THE IMPACT OF PEACE-ACCOUNTING ON ECONOMIC DEVELOPMENT OF NIGERIA

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ABSTRACT

The objective of the study is to determine the impact of peace-accounting on economic development of Nigeria. To achieve this purpose, Niger-Delta region was used as the case study. Four research questions and four hypotheses were formulated and tested in line with the specific objectives. Relevant related literatures were reviewed. The study adopted regression model. Data were analyzed using Simple percentages and Regression analyses at 0.05 level of significance. Secondary data were employed from the Central Bank of Nigeria Statistical Bulletin. Our findings show that Cost of peacekeeping significantly affects the growth of the economy (r = 4.41, p<0.05). Cost of peacekeeping significantly affects the recurrent expenditure of government (r = 6.20, p<0.05). Peace-Keeping does not significantly contribute to the economic growth of Nigeria (r = 1.91, p<0.05). Losses from vandalization of Oil pipelines does not significantly affect Oil output (r = 0.25, p<0.05). It was concluded that government should always act promptly and accordingly as the saying goes, 'a stitch in time saves nine' in order to avoid such huge spending on peacekeeping as well as the cost of fixing damages caused by the militants, which will normally result in a decline instead of growth in the economy. Based on our findings the study therefore recommended that government recurrent expenditure should be channeled to activities and programmes such as skills acquisition and empowerment programmes that will have direct impact on the lives of the inhabitants of the region in order to reduce the high rate of poverty and unemployment among the young populace, so that they can in turn add value to the economy.

Keywords: Accounting, Cost, Peacekeeping, Insecurity economic, Development.

INTRODUCTION

Peace Accounting is the process of recording, analyzing and providing information that relates to cost of curtailing violence or cost associated with peace-keeping (Edesiri & Egbunike, 2016). This information according to Edesiri & Egbunike (2016) are so important that they solve the agency's problem(s) that may occur between the government and the citizens. Oghoghomeh & Ironkwe (2012) aver that peace accounting is necessary in estimating the cost of enthroning peace, as they consider peace-accounting as a logical recording and the determination of cost involved in peace-keeping in order to evaluate its implication on the economic growth of any nation.

Stiglitz & Bilmes (2012) assert that peace accounting brings about information that may instill transparency that can be passed from the principal (citizens) and its agent (government). Two methodologies to peace-accounting have been distinguished in the academic literature: economic and accounting models (Jurgen & Paul, 2010). Jurgen & Paul (2010) posit that accounting model to peace-accounting evaluates the total value of damaged assets which may include physical, human and social capitals during a fiscal period while the economic approach as opined by Stiglitz & Bilmes (2012), mirror on the macroeconomic implication resulting from the amount of money spent on domestic investment as a result of wear.

Thus, Stiglitz & Bilmes (2012) believed that both methodologies are not superficial but in reality, peace-accounting should not only take cognizance of the total value of damaged goods but also domestic investments that result from peace-keeping. They hold that blending both methodologies in a unified model will give a better or more realistic picture on the cost of peace-accounting and its implication on national economic growth.

Governments all over the world set structures that enable their economy to either grow or be sustained, while also paying attention to the maintenance of peace and order, as well as ensuring the security of lives and property. Nigeria as a growing economy is not left out, as it remains resolute in its drive to being numbered amongst the leading economies in the world. Interestingly, Nigeria was ranked as the largest economy in Africa and twentieth in the world in terms of Gross Domestic Product (GDP) prior to May, 2015.Currently, maintaining this amiable position has remained a thing of concern to all well-meaning Nigerians, especially with the current drastic fall in the price of crude oil in the international market and the persistent depreciation in the value of the Naira (BBC, April, 2014). Although the depreciation in the value of the Naira could have some economic benefits if it is geared toward encouraging investors to invest more in the economy, but the fact remains that there are challenges that must be addressed, such as the activities of insurgency and militancy, because no investor will want to invest in an economy where the external environment is full of uncertainties and insecurity.

