Nigeria almost needs a Truth and Reconciliation Commission over oil. What I mean by this - and this is where international governments can help because of the role they play as client states for Nigerian oil, because of the role of oil companies in Nigeria - is bringing together those various interests and actually finding common solutions to those problems and creating a bit of momentum which has never been created in the past. So that is what I mean by that.

Q36 Chairman: You again have touched on it, but is the distribution of the oil wealth which gives all the states a stake, and some of the oil-producing states a bigger stake, part of the problem? First of all, that there is an argument as to who should get it and whether it

should change and is there any scope for changing it, or any appetite for changing it, or do we just take that as a given and then move on?

Mr Peel: It is a problem in the sense that these are basically big pots of money over which there is no accountability. As with anyone anywhere in the world, if you create that kind of situation, what surely follows is corruption and mismanagement, and as I have said before, high level initiatives like the EITI are a start, but what we really need – and there are people in Nigeria who are interested in doing this, there are outsiders who are doing this – is drilling down a bit further to the detail of some of these problems and actually shining light into some of these darker places. I think that once that starts to happen then one might be surprised at how quickly some improvements can actually happen. It is just that nobody has really bothered before, frankly, for all kinds of political and economic reasons which most of us here know quite well.

Q37 Chairman: The production of oil from Nigeria in relation to its potential is substantially under-performing by perhaps up to a million barrels a day. We are told that 100,000 barrels a day are effectively stolen. We are an oil-producing nation; if somebody told you that 100,000 barrels of oil a day were going missing in the UK, I guess Scotland Yard and anybody else would be on to it pretty quickly, and clearly you do not steal that amount of oil without there being a pretty high level of collusion. How do you get through all that? We have had disruption this last week in Nigeria which has further dropped the production, and has had an international repercussion as it has contributed to an increase in the oil price. This is a country which is a major oil producer yet it is not producing to its capacity, significant chunks of it are being stolen, and then there is a fight about how the revenue is distributed. Is that what you mean by saying it is an oil-ruined country?

Mr Peel: I do, but I do not mean it in the sense that it is impossible to change that. One of the reasons I have written this book is that I think it is possible to change it, and I think there

is a groundswell in Nigeria as well as from campaigning outside which is for that. In a sense you could turn the point about disruption on its head and say, “Actually, this can be a catalyst for change”, because you have a situation that is harming an awful lot of interests across the piece and therefore there is some kind of mutually shared interest between agencies, companies, which might not necessarily want to work together otherwise to actually solve some of these problems. It is striking, having spent time, for example, with militants in the Niger Delta that there is a very strong streak of pragmatism in what they are doing. I have spent time, for example, with some militants in Bayelsa State. All the rhetoric was there, they were campaigning for a better deal, oil revenues had been misused, and so on and so forth, and I am sure at one level they believed that and their campaign was genuine. On the other hand, they were working as gangsters and it also emerged, as I spent more time with them, that they were actually very strong backers of the former governor of Bayelsa State who was charged with corruption here and later convicted in Nigeria, but this was after he had been turfed out of office. In other words their patron had been overthrown and they were angry not so much with the status quo but the fact their position at the top of the food chain had been expunged. You can be depressed by that, in a sense of course it is depressing, but on the other hand it shows there is an opportunity there—that these alliances in the Niger Delta particularly are very fungible, they are very changeable, and if people come with proposals to make the system work better, that strong streak of pragmatism in what is going on – very driven to some extent by day-to-day economic interests – can be harnessed to actually solve some of these problems. So to an extent the very volatility of the problems of the Delta means there is an opportunity to actually solve the problems and what is going on.

Q38 Chairman: I want to bring in Hugh Bayley but just a transitional question on that. I represent the North East of Scotland which is a major oil producing area within the UK, a significant number of my constituents have been kidnapped in Nigeria and do not want to go

there, and significant companies are not able to engage there because of the insecurity. Does this not require not only federal engagement but international engagement to create a security environment? That seems to be the practicality, people cannot go there, they cannot operate, as a result of that the investment does not happen, the production does not happen and there is a lot of stuff being stolen. So does it require at that level – federal, even international – engagement to create a security environment where you can physically start to deliver?

