

State Governors' Pension

Scaling Back Fiscal Imprudence



About BudgIT

BudgIT is a civic organisation that uses creative technology to simplify public information, stimulating a community of active citizens and enabling their right to demand accountability, institutional reforms, efficient service delivery and an equitable society.

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Executive Summary

Excessive spending via State Pension Legislation for past Governors and their deputies has been a significant budgetary burden in Nigeria. Current pension packages accruing to ex-governors and ex-deputy governors pressure states' finances, diverting valuable resources from public services and infrastructure development. This brief defines the problem, assesses its impact, and suggests practical remedies to this anomaly that drains states' meagre resources.

This brief addresses the fiscal burden of states, a burden exacerbated by the excessively generous pension entitlements for former Governors and Deputy Governors. This not only leads to budget shortfalls and a reduction in critical services funding but also highlights a serious gap in pension benefits between political officeholders and average civil servants. This inequity raises major concerns about fairness and justice.

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Introduction



Over the years, the pension law has been emulated by other states, with some of those states expanding on it. The State Pension Law provides ex-governors pensions without salary deductions.

In 2007, Lagos State, under the government of Bola Ahmed Tinubu, set the precedent for pension laws for former governors and their deputies.¹ The law provided numerous extravagant benefits ranging from houses to brand-new cars to pension payments equivalent to their annual salaries. Over the years, the pension law has been emulated by other states, with some of those states expanding on it. The State Pension Law provides ex-governors pensions without salary deductions. While civil servants are expected to set aside a percentage of their wages, political office holders, on the other hand, do not partake in pension savings. These laws are created to suit the governors and lawmakers; they provide ex-governors with huge pension payments, which in turn adds to the strain placed on the lean resources of the states.

State pension laws have generated debate throughout the years,² which results from the enormous inequality between the emoluments of elected officials, particularly governors and civil servants. Several public outcries have been triggered by the issue of salaries and arrears owed to civil servants in Nigeria and the fact that governors receive excessive pensions. There have been several calls to the government to put an end to the outrageous pensions paid to ex-governors, highlighting the stark contrast between the generous benefits received by former governors and the pitiful pensions owed to workers.³

Emoluments provided to former governors and their deputies by Lagos State, as adopted by other states:

1. See Premium Times. (August,2023). The illegality of ex-governors collecting both salaries and pensions as ministers. Published in Premium Times (Online). Available at: EDITORIAL: The illegality of ex-governors collecting both salaries and pensions as ministers
2. See the Editorial Board. (July,2023). Case against pension payment to former governor. Published in The Guardian (Online). Available at: <https://guardian.ng/opinion/case-against-pension-payment-to-former-governors/>
3. See Onozur, D.(January, 2024). Stop paying ex-governors scandalous pension-Falana. Published in The Punch (Online). Available at: Stop paying ex-governors scandalous pensions – Falana (punchng.com)



Pension

100% of the annual basic salary of the incumbent governor

Accommodation

One residential house for each ex-governor and deputy at any location of their choice in Lagos State

One residential house in the Federal Capital Territory for the governor on two consecutive terms



Transport

Three cars for the governor and, in addition, one pilot and two backup vehicles to be replaced every three years

There will be two cars for the deputy governor and, in addition, one pilot and one backup car, which will be replaced every three years

Utility

20% on annual basic salary⁴



Furniture

300% on annual basic salary payable every two years en-bloc



House Maintenance

10% on annual basic salary

Domestic Staff

Cook, steward, gardener, and other domestic staff who shall be pensionable



Medical



Free medical treatment for the ex-governors and members of their immediate families

Security



Two SSS details for the governor and one female officer, eight policemen (four each for house and personal security)

One SSS detail for the deputy governor, two policemen (one each for house and personal security)

Drivers

Pensionable



Personal Assistant

25% on annual basic salaries



Car maintenance

30% on annual basic salaries



Entertainment

10% on annual basic salary

These payments are payable as pensions and charged upon the consolidated revenue fund of the states.

