

PERSPECTIVES ON THE COST OF GOVERNANCE IN A DEMOCRACY

*PRESENTATION AT
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BY:

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A worthy opportunity

I thank you for inviting me to this conference. I consider the invitation a worthy opportunity to be in the midst of distinguished gentlemen and ladies of the pen who literally have the final say on what appears in our newspapers, and in that sense, to some extent what we know and do not. Our interactions today would afford me the

opportunity to meet with you all under a single roof to exchange ideas not only on the chosen topic but on the efficacious position of the media as the ombudsman of our democracy. This role, if handled responsibly in tandem with the ethics of your profession, should serve as a check on the excesses of those in power.

This biennial conference is being held at a time when the people in the Nigerian mass media need to re-examine their modus operandi and properly refocus. On the one hand, this is a time when the expectations of the public appears dampened by the short-sighted attitude of sections of the media that has promoted division, primordial politics and death of objectivity in our land. On the other hand, the commercial pressure put on the print and electronic media to survive the onslaught of the Internet is unrelenting, and is likely to change the landscape of news in the medium term.

It is a fact that many Nigerians believe that some sections of the media live on handouts - whether it is quiet cash or adverts with strings attached - and for these, sing the praise of those in power or kill public interest stories, instead of disseminating commercial lapses and undertaking a critical review of the performance of politicians. It is only articles or opinions that adulate the commercially-powerful, or in conformity with the viewpoint of the government of the day that now easily get published widely. The few exceptions and the handful with the courage to conduct themselves otherwise suffer dire commercial consequences and get subject to governmental blackmail and intimidation!

One wonders whether it is the same media that stood for the truth and justice during the draconian era of the military that now appear to have almost completely capitulated under democracy when objective media is a requirement to attain good governance. With the enactment of the Freedom of Information Act 2011, the members of the media have received a major legal morale booster to enhance their capacity to make our mode of governance more transparent. One still doubts whether, there is enough spine and strategic vision to take advantage of this. Only time will tell.

What does Cost of Governance entail?

In order to accentuate what cost of governance entails, it might be necessary to quickly broach over the concept of governance itself. Governance, in a broad sense, is the exercise of political authority and the use of institutional resources to manage society's problems and affairs. The worldwide governance indicators project of the World Bank defines governance as the traditions and institutions by which authority in a country is exercised¹. This includes the process by which governments are selected, monitored, and replaced as well as the capacity of the government to effectively formulate and implement sound policies and the respect of citizens and the state of the institutions that

¹ Ibid

govern economic and social interactions among them.

Being a representative government, the cost of governance in a democracy would evolve out of the ultimate agreement among the stakeholders on the reasonable requirement of managing the process. The stakeholders here include the citizens that are sovereign, their elected representatives, media and civil society.

In the Nigerian context, the letter, spirit and process of defining the cost of governance is well articulated in the 1999 Constitution². Whether the letter, spirit and process are responsibly interpreted, operationalized and managed is a different issue entirely. This would be explored further in the course of this paper. The cost of governance is always substantially laid out in budgetary proposals of the government as usually contained in the Appropriation Act of each year. Substantially because there are many other significant items of expenditure incurred by government departments that are "off budget", because the institutions are either 'self-funded' like the CBN (N298 billion in 2010), NNPC and NCC, or donor-financed. Some other off-budget funds like the Aviation Ministry's control of BASA (\$35 million in 2001) are spent without appropriation and do not count as part of the cost of governance.

The Budget Process

For the purpose of this forum, we shall limit the discussions to the revenues and Appropriation Act of the Federal Government of Nigeria, but the same applies to the 36 states of the federation and the FCT.

The revenues of the government as derived from the Federation Account³ are the basis on which the Federal Government makes its annual projections for appropriation by the NASS in accordance with other relevant provisions of the Constitution⁴.

The process of putting together the annual appropriation bill forwarded to the National Assembly (NASS) for enactment is usually through an Executive Bill. The bill, usually reviewed and finalized by the Federal Executive Council (before being sent to NASS) is a product of compilations of estimates by the various Ministries, Departments and Agencies (MDAs). The Federal Ministry of Finance analyses the submissions of the MDAs, and requests the officials to defend them. The Ministry then compiles the figures of the various estimates and lay before the Federal Executive Council for review and approval. The bill is then deliberated upon by the NASS and subsequently enacted into law.

