

Corruption and Economic Development in Nigeria

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Abstract

This paper analyses the impact of corruption on the economic fabric of Nigeria. The issue of corruption in Nigeria is truly disturbing. It has exerted dominance over transparency in all aspects of our national life. Corruption is not only endemic but pandemic both in the public and private sectors of the economy. Like other unresolved national issues, its upsurge is quite troubling. It is a major singular factor that has robbed the country of reasonable economic development. This study, therefore, is a descriptive attempt to situate the impact of corruption on the socio-economic development of Nigeria. The paper discusses the causes and consequences of corruption in Nigeria and recommended that Anti-corruption agencies alone will not be able to fight corruption unless effective institutionalization is embarked upon. Our bureaucratic institutions need to be restructured and strengthened and Nigerians need economic and social reorientation and empowerment to be able to return to sanity and wholesomeness. The country also requires exemplary leadership in all institutions and a responsible press to attain meaningful and sustainable development.

Keywords: *Corruption, Anti-Corruption, Governance, Economic Development*

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Background to the Study

Corruption occurs throughout the world but is of serious concern in developing countries. Widespread corruption is a symptom of a poorly functioning state, and a poorly functioning state can undermine economic development. Those who pay and receive bribes can expropriate a nation's wealth, leaving little for its poorest citizens. Where corruption is systemic, even countries with extensive natural resources, like Nigeria, may fail to develop in a way that benefits ordinary citizens. Highly corrupt developing countries faced particular challenges, even when controlled by reform-minded rulers. Reforming public institutions and government policies is essential in fighting the evil of corruption.

The corruption that is rampant across Africa today is an alien culture. Pre-colonial Africa, for the most part, was founded on strong ethical values, sometimes packaged in spiritual terms, but with the result of ensuring social justice and compliance (Okoro and Raymond, 2014). Laws were mostly unwritten and therefore prone to being easily forgotten, but they were often couched in supernatural terms to instill fear and be instilled in the subconscious. Colonialism introduced systemic corruption on a grand scale across much of sub-Saharan Africa. The rejection of the validity of indigenous values, standards, checks and balances, and the pretensions of superimposing western structures destabilizes the well-run bureaucratic machinery originally in existence across pre-colonial Africa. The result is what is rampant in Africa today; conspicuous consumption, absence of loyalty to the state, oppressive and corrupt state institutions, nepotism, ethnic and religious bigotry, etc.

The introduction of Indirect rule turned leadership in Africa into corrupted enterprises where leaders, instead of holding power in trust for the people, hold power in trust for the colonial authorities. The Government became an antagonistic platform for forcefully extracting obedience from the people. In the end, individuals without character were enthroned as Warrant Chiefs and used to manipulate the people and emancipate corruption at the highest echelon of governance. Mamdani (1996), opined that the forms of Indirect rule introduced by the various colonial powers have survived in what he called bifurcated (divided) forms of government in many African countries. Local authorities under Indirect rule were allocated to single chiefs who possessed almost all powers: judicial, police, tax collection, etc; and were only accountable to the colonial administration instead of the local citizens.

To avoid being punished for the grave crime of being citizens, the people saw bribery as a first and last resort, if at all they were to be granted access to the most basic rights and privileges. The result was the evolution of a latterly corrupt system, devoid of accountability, which pitched citizens against themselves and the ruling class (Okoro and Raymond 2014). At the end of colonialism, the newly independent African government inherited institutions that had internalized a culture of citizen oppression and extortion and this continues till today. The immediate post-colonial African leadership was how to embark on massive reorientation exercises. The challenge was not taken seriously by successive administrations across the continent. Even in cases where the need was recognized, resources were not available to bring about the internally generated transition.