Meanwhile, government in its bid to address these issues earmarks some substantial amount of money annually, in that it requires a worthy portion of a country's resources to tackle such social vices. However, prior to 1993, there was no such provision for peacekeeping until the emergence of militancy in the Niger-delta region. Moreover, statistics have however shown that the federal government's recurrent expenditure increases substantially following the measures put in place by government to ensure the maintenance of peace in the Niger-delta region (Arong & Ikechukwu, 2013). The question remains, how the country can sustain her economy amidst such challenges, considering the large sum of money that is involved, even when it is obvious that peacekeeping remains a veritable tool for restoring peace in conflict prone areas.

Government, like a typical financial manager is faced with the challenge of anticipation, acquisition and allocation of economic (scarce) resources. This however, brings to the fore the need to effectively assign cost to areas that will have a plough back effect on the economy, considering the present state of the economy, which has also made it imperative for government to consider the need of diversifying the economy from a mono-cultural economy to a multi-product economy; by investing more in the real sector of the economy. This also calls for an evaluation necessary to control, reduce and reallocate costs where necessary in order to sustain and grow her economy in a bid to balancing its income (which is already been affected by the drastic fall in the price of crude oil and the depreciation in the value of the Naira) with its expenditure. Hence, it is therefore expedient to consider the extent and implication of cost involvement in peace-keeping by government (Ikelegbe, 2008).

REVIEW OF RELATED LITERATURE

Conceptual Framework

An overview of peace accounting

The concept of peace is relative and the circumstances for peace vary from one nation to another (Fidelis & Egbere, 2013). Peace accounting can be seen as the process of recording, analyzing and providing of information that relates to cost of curtailing violence or cost associated with peace-keeping (Edesiri & Egbunike, 2016). These information are so

important that it solves the agency problem that may erupt between the government and the citizens. Stiglitz & Bilmes (2012) assert that the only way to mitigate the agency problem is through transparency. Peace-accounting brings about information that may instill transparency that can be passed from the principal (citizens) and its agent (government).

It is imperative to develop effective recording and reporting of the financial resources on peace or domestic predicaments. This is true because reporting the financing costs relating to peace or domestic predicaments is important for policymaking by the government since finance as observed by Abubakar (2015), is very paramount in pursuance of a country's policy objectives.

Overview of economic development

Economic development is the process and policies by which a nation improves the economic, political, and social well-being of its people (O'Sullivan & Sheffrin, 2003).'Economic development' is a term that economists, politicians, and others have used frequently in the 20th century. The concept, however, has been in existence in the West for centuries. Modernization, Westernization, and especially Industrialization are other terms people have used while discussing economic development. Economic development has a direct relationship with the environment. Although nobody is certain when the concept originated, some people agree that development is closely bound up with the evolution of capitalism and the demise of feudalism (Conteras, 2003).

Mansell & When (1998) also state that economic development has been understood since the World War II to involve economic growth, namely the increases in per capita income, and (if currently absent) the attainment of a standard of living equivalent to that of industrialized countries (Mansell & When, 1998). Economic development can also be considered as a static theory that documents the state of an economy at a certain time. According to Schumpeter & Backhaus (2003), the changes in this equilibrium state to document in economic theory can only be caused by intervening factors coming from the outside (Schumpeter & Backhaus, 2003; Pritchett et al., 2013).

Economic development is typically associated with improvements in a variety of areas or indicators (such as literacy rates, life expectancy, and poverty rates), that may be causes of economic development rather than consequences of specific economic development programs. For example, health and education improvements have been closely related to economic growth, but the causality with economic development may not be obvious. In any case, it is important to not expect that particular economic development programs be able to fix many problems at once as that would be establishing unsurmountable goals for them that are highly unlikely they can achieve. Any development policy should set limited goals and a gradual approach to avoid falling victim to something Prittchet, Woolcock and Andrews call 'premature load bearing' (Prichett et al., 2013; Douglas et al., 2004).

Many times the economic development goals of specific countries cannot be reached because they lack the State's capabilities to do so. For example, if a nation has little capacity to carry out basic functions like security and policing or core service delivery it is unlikely that a program that wants to foster a free-trade zone (special economic zones) or distribute vaccinations to vulnerable populations can accomplish their goals. This has been something overlooked by multiple international organizations, aid programs and even participating governments who attempt to carry out '*best practices*' from other places in a carbon-copy manner with little success. This isomorphic mimicry –adopting organizational forms that have been successful elsewhere but that only hide institutional dysfunction without solving it on the home country –can contribute to getting countries stuck in '*capability traps*' where the country does not advance in its development goals (Prichett et al., 2013). An example of this

can be seen through some of the criticisms of foreign aid and its success rate at helping countries develop.