The approach of the NASS to the enactment of the annual Appropriation Acts, since the

² Constitution of the Federal Republic of Nigeria, 1999, as amended – S.59..

³ Ibid - S. 162.

⁴ Ibid – S.80

establishment of democratic rule in 1999, has remained contentious. What has been experienced is a situation in which figures in the Appropriation Bills have been illogically tampered with at the point of debate, defence and enactment. Projected figures have often been revised upwards on issues such as benchmark for crude oil price, capital expenditure levels, perquisites of the members of NASS and so called constituency projects in such a way that the Appropriation Acts do not resemble what was initially projected by the executive arm of Government.

The Unsustainable Cost of Governance in Nigeria

In an article that got me arrested on 2nd July, I drew attention of Nigerians to the fact that in 2011, every Nigerian - all 162 million of us - man, woman and child will pay the federal government the sum of N27,685 each for the running of government - this is the budget for the year divided by our population, with 75% of it going into non-productive, non-capital spending. I added that what we cannot afford, the government will borrow on our behalf to pay for its activities.

This is because our entire oil earnings for the year cannot pay the salaries and allowances of politicians and public sector workers and their 'overheads' - their tea, coffee, travel and estacode. Almost the entire amount of the capital budget for this year is scheduled to be borrowed - that is what they mean by 'budget deficit'! Whether you know or not, every hour, 24/7, the federal government spends slightly over N381 million on our behalf, on its staff, offices, vehicles and the like, and none of this goes to build power plants, roads or railways!

It costs nearly 2.5 million naira on the average annually for the upkeep of each of the federal government's nearly one million public sector workers – in the police, civil service, military and para-military services and teachers in government schools and institutions. Whether this amount justifies the service that is rendered is left for Nigerians to decide. In all, the 49 line Ministries, Departments and Agencies mentioned in the 2011 Appropriations Act will each cost an average of N49.49 billion to run. That is why we should ask questions when ministries are created and more ministers are screened by the Senate and sworn in! Each one costs billions!

Why do federal ministries, departments and agencies cost so much?

Each ministry has at least one minister - some have two or three, with a permanent secretary, and on average eight directors. The ministers and permanent secretaries have personal assistants, special assistants and special advisers. Each of these expects to drive an SUV or two to work, complete with police orderlies and other file carriers. Then they will need houses, furniture and running costs of the vehicles and utilities. The costs of all these somehow find their way into the overheads budget of the ministries, and makes a complete nonsense of the monetization policy we implemented

in 2004!

Up until December 2006, there were 31 cabinet-level Ministries including the FCT Administration and about 42 Ministers. The reforms of 2006 led to the merger of the ministries of petroleum and power into a single Energy Ministry, water resources and agriculture into a single agriculture ministry, commerce with industry, the addition to Steel Development to the mandate of the Solid Minerals ministry, the abolition of the ministries of police affairs, communication, and Cooperation and integration into larger ministries, works into transportation, and so on. This reduced the number of cabinet level MDAs to 21 but without a significant reduction in the number of ministers. The Yar'Adua and Jonathan administrations reversed these reforms, and now we have some 30 ministries housing between 42 and 48 ministers.

We elect a total of 360 members to the House of Representatives and 109 Senators to make laws and enhance good governance by checking and balancing the excesses of the executive arm of government. For this privilege, the 469 members of the federal legislature and their support staff at the National Assembly will spend N150 billion this year. From the NASS website, it is evident that they only passed 8 bills as at the end of May 2011, and have been on recess for 43 days out of the first 100 days of this administration. So assuming that they manage to pass another 7 bills before the end of this year, it would cost the Nigerian citizen an average of about ten billion naira to pass a single bill! This implies that to pass the 2011 budget (which allocated N150 billion to NASS), we paid 10 billion naira. An even more interesting statistic is the cost of maintaining every legislator every year. It works out to princely N320 million per legislator per annum. At this rate, every four year stint at NASS works out at N1.28 billion per legislator.