Mr Peel: I think it depends what you mean by a security climate. I think a bigger military presence by Nigerian forces or international forces in the Delta would be extremely dangerous. What has to be done is to disarm people, get them out of the bush. This has been done before. There was a militant whom I write about in the book called Alhaji Asari who was in the mangroves. He was in a sense the prototype of what some of these guys are doing today but eventually there was a peace deal done and he came out of the mangroves with his guys and the next time I met them they were living in the centre of Port Harcourt. So things can change very quickly. What needs to be acknowledged, which has not been sufficiently so far in terms of finding solutions to this problem, is why are a lot of these militants running around in the Niger Delta? Answer: because they have been armed by politicians who were active there who needed to rig elections. So immediately you have the link between militancy and electoral reform. The answer to that is not a military crack-down, it is saying, “We are going to support efforts to make sure that elections are not rigged by men with guns”, partly because it is wrong but also because those men with guns then go off into the creeks, they think, “The elections have happened, we’ve done our bit, we’ve been paid off. What do we do now? Hey, we’ve got a load of guns, let’s set ourselves up as a kind of militant franchise.” That is where a lot of these problems come from and that is why these problems need to be looked at in the round like that.

Dr Mustapha: There has been an increase in an American-led presence in that region as well which also raises suspicions in people as to their motives.

Chairman: I think we can understand that.

Q39 Hugh Bayley: What is the point of the new Ministry for Niger Delta Affairs and what has it achieved to date?

Mr Unom: It is gesture politics. It is the politics of gesture more than anything. It is not clear how it is different from the Niger Delta Development Commission, for example. In fact in the Niger Delta there is consternation that you have a Minister of Niger Delta Affairs in Abuja. Under the pressure of the militants, the Government has gone for quick fixes unfortunately and the problem with quick fixes is that historically they have been vulnerable to elite capture, which continues to be the issue, so you have an agency like the Niger Delta Development Commission - and I dare say that goes for the Minister of Niger Delta Affairs as well - and it becomes an issue of patronage, and it is only those who can access the patronage system who get the benefits. So you have projects which have utility but the cost of delivering them is so cost ineffective that the transfer of resources that these policies were meant to bring about is not brought about on the ground in the same way as perhaps had been intended. So on the face of it, it would be a useful indication of government seriousness about the region, but the solutions have not been thought through so what can the Ministry then do when the solutions have not been thought through?

Dr Mustapha: If you look at the politics leading up to the formation of the Ministry, the impression was given that there was going to be a major intervention, but then the project came up and it was minuscule which showed that they did not mean it in that sense. At best I think it could cause inactivity in the Delta, another thing to dazzle people with as action but not doing anything.

Q40 Hugh Bayley: Can I ask a further question of Michael Peel? The President set up this Technical Committee which reported to him at the end of last year, why has nothing really happened? What did the Technical Committee recommend and why has action not been taken to implement its recommendations?

Mr Peel: On the Delta, you mean?

Q41 Hugh Bayley: Yes.

Mr Peel: I do not have a detailed knowledge of that actually, but in terms of the bigger picture the Niger Delta Ministry and this Committee follow decades of other committees with exotic acronyms – NDDC, OMPADEC⁶ was another one, which was supposed to tackle some of these problems in the Delta. I fail to see either at government level or at oil company level, or indeed at an international level, a more imaginative solution other than, “Let’s have stronger protection of our facilities.” You look at the recent example near Warri in the last month or so when a group of militants were driven out by the military from their base and that could be the shape of things to come, a military crack-down, but we have been here before. Look at the mid-90s with Shell and Ken Saro-Wiwa. We have seen in the US court case which was recently settled exactly where that can lead. That would be extremely dangerous. If this Ministry can do a positive thing, I think it would be as a kind of co-ordinator of some of the broader efforts I was mentioning to the Chairman just there, and perhaps that is something that diplomats could usefully be doing, saying, “This will only be useful if it looks at things in the round. We, the international community, will bring something to the table on this to help this process along.” Maybe that is the way to look at it again, to be properly sceptical about it but to say, “Maybe there is an opportunity to make something of this new institution.”

⁶ Niger Delta Development Commission (NDDC) and Oil Mineral Producing Area Development Commission (OMPADEC)

Q42 Andrew Stunell: Perhaps we could go on to this transparency issue. How effective do you think the EITI has actually been and has it got the influence and the capacity to be effective? What else does it need to keep things on track?