In Nigeria, corruption has become a cancer that has eaten deeply into the fabric of Nigeria's polity. Across the globe, Nigeria is perceived to be the headquarters of corrupt practices and this is endemic and systemic in both public and private sectors of the economy. Corruption has undermined the integrity and security of Nigeria and Nigerians. Nigerians, once respected people, are now treated as first-class criminals across the world. It has also posed serious developmental challenges and is responsible for the poverty of the populace. Public resources meant for the development of all end up in few hands, while the nation pays the price. Individual interest overrides society's interest as people convert funds meant for developing social amenities to personal use. The populace becomes demoralized and willing to be used as sabotage against the state and institutions of national significance and pride are now extinct.

Since the return to Civilian Rule in 1999, the heavy yoke and the intensity of the agony of corruption have reached a crescendo. It may not be generally obvious that Nigeria is not making any progress because of corruption, given her large endowment in natural and human resources. The engine is truly on but the vehicle is stationary. Today, corruption has become the most troubling issue in Nigeria; not because it is new as earlier stated, but because it has refused to yield to all manner of medication. It has become malignant because the right therapy has not yet been administered to it. The issue, therefore, is not the presence of corruption in Nigeria but the magnitude as it has become endemic and pandemic.

The existence of systemic corruption in any economy is usually considered evil, and thus of serious concern. Economists, however, can arrive at that conclusion only after understanding the effect of corruption on the efficiency and equity of that economic system. This paper deals mainly with present corruption in Nigeria. It focuses on corruption in the public sector and discusses the causes and consequences (cost) of systemic corruption on the economic development of Nigeria and proffers ways of tackling the menace.

Literature Review

Conceptual Literature

Corruption in Nigeria is presumed to be the exclusive preserve of politicians, civil servants, and captains of industry, but in real terms, it cuts across the entire fabric of our national life. It is easy to talk about corruption, but like many other complex societal phenomena, it is not easy to define it in a single concise and concrete term. In the literature, corruption has been variously defined. To some, it is any involvement in illegal, dishonest, or wicked behaviour that destroys or is capable of destroying the moral fabric of the society while some consider it as a conscious and well-planned act by a person or group of persons to expropriate, by unlawful means, the resources of a nation or person or group of persons to personal use. Still, others look at it as an act of turning power and authority into cash for private use.

Agbese, (1982), describes corruption to refer to “When we use our position in society to secure certain advantages: jumping a queue, being waved off at the checkpoint or making others bend the rules to accommodate our demands... by whatever means even if it is just 'thank you'; our action however innocent, however well-intentional, however unthreatening to others, has corrupted a system or a convention or some rules and regulations in the application”. This

definition sees corruption as an optimal means of bypassing the queues and bureaucratic inertia. To Krueger (1974), corruption is an external manifestation of the rent-seeking behaviour of individuals or government officials. This involves the diversion of resources meant for the betterment of the life of members of a community to the gain of an individual at the expense of the community. It could then be rational to state that poverty persists in Nigeria because of the mismanagement of her rich resources and the dominance of corrupt practices over transparency in all aspects of our national life both in the public and private sectors of the economy.

Salisu, (2000) also defines corruption as simply the misapplication of public resources to private ends. In other words, public officials used their position to collect bribes, for example, for issuing passports or Visas, providing goods or services at sea/airport, for awarding contracts on behalf of the government, or creating artificial scarcity to compel people to offer bribes. We could therefore conclude, for the purpose of this paper that any systemic vices in an individual, society, or nation which reflect favouritism, nepotism, tribalism, sectionalism, undue enrichment or amassing of wealth, abuse of office, power, position, and derivation of undue gains and benefits is corruption

Empirical Literature

Corruption is both pervasive and significant around the world. In some developing countries, such as Nigeria, Zaire and Kenya, it probably amounts to a large fraction of the Gross National Product. Economic studies of corruption are still limited. Following Becker and Stigler (1974), most studies such as, Banfield (1975), Rose-Ackerman (1978) and Klitgaard (1988, 1991), focused on the principal-agent model of corruption. This model focuses on the relationship between the principal, i.e.; the top level of government, and the agent, i.e; an official, who takes the bribe from private individuals interested in some government-produced goods. These studies examine ways of motivating the agent, to be honest, ranging from efficiency wages (Becker and Stigler,1974) to indoctrination (Klitgaard, 1991). In this paper, we take the principal-agent problem as given and focus on the consequences of corruption for resource allocation.