There is nothing unusual about providing funds for legislators to hire personal staff, experts and aides to assist their work. There is nothing wrong with provision of funds to run their offices in Abuja and their constituencies. What is wrong, and criminal even, is if such funds are unreasonably high, and not subject to any accountability or audit. These "allowances" not sanctioned by the RMAFC go straight into each member's account, without any need to account or be subject to audit. As things stand today, each legislator is a government agency without the constraints of a HR, Legal, Accounting and Administration departments and rules, and not subject to either internal and external audit. This is no way to lead by example!

The Judiciary seems equally determined not to be outdone. In this year's budget, apart from the nearly 20 billion naira allocated to the Federal Ministry of Justice, the National Judicial Council will receive 95 billion naira. If we compute that the Supreme Court has 22 Judges; Court of Appeal 67; Federal High Court 58; FCT High Court 38 and the National Industrial Court 13, an average of 30 high court judges per state gives a total of about 1,300 puisne judges nationwide. Following the same statistical analysis, the upkeep of these judges along with their support staff every year comes to a about N73

million per annum per judge.

Another interesting observation is the fact that government says the problem of power shortage will be a priority, yet the Ministry of Power only got 91 billion naira as total appropriation, while the security sector (Military, Police, Internal Affairs, NSA, Amnesty, Pensions, Police Reform, etc.) got a mind-boggling N1,592 billion naira. This amount is over 35% of the entire budget. In other words, though Nigerians have never felt so insecure, the NSA, Internal Affairs, Police and Defence combined will be spending N4.36 billion per day on our behalf! This does not include the security votes in ministries, and the 36 states. Even local government chairmen now have security votes.

The point of these statistics is to show how expensive governance has become and how little Nigerians get in return. Four years ago in 2007, the entire federal government budget was 2.3 trillion naira; today we are spending 4.485 trillion. In 2007, statutory transfers amounted to 102 billion naira or 5% of the total budget. Today, transfers amount to 418 billion or 9% of the total. This year, the federal government will spend 495 billion naira or 11% of the budget on debt servicing compared to 326 billion naira or 14% it spent four years ago. More telling is the 1.05 trillion naira or 46% spent on recurrent expenditure in 2007 against the 2.425 trillion or 54% government will spend this year. Just four years ago, capital expenditure accounted for 36% (830 billion naira) of the budget. This year, the amount for capital expenditure is 25% (1.147 trillion naira) of the current year's budget.

Apologists would want us to believe that the astronomical increase in the cost of government services can be explained by inflation, but even taking into consideration the high inflationary trend (thanks to Jonathan's profligate campaign spending), statutory transfers in the budget has gone up by a whopping 310%; debt servicing has a 52% increase; recurrent expenditure has gone up by 131% while capital expenditure has increased by 39% over four years. In real terms however, and accounting for inflation, the total budget has increased by 33% with recurrent expenditure going up by 58% while capital expenditure has actually reduced by 6%.

All these come down to the questions: Has the government's 4.485 trillion naira budget made life any better or even provide any security for Nigerians? Can we feel the impact of these huge spending? Is the cost of governance justified? If we do not have the courage to ask these questions, we will be doing ourselves a disservice. I have been asking these questions, and I beseech you to ask the same.

Comparative Costs of Governance

At the comparative level, very few countries match the high cost of general administration in Nigeria. The United States, the largest economy in the world, with a GDP of some US\$ 15 trillion has a federal cabinet not exceeding 20, less than half

of that of Nigeria. The cost of general administration represents less than 10% of the federal budget of the USA.

Contrast that with the figures in Nigeria ranging from at best 55% to as much as 75% of the budget, we are now witnessing. The estimated proportion of general administration to GDP adding up federal, state and LG expenditures is over 20% of GDP. A state in the north I visited recently spent 85% of its total revenues on the running cost of the government. How can that state develop?

The rich countries spend an average of 10% of their budgets and/or GDP on the general administration of their countries. China and India have the largest bureaucracies in the world. But their average annual expenditure on general administration is only about 12% of GDP, and that is considered high, but at least the results are showing - these are the fastest growing economies in the world that have lifted hundreds of millions of people out of poverty in the last decade.