Mr Unom: It has done very well in its short life. It has helped to police the money better; money that was supposed to be coming to the Government's coffers. That it has done well. It has also taken strides to reconcile the books between the various players, so you have an idea how much has been produced, how much has been set aside for local processing, how much has been processed. That it has done well. But it needs to do more. Monitoring the production process, as the Chairman indicated earlier, needs to be tightened up. Nobody can put their hand on their heart and say the oil is not stolen, so if the oil is stolen you need the intervention of the NEITI to ensure it is not stolen, but you also need international co-operation. There have been discussions about branding, the imprints, and there is technology now for ensuring the oil is tracked. It is not clear that there is an appetite for this technology yet in Nigeria but it was the same when the international community co-operated over diamonds, blood diamonds. We need co-operation over oil so that you do not buy energy until you know where it has come from. The greater weakness remains in developing better co-ordination between the various players. We have recommended that there should be a policy dialogue and assistance to develop a revenue flow amongst government agencies and to improve the metering and infrastructure and a uniform approach to cost determination. The barrier seems to be the production costs which seems in practice to vary between companies, so in chemicals and oil in the same region there is a different regime in costs, that is significant, so you need greater consensus around that. Then DFID and other donors can help strengthen the capacity of the government departments which are involved. The Department of Petroleum Resources should be regulating the sector but has not done very well, by admission of the Government itself. To strengthen the civil society's participation, including

by strengthening its technical grasp of the subject area. NEITI is a very useful intervention which brings in civil society, which is critical. The consensus is that it can help civil society get to grips with this because it is very important and it needs to understand the field. So if the civil society participants are in there and can make a contribution, that is very, very important. The greater failure remains what happens with the money when it goes into the Government purse. That is beyond the remit of NEITI. Even if it is able to ensure that every single dollar accrued to Nigeria gets into the Treasury, the question will remain what is it that happens when the money gets into the Treasury.

Q43 Andrew Stunell: Clearly it is a two-stage process, getting the money. It was suggested to us there might be as much as £30 billion of revenue not reaching the Government. The chair of the organisation also said that as oil was being used to fund politics, you would have to reform politics first. How strongly committed do you think the Nigerian Government really is to making this oil transparency feed right the way through?

Dr Mustapha: I think the Norwegians offered a computing package to help track the oil, and the Nigerian Government refused to take it – or some officials within the Government. So I think there is some major resistance within the system to transfer to an accounting process. One of the problems with NEITI is that the reports they produce are not something that the ordinary journalist or the man on the street can easily take around, so maybe they need to also make a popular version of their very technical reports to get politics coming up from below.

Mr Unom: That is the crux of the matter; the commitment of the regional government to transparency in the sector. There has been a reform process going on but nobody quite knows the shape of it. NEITI was supposed to be part of a reform and the whole sector was supposed to be restructured but it is not clear how far that has gone. There have been two

changes in the NNPC⁷ already because of this but you do not know whether that indicates the reform is happening or not happening; it is still not clear. It will be an intriguing proposition because oil lubricates politics, the whole system is based around how the oil money is distributed, so there has to be some sort of serious commitment to take on that system before there is a practical expression of it in terms of reforming and increasing transparency in the sector.

Q44 Andrew Stunell: Can a donor like DFID actually facilitate this process? Is there work for us to be recommending our Government does? What should we be doing?

Dr Mustapha: I think with NEITI there is a lot which can be done to push things further, help them in the technical evaluation of the process, help with the quality of the reports which are written, and the civil society players they can appeal to, to amplify whatever concerns they have. These are the various things which can be done.

Mr Unom: NEITI has been very useful and the UK Government have backed it from the outset and it has been a very important contribution. It has sort of changed the dynamic a bit in the industry and it needs to be concentrated as well to help the initiative. But I do not know if it has helped with the general, larger picture of what happens when the money gets into the Treasury because that is much longer term, and you need to sort out the politics before you get the oil to get to the Nigerians.

Q45 Andrew Stunell: When we spoke to the Finance Minister he said he goes on television every month to say how much he has got in from the oil, so he obviously thinks there is more transparency than you are hinting at.

Mr Unom: That is just a point of information.