4. See Supplement to Lagos State of Nigeria Official Gazette Extraordinary No. 37, Vol. 40 (May 2007). A Law To Provide For The Payment of Pension and Other Fringe Benefits to Public Office Holders in Lagos State. Available at: Automatically generated PDF from existing images. (premiumtimesng.com)



State Pension Laws and Effects

The high cost of governance and its effects on societal development are the subject of fierce debate. Reducing the cost of governance to make more resources available for infrastructural development is one of the main talking points in today's debate on restructuring. Several critical issues need to be addressed:

Fiscal burden on states: Having gone through the list of emoluments earned by former governors and their deputies, it suffices to say the pension plan consumes a large share of the state's financial resources. Lagos State set this noxious ball rolling in 2007 with a law that provides a former governor life pension at the rate of N30 million per annum; a house in Lagos and Abuja for those who served two terms; six brand new cars every three years; free medical care for him and his family members; and a retinue of domestic servants.⁵ These allowances and emoluments received by ex-governors are deducted from the state's coffers, thereby causing more strain on the state's resources. Meanwhile, these funds can be directed towards infrastructural development.

Not forgetting that many ex-governors

proceed to become ministers and senators, and these said 'promotions' do not deter their allowances. The implications of the 'double dipping' can be observed when considered from the perspective of states such as Zamfara and Kano, where Ahmed Sani Yarima of Zamfara and Kabiru Gaya of Kano have been receiving jumbo pensions as ex-governors and jumbo salaries as senators since 2007. On the premise of the double dipping argument, some states have risen to amend their respective ex-governors pension laws, such as Kano and Kwara States. Kano State's Eight State Assembly (2015–2019) in March 2018, amended the law to cover only former governors not holding any political position at either national or state level.⁶

In 2022, Ondo state directed 23.3 million naira towards payment of benefits to past Governors and deputy governors. Furthermore, Katsina and Ondo spent 10 million naira and 23 million naira respectively on benefits to past governors and their deputies in 2023.

Lack of fairness in emoluments: There are distinct differences between the pensions of political office holders and those of ordinary civil servants. Civil

5. See Premium Times. (August, 2023). The illegality of ex-governors collecting both salaries and pensions as ministers. Published in Premium Times (Online). Available at: EDITORIAL: The illegality of ex-governors collecting both salaries and pensions as ministers

6. See Abel E. Ezeoha, Nelson N. Nkwor, Clementina I. Kanu, Makuachukwu G. Ojide & Isaac M. Ikpor (October, 2023): Advancing Legal and Ethical Arguments against Ex-Governors' Pension Practice in Nigeria, Public Integrity. Available at: Advancing Legal and Ethical Arguments against Ex-Governors' Pension Practice in Nigeria: Public Integrity: Vol 0, No 0 - Get Access (tanfonline.com)



servants, who often devote decades of service to their work, receive comparatively modest pensions in view of the extravagant benefits retired governors enjoy. In the state pension system context, this difference raises severe concerns about social justice and equity. When compared to ex-governors pension, some retired civil servants get N2,000 monthly.⁷ This shows the government's lack of fairness and equity. Bearing in mind that civil servants work for three to four decades and are rewarded with very minimal emoluments while ex-governors and their deputies govern for 4-8 years and cart away millions of naira in allowances and benefits.⁸ With the lack of equity and fairness, one should not forget that there are cases of retired civil servants not being paid pensions for an extended period.⁹ Meanwhile, outgoing governors receive their entitlements as soon as they retire while states are indebted in over N3 trillion due to these emoluments.¹⁰

Sustainability and long-term effects: In years to come, the pension scheme for ex-governors

will become financially impracticable. The states' financial obligations are increasing, posing a long-term threat to their fiscal sustainability as the number of retired and deputy governors grows. A state like Yobe spends over 27% of its N4.4 billion annual internal revenue on catering for ex-governors pension obligations. Gombe State spends up to 65% of its N11.3 billion internally generated revenue (IGR) on the same purpose. Although credited with high IGR capacity, Anambra and Akwa Ibom states spend over 10% of their annual internally generated revenue on ex-governors' pensions. It is estimated that ex-governors pensions in Nigerian States have gulped more than N400 billion since 1999 and still counting.¹¹ It is imperative to know that States' IGR should be directed towards infrastructural development and quality service delivery in critical social sectors like health and education. Hence, paying a large chunk of state IGR to a small set of people is unjust and fiscally imprudent.