On the other hand poor countries, which can ill afford to do so, tend to spend a lot more in the running of their countries' bureaucracies and politics. Of course, this is all relative to their GDP. But the structure of demand shows that in poor countries the public sector is usually dominant and takes the lion's share of all budgeted expenditure. As a matter of fact this trend accounts largely for the painfully slow economic growth of low-income countries such as Nigeria⁵. The annual World Bank economic data have shown that public expenditure in Nigeria as a share of total expenditure, or the GDP, has consistently been among the highest in Africa. Yet, big governments do not necessarily translate to effective service delivery to citizens. On the contrary there is overwhelming evidence that the bigger the government is the higher the probability of wasteful spending and large scale corruption.

Our Collective Responsibility

Since leadership, particularly in a democracy, entails holding of reins of power in trust for the people, it is my conviction that much beholds on the people to determine, within lawful parameters, how they are governed. We should hold accountable those who hold political offices on our behalf, nonetheless the inadequacies in our electoral system. They should be our servants rather than being our 'Lords' as they currently arrogate to themselves and flagrantly display at all available fora. Until the people muster the courage to manifestly use the power, which the tenets of democracy vest in them, it is doubtful if the continually rising cost of governance would impact positively on the wellbeing of the populace.

The channels through which the inherent powers in the people could be put into

⁵ <http://www.thenationonline.ng.net/2011/index.php/columnist/thursday/dapo-fafowora/19615-public-service-and-cost-of-governance.html>

veritable usage for the good of all and in redeeming our drowning polity are well entrenched in the constitution as is without further amendments. Procedure through which erring President; Vice-President; Governor or Deputy-Governor could be sanctioned, made and unmade is clearly specified in the grundnorm⁶. Same goes for the distinguished and honourable members of the parliament, who, according to the spirits of the constitution are at best on a part-time job but who invariably have turned the law-making venture to an instrument of oppression of the very people they are supposed to dutifully represent and protect. The express provisions of the constitution vest in the electorates in the relevant constituencies to remove any unworthy parliamentarian through the recall process⁷.

The saddening perspective of the Nigerian experience is that the people have not found their voice. They are polarised on primordial ethno-religious sentiments whereas the monster diminishing their wellbeing thrives on class hegemony. Those that impose the outrageous system of governance wherein the spiraling costs translate into less investment, poor services and abject poverty for the majority of the people are drawn across the 774 local governments. This, in my candid opinion, is where the media's role in educating and mobilizing the people to action appropriately lies. But do we have a mass media that is neither cowed nor bought over? That is a question that you, ladies and gentlemen can answer honestly.

Wither the Fourth Estate of the Realm?

Against the courageous background of the Nigerian journalism, it is distressing that today's Nigeria mass media appear to have abandoned their primary role of balanced reporting and keeping the government in proper check as the fourth estate. It is depressing that vital news on our dear country are better obtained from foreign media – thanks to satellite and cable TV, and internet bloggers. While the unfortunate bombing took place on the dark Friday, 26th August 2011, the Nigerian Television Authority (NTA) continued the broadcast of one pre-recorded documentary while independent media, foreign televisions houses and internet bloggers were showing live pictures of the unfortunate incident.

There is an attitude in government that any story however interesting has a shelf life of three weeks. So political office holders, public servants and politicians know that they just need to survive the next 21 days. Reflect carefully about the biggest story of the year - in my view, the unconstitutional, illegal and unjust removal of Lord Justice Ayo Salami. How many editors still remember this most serious, multi-pronged attack on democracy and rule of law in Nigeria's history? It is more than 3 weeks, and dead, but its consequences may be the death knell of this republic if those intent on getting what

⁶ 1999 Constitution of the Federal Republic of Nigeria as amended – SS. 143 & 188.

⁷ 1999 Constitution as amended – SS. 69 & 110.

they want at all costs do not take a deep breath and step back from the precipice.

This gathering of crème-de-la-creme of our media could best take the advantage of this occasion to rescue the 'ship of the Nigerian Nation State' the captains of which appear docile and overwhelmed by challenges of governance. Failure to rise up will make your media irrelevant, while raising the profiles of the Saharareporters of this world, and Aljazeera!

The choice is yours. It is between immediate gratification and sacrifice to build a great nation. The ladies and gentlemen in this room have a leading role to play or fail.

Thank you once again, for inviting me.