Although some organized corruption appears to be more distortionary than taxation, several authors have pointed out that some corruption might be desirable (Leff, 1964). They argue that some corruption works like a piece rate for government officials (a bureaucrat might be more helpful when paid directly) and that it enables entrepreneurs to overcome cumbersome regulations. Yet most studies conclude that corruption slows down development (Klitgaard, 1991 and United Nations, 1989)

The debate on the effects of corruption is particularly fervent. Beginning with Leff (1964) and Huntington (1968), some authors have suggested that corruption might raise economic growth, through two types of mechanisms. Firstly, that corrupt practices such as 'speed money' would enable individuals to avoid bureaucratic delay. Secondly, those government employees who are allowed to levy bribes would work harder, especially in the case where bribes act as a piece rate. While the first mechanism would increase the likelihood that

corruption be beneficial to growth only in countries where bureaucratic regulations are cumbersome, the second one would operate regardless of the level of red tape. In contrast, Shleifer and Vishny (1993) argued that corruption would tend to lower economic growth, and Rose-Ackerman (1978) warns of the difficulty of limiting corruption to areas in which it might be economically desirable. Murphy, Shleifer and Vishny (1991) have provided evidence that countries where talented people are allocated to rent-seeking activities grow slowly.

Also, Mauro (1993, 1995) presents the first systematic empirical analysis of corruption by focusing on the relationship between investment and corruption. Mauro found that countries with higher corruption have a lower ratio of both total and private investment to Gross Domestic Product. These results are consistent with the view that corruption is bad for development, even in subsamples of countries in which bureaucratic regulations are very cumbersome. According to them, the negative association between corruption, investment and development is significant, both in a statistical and in an economic sense. Myrdal (1968) also argues that corruption should be expected to be more widespread in countries where red tape slows down bureaucratic procedures and may even lead to more bureaucratic delays. That when individuals offer to speed money to officials, they contribute to establishing a custom, so that the granting of, say a license, will be artificially delayed until a bribe is received. In this way, he argues that corrupt practices such as speed money (which actually avoid delay for the individual) may therefore increase red tape for the economy as a whole.

Also, Andvig and Moene (1993), particularly associate corruption with several other mechanisms that influence the operation of governments. They argued on the assumption that a task-focused, hard-working, committed public bureaucracy is a key factor in any economic development. Without it, they opined, there will be hardly any rule of law implemented, little protection of property rights, and only delivery of other low-quality public goods. The considerable activity spillovers that take place among public officials make public organizations quite fragile

How corruption impacts these activity spillovers and is itself affected by them, is a key question when assessing the causes and consequences of corruption. How do citizens respond to low-quality public goods, and their effects on the private sector economy, what kind of signals do they send to the bureaucracies' superiors, the politicians, and what signals the politicians again feed back to the public instruments of implementation, the bureaucracies, is another important mechanism in the overall melange that is public governance

Mamdani (1996), has argued that the forms of Indirect rule introduced by the various *colonial* powers have survived in what he called bifurcated forms of government in many African countries. Local government, under indirect rule, was allocated to single chiefs who possessed almost all powers: judicial, police, tax collection and so on. Although designated chiefs, they were only accountable to the colonial administration, not to local citizens. They oversaw rule systems that, in important respects, were different from the ones that ruled in the cities and among the European population. The theory is exceptionally important when explaining corruption issues in local tax administration.