7. See Punchng (June 2017). Some retired level 12 civil servants earn N2,000 pension monthly – Adodo. Available at: Some retired level 12 civil servants earn N2,000 pension monthly – Adodo - Punch Newspapers (punchng.com)
 8. See Onozur, D. (January, 2024). Stop paying ex-governors scandalous pension-Falana. Published in The Punch (Online). Available at: Stop paying ex-governors scandalous pensions – Falana (punchng.com)
 9. See Adedeji A. (August, 2022). Eight Nigerian states owe workers for at least six months. Available at: Eight Nigerian states owe workers for at least six months - Report (premiumtimesng.com)
 10. See Sami Tunji. (May, 2023). States paying outgoing gov's jumbo pensions owe N3tn debt. Available at: States paying outgoing gov's jumbo pensions owe N3tn debt (punchng.com)
 11. See Abel E. Ezeoha, Nelson N. Nkwor, Clementina I. Kanu, Makuachukwu G. Ojide & Isaac M. Ikpor (October, 2023); Advancing Legal and Ethical Arguments against Ex-Governors' Pension Practice in Nigeria, Public Integrity. Available at: Advancing Legal and Ethical Arguments against Ex-Governors' Pension Practice in Nigeria: Public Integrity; Vol 0, No 0 - Get Access (tandfonline.com)

Policy Recommendation

Pensions for political and public officeholders are a popular governance measure meant to discourage corruption while in office and protect them after leaving service. However, reforming the pension payments of past governors and deputy governors is critical to the state's fiscal health and social equality. Creating a sustainable and equitable pension system is essential to curbing excessive payments, increasing transparency, and transitioning to a contributory pension scheme. Taking a look into the minimum wage discussion, states citing the proposed payment as an 'unsustainable cost'¹² indicates the need for prioritisation of fiscal reform. Given that states are willing to pay huge emoluments to ex-governors and their deputies but are refusing to consider a fair wage for the workers. These reforms will free up resources for critical public services and infrastructure, benefiting the general public.

1 States House of Assembly should repeal excessive pension regulations for former governors and transfer such funds towards more immediate needs, such as paying civil servants' salaries and pensions. The extravagant advantages offered to ex-governors, such as equal wages to the incumbent governor, free houses, automobiles, medical care, and allowances, are considered unconstitutional and an abuse of public funds.¹³ States like Abia have shown examples by repealing existing pension laws for ex-governors and their deputies, which other state governments should emulate. Good governance goes beyond entitlements and allowances; it is about the development of the people and the state.

2 State governments should align the legislation on public pensions with provisions of the 1999 Constitution and the Pension Reform Act, PRA 2014. According to the Constitution, a pensioner must have worked for at least ten years;¹⁴ however, some State laws provide that governors who serve four to

12. See Henry, U. (June,2024) 'Many states can't pay' – Governors reject N60,000 minimum wage proposal. Published in the Vanguard (Online). Available at: 'Many states can't pay' - Governors reject N60,000 minimum wage proposal - Vanguard News (vanguardngr.com)

13. See Onozur, D.(January, 2024). Stop paying ex-governors scandalous pension-Falana. Published in The Punch (Online). Available at: Stop paying ex-governors scandalous pensions – Falana (punchng.com)

14. See Pension at State Government Level The New Era (February,2016). Available at PricewaterhouseCoopers International Limited (website): State Pension 17 Feb.2016.final.(A5).cdr (pwc.com)

eight years of service are entitled to larger pensions than those who worked for the minimum required number of years in the civil service. State laws should be consistent with these constitutional standards, enabling the country's rule of law.

3

It is recommended that state governments foster transparency and accountability by disclosing the payments and entitlements of former governors and their deputies and carrying out audits of financial activities across all pension payment platforms. This will address the trust deficit between the people and public officeholders. There is a need for continuous improvement in pension administration by seeking feedback, acting on research findings, and providing accurate, adequate, and timely information to the public about pension matters.



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