Beyond the incentive compatibility problems that can happen to foreign aid donations –that foreign aid granting countries continue to give it to countries with little results of economic growth but with corrupt leaders that are aligned with the granting countries' geopolitical interests and agenda –there are problems of fiscal fragility associated to receiving an important amount of government revenues through foreign aid. Governments that can raise a significant amount of revenue from this source are less accountable to their citizens (they are more autonomous) as they have less pressure to legitimately use those resources (Easterly, 2003). Just as it has been documented for countries with an abundant supply of natural resources such as oil, countries whose government budget consists largely of foreign aid donations and not regular taxes are less likely to have incentives to develop effective public institutions (Moss et al., 2006). This in turn can undermine the country's efforts to develop (Ikein, 1990).

Impact of Insecurity on the Nigerian Economy

National loss of income and resources

The lingering Niger-Delta crisis is making Nigeria lose money. The chairman, Senate Committee on the Niger-Delta and Conflict Resolution claims that Nigeria lost an estimated $58.3 billion between 1998 and 2007. The country is still losing more daily. Conflicts consume a large portion of national resources. The government is spending a large amount of money maintaining the peace-keeping forces. The oil companies are spending money to hire security agents. The vigilante groups are spending a lot to buy arms. These are resources that can be used to improve Nigeria but are now diverted into servicing violence. Nzelu (2002) remarks that "*the NNPC lost products worth N10.2billion in 2001 as a result of pipelines vandalism*".

The operations of militants in the Niger-Delta and the insecurity have made it impossible for security agencies to adequately cover locations of various oil facilities. This has created a veritable ground for illegal oil-bunkering to thrive in the region. "*Illegal oil bunkering (an euphemism for oil-theft), has assumed considerable dimensions in the Niger-Delta. Estimates range from 30,000 to 200,000 bbl/day*" (Oudeman, 2006).

Several of the militant groups are also believed to be involved in illegal oil bunkering. It is believed that illegal oil-bunkering has become a major source of funding for the operations of the militants in the Niger-Delta. Militant warlords who engage in illegal oil-bunkering justify their actions by claiming that it is a means of providing income for the impoverished residents of the oil-producing communities. It is reported that "*one day's worth of illegal oil-bunkering in the Niger-Delta (at 100,000 bbl at$15bbl) will buy quality weapons for and sustain a group of 1,500 youths for two months*" (ICG, 2006).

Kidnappings, hostage and death

Kidnapping, hostage-taking and death has been a major tactic of the militant groups with foreign nationals working with oil companies as primary targets. In January 2006, Hostage-taking of oil-workers started in Bayelsa after the declaration of "*Operation Orido Danger*" by MEND with the kidnapping of four set of hostages. "*Over two hundred (200) expatriates had been kidnapped; although, most have been released within weeks in exchange for ransoms, typically hundreds of thousands of dollars*" (Amaize, 2006).

Thousands have been killed; have their home destroyed and suffered different types of violence (Esira & Micheal, 2013).

Though casualty figures from kidnapping by militants operating in the Niger-Delta has been low, reportedly put at about fifteen (15), however, the implication of the kidnappings which involved mainly foreign workers and development partners on Nigeria's economic development has been enormous. It succeeded in scaring away potential development partners and robbed the Nigerian state of the benefits of such development alliances and opportunities. "*The state of insecurity has led to a reduced volume of productivity, investments and capital flow to the region*" (Akpan, 2010).

Destruction of national unity

Conflicts can and do destroy the foundations of national unity and nation-building. The Niger-Delta conflict is destroying Nigeria's unity as the communities in the Niger-Delta think that they are being destroyed to build up the other parts of Nigeria. Their assumptions challenge the building of the nation. It is necessary to point out that oil is necessary for the survival of the nation. Since this oil is produced from the Niger-Delta, it is most important that agitations in the Niger-Delta be quickly resolved so that the country is not destroyed.