⁷ Nigerian National Petroleum Council

Mr Peel: Something like the EITI is a bit like looking through a telescope at a small hill in a huge mountain range. It is useful, it gives you a sense of the topography, but what you need (as I think I mentioned earlier) is a sense of the much bigger picture. Headline figures only take you a small part of the way. To give an example, in about 2004 the Finance Minister for the first time – incredible that it was for the first time – published details of how much the Government disbursed to the various oil producing states. That was useful in the sense it showed that tens of millions of dollars go to State X, but it only becomes really interesting when you get the budget of State X and you get to compare the two and put them together. So EITI is a good thing I think but what it needs, and I think this is your point about making the information more accessible, is to be presented as part of the bigger picture. This is something that maybe DFID could become involved in, to make sure that people are employed to build a credible picture of the revenue flows as best they can from tap to state treasury, and to follow it all along the line, to look at the hidden costs. How much are oil companies spending, as far as we can drill down into that information – forgive the pun – what is the spending on rigs and other equipment, is it justified? What are the other money flows which are going on beneath? When it goes from governments onwards, what is the money being spent on? That would really make it real. To say, “Here is a document which shows such-and-such amount of oil was produced, it has allegedly cost such-and-such, this is how the revenues were distributed to these various agencies and companies, and this is where it flowed on from there, and this is how they were used”, and you end up with a spider’s web of relationships. I am not aware that anyone has ever really done that but I think that would be something which would be really useful.

Q46 Hugh Bayley: Shell represents the oil companies on the NEITI governing board. How do you assess their contribution to NEITI? Are they going through the motions rhetorically,

or are they actually determined to shine the spotlight on the revenues, so the public in Nigeria know how much they pay to the Government and where the money goes?

Mr Peel: In terms of motives, you would probably have to ask the chief executive of Shell, but in terms of the practical ---

Q47 Hugh Bayley: I think we should write to the chief executive of Shell, probably Shell Nigeria and Shell International and ask some direct questions of them. Can I add on to that, what questions do you think we as a Committee should ask for a formal written response on from Shell in relation to transparency?

Mr Peel: I would say in a preamble - clearly the chief executive does not need the Committee or me to tell them - its operations have had huge problems in Nigeria which obviously have complicated causes but the Committee believes that one of the reasons is that there still is not enough transparency around the industry. Shell has a long-standing rhetorical commitment to transparency, it has become involved in EITI and so forth, but here are some further aspects that the Committee thinks should have light shone on them and in a way which would be beneficial for the credibility of the company and the industry itself. Those things would include some things I have mentioned earlier, such as how the company disburses educational scholarships, other benefits to communities, what goes to which communities and when, how is it spent, what are the so-called memoranda of understanding that the companies make with various communities. If you go down to the communities you can usually see a copy of them, they are quite detailed going down to the level of, "We will build this hospital, provide two speedboats" or whatever it is. These are the subject of great contention between communities. The Committee could also look at the bigger questions such as the relationship between companies and the security forces, which again is a reason why the companies are at best distrusted and at worst despised because they are seen as part of this huge leviathan, along with the state. There are curious things like a force called the Supernumerary Police,

which are known as the Spy Police, which are national police force officers who are seconded to oil companies and the oil companies say they are national officers but they are officers who are paid by the oil companies, they get medical care and so forth from the oil companies, so the boundaries of the state and the private sector have been blurred. How many of these officers are there in Shell and in other companies, what exactly are their duties? The companies claim they are unarmed and they have fairly routine, mundane duties like driving, but other activists say that is not true and they are much more actively involved in security. There are very practical questions, some of which are raised in the paper I did on the Niger Delta for Chatham House, which I referred to in my evidence, and factual questions which would shine a light in a way which over time, if other people can be persuaded to do the same, could help lead to real practical change.

Mr Unom: Shell has been contributing to conflict in the region through its own practices. For instance, its practices have had a destructive effect on solidarity and cohesion within the communities. It patronises what it calls host communities, but the definition of “host” isn’t shared, so sometimes the host is simply the community by the rig, but to get to that community you need to pass through other communities and that community might be part of a larger whole, so once they see Shell engineers around looking like there is going to be oil-related activity, you have conflicts straight away with regard to who is the host and who is not. So you have a real incentive to fight to be the host community. They also prefer to deal with individuals even within these communities, and even the projects they do are determined by the Shell staff rather than the beneficiaries. You see a lot of physical projects on the ground – schools, hospitals, boats – which are built at a cost and this cost is determined entirely by Shell. So on paper you have so much paid for in the community but sometimes it is difficult to reconcile the value of what is on the ground with the value of what is in Shell’s books. So Shell has a huge community budget which notionally should go a long way to

addressing the problems, but in practice this process has contributed more to conflict than resolving conflict.

Q48 John Battle: A general question about civil society. Dr Mustapha a few moments ago you mentioned civil society “amplifying their concerns”. I think there is a general view that the civil society organisations, and there are many of them in Nigeria, are reasonably active. My question would be how representative are they? Are they broad and deep enough? How effective are they in engaging, in the best sense of the word, with government at every level?