Forms and Characteristics of Corrupt Behaviours

The standard definition of corruption is “abuse of public power for private benefit” or some variation thereof. Read literally, this is a much too wide definition since most employees of any organization would daily abuse their position to some degree. Corruption refers to some fairly serious abuse of power. We will not try to develop any precise definition here, but simply list up the most typical corrupt actions and leave them fairly undefined. Most observers would consider *embezzlement*, *misappropriation*, *stealing* and *fraud* as corruption when the stealing and fraud are made possible by the official's public position. Moreover, *extortion* (when the extortion is illegal or against the interest of the organization), *bribes*, *favouritism* and *nepotism* are also different forms of corrupt acts. Bribes are of course the most typical corrupt act. What all these actions have in common are:

1. They are made possible by (at least one) actor's public position;
2. They violate a given rule, law, or public norm;
3. The violation of the rule is to the material advantage of the violator(s); and
4. The violation is to the disadvantage of the stated aims of the organization where, at least, one of the actors is a member.

Their transactional structure is different, however. Embezzlement embraces acts where everyone directly involved belongs to the public apparatus. The immediate causes may then be sought inside the state apparatus itself. Extortion implies an asymmetric power relationship between a member and a non-member of a public organization. Stealing (when not either extortion or embezzlement) has been important in land grabbing and is a common form of police corruption. A typical example is where a policeman steal some of the goods that belong to a convict. Bribing is, unlike embezzlement, clearly a transaction between a member and a non-member of the public organization. It is also a voluntary form of transaction, at least at the first stage of analysis. Since it involves both actors inside and outside the public organization, one may even at the first stage not explain it by looking at the public organization in isolation. Hence, one may look at different sets of causes of these different forms of corruption. While we sometimes may explain embezzlement by the internal workings of the state, that is impossible when we seek to explain bribing.

When regular, bribing is an illegal form for market transaction, the buying and selling of political or bureaucratic transaction, a transgression by the market into the spheres of bureaucratic and political modes of transaction that have been erected by the dominant forms of modern governance (Andvig, 2006). Since, the immediate motivation of all the forms of corruption listed above is the seeking of material advantage, corruption may not be considered as any abnormality. On the contrary, when assuming that everyone is pursuing their economic self-interests, the difficulty lies rather in explaining why corruption is not more dominant in all formal organizations, including the state.

It is also important to note when we compare corruption incidences across countries, that our definitions of corruption is anchored in a rule system. It is certain violations of that rule system that constitutes corruption. If the rule system changes, so does the set of conceivably corrupt actions. This is of particular importance when we consider an area like Sub-Saharan

Africa where the changes of rule systems have been exceptionally large and where we may have reason to believe that the public employees and the citizens themselves may be influenced by somewhat contradictory rules (Andvig, 2006). We should further note how heterogeneous corrupt acts are. They may conceivably take place at all hierarchic levels and in all the different sectors of government, where the public officials may be facing a wide variety of corrupt opportunities and punishment restraints. While we may have fairly clear ideas about what aggregate labour input implies in terms of actions, or aggregate private consumption in terms of output or consequences, aggregate corruption reflects a more bewildering set of actions with consequences almost impossible to pinpoint in concrete terms. This is a major reason why we have difficulties in finding meaningful aggregates of it.

Causes and Consequences of Corruption in Nigeria

All States, benevolent or repressive, control the distribution of benefits and the imposition of costs, usually through agents who possess discretionary power. Private individuals and firms that want favorable treatment may be willing to pay these agents. What is wrong with paying for what you want? After all, it is the basis of the market system. The problem is that the person receiving the payment is an agent. The agent is responsible to a principal, whose goals seldom align with those of the person making the payment. Low-level bureaucrats are agents of their superior officials, ministers are responsible to the governing coalition, elected officials are responsible to the voting public, and judges are responsible for legal norms.

Payments are corrupt when they are illegally made to public agents to obtain a benefit or to avoid a cost. Such payments are not merely transfers. They affect the behaviour of both payers and recipients. Different societies draw the line between legal gifts and illegal payments at different points; in thinking about where to draw that line, one must ask whether payments to agents advance or undermine public goals. An economic analysis of corruption seeks to determine the consequences, for efficiency, of purchasing benefits from public agents through bribery.