Downsizing of oil companies' employees and disruption of business activities

As a result of the activities of militants in the Niger-Delta region, "*SPDC retrenched 3,500 workers in September 2007*" (Punch Newspapers, 2007a). "*Indoroma Petrochemical Company shut down its operations, thereby rendering over 3,000 youths jobless and aggravating the unemployment situation*" (Sunday Trust Newspaper, 2007). Restiveness has reduced growth in the business sector. As a consequence of militant activities, Royal Dutch Shell has seen its production dropping from one million bpd to about 380,000 bpd at its Bonny terminal in the south of the Delta. Exxon has also experienced increased insurgent activities in its Nigerian operations. "*Nigeria is already suffering from production slowdown due to militancy; in 2009, the Niger-Delta only exported 1.8 million bpd compared with a targeted 2.2 million bpd*" (Harper, 2009). "*In Rivers State, over 80% of the companies have stopped operations as expatriates have either gone to their home-countries or relocated to safer environments*" (Ejibunu, 2007). "*MTN had 43 base-stations shutdown as militant activities made them inaccessible*" (Punch Newspapers, 2007b).

Theoretical Framework

The paper adopts as its analytical construct, the Marxist political economy approach. The choice of this approach is influenced by the fact that it scientifically studies the society as a whole and takes into consideration the interconnection of the social relations, class conflict and the organic relationship between the substructure (the economy) and the superstructure (politics). The approach is seen as a window to understand the laws that govern economic life of the society. It explains the relationship between what man produces and how he benefits from the surplus he produces. Ake (1981) posits that "*a major advantage of this approach is that, it emphasizes the relatedness of social phenomena, exposing the links between the substructure and the superstructure.*" Furthermore, the approach helps to penetrate deep into the processes and policies, lay bare their essence and then explain concrete forms of their manifestation.

As Marx & Engels (1977) put it, "*the history of all hitherto existed society, is the history of class struggle.*" Thus, the class analysis framework of the approach best explains the endemic struggle between the exploiters (the multinational oil companies and government) and the exploited (the Niger-Delta people, including the militant groups). Marxists hold that the dominated, exploited and marginalized groups which paradoxically generated or bears the

burdens of creating resources, seek to change the status quo when it becomes conscious (Marx & Engels, 1977; Luckac, 1968).

Therefore, militancy in the Niger-Delta region is attributed to the consciousness of exploitation being perpetrated against the people and the struggle to change the status quo. This struggle has also created a state of insecurity which has by extension, affected Nigeria's economic growth because of the monolithic nature of the national economy (Mohammed, 2015).

METHODOLOGY

For the purpose of this study, secondary data were collected from the Central Bank of Nigeria (CBN) statistical bulletin and the Nigerian National Petroleum Corporation (NNPC) statistical bulletin of 2014 for the relevant variables, and the longitudinal survey design was employed, precisely, trend research design in structuring the investigation – in that the study considered time as a very important factor in the determination of the relationship, implication and extent of cost involvement by government in peace-keeping on the economy of Nigeria. Specifically, the study was conducted and directed at different samples of the same population at various point in time, which spans between year 2005 and 2014.

Model Specification

In order to determine the impact of peace-accounting on the economic development of Nigeria; in other words, how peace accounting will affect the Nigerian economy, the regression model was adopted to express how a change in the explanatory variable (peace accounting) will influence the dependent variable (economic development). The functional relationship between the variables could be expressed as thus.

$$GPI = f(\log GFCF), \quad (1)$$

where GPI is the dependent variable and $GFCF$ is the independent variable during a fiscal period. The above equation (1) is explicitly expressed below:

$$GPI_t = a_o + b_1 \log GFCF_t + U_t . \quad (2)$$

$$GPI = f(\log VAD), \quad (3)$$

where GPI is the dependent variable and VAD is the independent variable during a fiscal period. The above equation (1) is explicitly expressed below:

$$GPI_t = a_o + b_1 \log VAD_t + U_t . \quad (4)$$

In equations (5) and (6), we estimated a unified model that blends both perspectives to peace-accounting:

$$GPI = f(\log GFCF, \log VAD), \quad (5)$$

$$GPI_t = a_o + b_1 \log GFCF_t + b_2 \log VAD_t + U_t . \quad (6)$$

In equations (7) and (8), we proposed a peace accounting model by introducing $COPK$ and $EXIS$. $COPK$ and $EXIS$ were introduced since national security depends largely on the cost associated with peace-keeping as well as expenditure on national security.