Dr Mustapha: I think they are variable in terms of the quality of the work they do, and some of them are just a one person show, others are much more serious about the agenda they want to focus on. The recommendation we make is that one needs to change the definition of civil society. Usually the donor communities in Abuja tend to deal with like-minded people in and around Abuja, and they need to go to the far off communities and deal with people who do not have email addresses. It is a fairly dated process because they may have rules – maybe women sit behind the men in front – which affronts our notions of what civil society should be. But those are the effective organisations if you want to go beyond the normal class groups in Abuja. That would be our main recommendation, that we need to relax our understanding of civil society and try to engage more with society outposts which have concerns.

Q49 John Battle: Is that conversation going on with DFID?

Dr Mustapha: We have certainly raised it in a number of recommendations.

Mr Unom: DFID tries its best but it requires greater patience and perhaps greater tolerance on your part to do what needs to be done. For instance, the concern about accountability means that donor agency staff will work with organisations that meet deadlines, they have bank accounts already, they can write good reports, so they are all better able to respond to donor policies and guidelines. To broaden the range of civil society actors with which donors

engage is critical. To do this is pretty dirty work and will require greater tolerance on the part of all who are involved. Some of the unions and professional associations have their own timetables, have their own ways of making decisions, so you do not call the president of the local union to a meeting and expect him to decide there and then what is to be done, as you would with DFID. He or she may ask to go back and consult with the membership and that is how they work. So you need to have that sort of latitude if you want to operate with a broader range of organisations rather than working with the intermediaries in the centres.

Q50 Chairman: A final point on that. Given what you said at the beginning, that you have all said that leading politicians are not very keen on elections and that there is a low expectation from the public, yet the role of civil society is to help the public articulate their voice, to raise expectations and to put pressure on politicians to actually deliver at elections. To what extent is DFID's engagement in stirring up civil society likely to cut across their work in trying to bring the politicians on board to deliver? Clearly they do need to come together, but you take my point.

Mr Unom: DFID is leading the Coalitions for Change (C4C) project in Abuja which mobilises reform energies which are focusing on how the money from debt relief is being spent on poverty reduction, gender issues like gender inequality and issues like constitutional reform. C4C has been sponsoring five or six projects and DFID has similar projects at the state level as well, trying to mobilise civil society's energies. It is not just a conference, what it is seeking to do is get civil society to work with like-minded people in government and in the private sector to pursue reforms through government, to pursue reforms and institutionalise them. The challenge is that if you do not have mechanisms which impose costs on politicians, which is what elections should do, it is difficult to get that sort of commitment from the politicians, so there is a risk that you can mobilise civil society and they are raring to go but then they will come up against cynical politicians who just do not care,

and it can be difficult and frustrating and the change does not happen and you have committed your energies. That is the problem.

Mr Peel: Are you asking if there is a risk of a tension between mobilising civil society on the one hand and perhaps annoying people in government on the other? The policy of government is not to rig elections – I guess that is what you can always come back to – to say officially you are committed to clean elections so why would it be a problem if we worked with civil society groups? I think there is a broader diplomatic question here. Despite the fuss around the 2007 elections, in the end the international community accepted them and, to quite a large extent, it was back to business as usual. I did note in the DFID evidence there was a line – and I am paraphrasing from memory – about how there had been a cloud over the elections until a tribunal ruled in the Government’s favour this year. The implication, whether this was intended or not, was that that tribunal ruling somehow removed the cloud over the elections, but I do not think that is how most Nigerians would see it, I am sure. I hope my co-panelists agree with that.

Q51 Chairman: What we have got in any case is that what tends to happen is that the opposition lose the election, they protest, when they lose their protest they join the Government.

Mr Peel: There is a certain fungibility about alliances, that is true.

Q52 Chairman: I think we cannot explore that very much further! Can I thank all three of you for coming along. Clearly we recognise, and DFID recognise, that Nigeria is extremely important. It is the biggest player, we should be there. It is difficult, it is challenging. I think a point was made to us that if you look at the big picture you can get depressed, if you can celebrate your small victories and build on those, you can actually get a sense of progress. I take your point, Mr Peel, when you say that the problem is serious but you believe there are

solutions. We look forward with interest to seeing your book in the Autumn. Obviously we are questioning the Minister next on this issue. I doubt if the Committee can produce a definitive report on this because it is clearly very much work-in-progress but your evidence, and other evidence, has certainly helped us to get a better feel for what is an extremely difficult, complicated but very important country. Thank you very much indeed.

Mr Peel: Thank you.