GPI = f(log $GFCF$, log $EXIS$, log $COPK$), (7)

$GPIt$ = ao + $b1$log $GFCFt$ + $b2$log $EXISt$ +

+ $b3$log $COPKt$ Ut, (8)

where *GPI* is the dependent variable, *GFCF*, *EXIS* and *COPK* are the independent variables during a fiscal period.

Definition of variables

GPI Global Peace Index,
log *EXIS* logarithm of Expenditure on Internal Security,
GFCF logarithm of Gross Fixed Capital
Formation (Gross of depreciation of assets- investments replacing scrapped capital),
COPK logarithm of Cost of Peace Keeping,
t time,
Ut error term,
ao, *b1*, *b2*, *b3* regression coefficients.
Priori Criterion
Reject Null hypothesis if computed value (t_c) is greater than table value ($t_{0.05}$) at 8 degree of freedom (d.f).

Secondary data were employed from the Central Bank of Nigeria Statistical Bulletin and International Monetary Fund (IMF) Cross Country Macroeconomic Statistics during the period 1996–2015. The analysis was performed via the SPSS 21.0 version.

ANALYSIS AND RESULTS

The result of the test depicts a correlation coefficient (r) of 0.09 and coefficient of determination (r2) of 0.0075. The t-test result was 0.26. Hence, the Null hypothesis was accepted since the t (calc) = (0.25) was less than the t tab = 0.05 (0.812) at 8 d.f, indicating that losses from vandalization of Oil pipelines does not significantly affect Oil output Table 1.

Table 1 OIL OUTPUT				
STATISTICAL VARIABLES	**H₁**	**H₂**	**H₃**	**H₄**
Intercept (ao)	-704.97	300.28	3432.18	5767444.70
slope of coefficient (b1)	146.23	9.70	11.72	10.15
Correlation coefficient (r)	0.84	0.91	0.64	0.09
Coefficient of determination (r2)	0.71	0.83	0.40	0.0075
Critical value (t0.05)	0.02	0.01	0.48	0.812
Degree of freedom (d.f)	8	8	8	8

Source: *SPSS Version 20.*

CONCLUSION AND RECOMMENDATONS

The emergence of the Niger-Delta militancy and their activities could be linked with the Marxist theory of class struggle – where the class that is being marginalized or exploited, on becoming aware of the stress they bear in order to maximize their potentials and opportunities, they do anything possible to ensure that there is a turn around to their own advantage. It could therefore be deduced that the activities of the militants in the Niger-Delta region is in recognition of the fact that they came to a realization of being marginalized and

exploited, and the only way to either seek redress or to be heard was to engage in such activities. This clearly points to what negligence on the part of government can emanate to. The people in that region suffered neglect for a very long time, which prompted them to resort to such vices as a means of seeking redress. It is therefore necessary for government to always act promptly and accordingly as the saying goes, '*a stitch in time saves nin*e' in order to avoid such huge spending on peacekeeping as well as the cost of fixing damages caused by the militants, which will normally result in a decline instead of growth in the economy.

Based on the findings arising from this study, the following are hereby recommended:

1. The increase in government recurrent expenditure could be channeled to activities and programmes such as skills acquisition and empowerment programmes that will have direct impact on the lives of the inhabitants of the region in order to reduce the high rate of poverty and unemployment among the young populace, so that they can in turn add value to the economy.
2. More attention needs to be paid to the plight of the people of Niger-Delta in order to completely discourage the use of militancy as a tool for seeking redress. Also, government should adopt both the interest-based and right-based approaches as propounded by Ury, Brett and Goldberg (1998) as a means of addressing and preventing cases of disputes from escalating, as this will help to reduce the recurrent expenditure of government and also increase the growth rate of the economy above an average rate of 1.5%.
3. Government should be quite sensitive and responsive to the plight of its citizens by providing basic social amenities and infrastructure, as well as welfare needs, and not wait until there is a violent outburst that will result in the loss of lives and properties before they will respond, by spending huge amount of money on remedial actions in a bid to bring the situation under control.
4. Government should as a matter of urgency beef up security to guard oil pipelines and installations so as to reduce to barest minimum if not totally eradicate the vandalization of Oil pipelines in order to avert its adverse effect on the nation's economy.

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