Recent cross-country studies indicate that strong legal and government institutions and low levels of corruption help foster investment and economic development. Because the prevalence of corruption is highly correlated with other measures of bureaucratic efficiency such as the amount of red tape and the quality of the judiciary, these studies cannot determine the effect of any one measure by holding the others constant. So, corruption is a function of the amount of red tape, but the amount of red tape is itself partly a function of the prevalence of corruption. Corruption is a symptom of other underlying problems rather than an independent variable.

No region has escaped the negative impact of corruption. For example, one recent study found that foreign direct investment is negatively associated with corruption (Wei, 1997). Another study found that corruption can undermine industrial policy. Even the East Asia miracle economies were not spared by this discovery (Ades and di Tella 1995). Thus, several structural features create incentives for corrupt behaviors in public service. These are:

Bribes Clear the Market

The Government often provides goods and services for free or sells them below market prices. In many cases, dual prices exist. In Nigeria, some producers' goods are sold both at state-subsidized prices and on the free market (e.g., fertilizer). In several instances, people have to bribe to be able to obtain supplies at state prices. Also, multiple exchange rates and import quotas are frequent sources of payoffs. When the supply of credit and the rate of interest are controlled by the state, bribes may be paid to have access to the credit.

The incentives to bribe are clear enough in these cases, but what are the consequences in terms of economic efficiency? Suppose that the person paying the bribe is qualified to receive the benefit but is required to pay for it, and assuming the corrupt market operates efficiently, then available services will be provided only to those applicants who are willing to pay the highest bribe to obtain the good.

Also, corrupt markets are less open than competitive ones (Cartier-Bresson, 1995; Gambetta, 1993; Rose-Ackerman, 1978). The illegality of bribery induces participants to spend resources to keep the transaction secret. Information about bribe prices will not be well publicized, and prices may be sticky. Some potential participants may refuse to enter the market because of moral scruples or fear of punishment, and public officials may limit their dealing to insiders and trusted friends. Thus, corrupt officials may have sufficient monopoly power to create scarcity either by delaying approvals or by withholding them unless bribes are paid (Paul 1995).

Therefore, bribes are frequently paid to permit the unqualified to obtain a benefit. Shieifer and Vishny (1993) call this “corruption with theft.” Students pay to alter the results of university admission tests or obtain a better grade in examinations; patients pay doctors to declare them eligible for disability payments, and firms that are not creditworthy pay to obtain loans. People who are the least qualified for the service are often willing to pay the most since they have no legal way to obtain it.

Bribes Act as Incentive Payments for Bureaucrats

Bribes are paid to receive good service or to avoid delays. In some economic models, such bribes are effective incentives. For example, a bribe paid to get immediate attention can be efficient because they create incentives for the managers to work quickly and to favour those who value their time highly (Lui, 1985). Corrupt tax collectors can be efficient as long as the government can impose a binding overall revenue constraint. (Flatters and MacLend 1995). In reality, corrupt tax collectors might create tax liabilities to extract bribes, producing an arbitrary and unfair pattern of payments; thus increasing uncertainty at the expense of efficiency. So, bribes often act as incentive payments to public officials, but tolerance of these payments, especially by outside lenders and donors such as the World Bank, is likely to dim the prospects for long-term reform. Incentive payments that are widely viewed as acceptable should be legalized, but not all incentive pay schemes improve bureaucratic efficiency. Instead, they encourage inefficient efforts to maximize financial rewards.

Bribes Lower Costs to those who pay them

Ideally, governments impose regulations, levy taxes, duties, and enforce criminal laws. Individuals and firms may seek relief from these costs by colluding with tax collectors and customs officials to lower the amount paid. The economic impact of bribes paid to avoid regulations, lower taxes, and supersede laws depends on the efficiency of the underlying systems. In an inefficient legal framework, bribes to avoid onerous regulations and taxes may increase efficiency. This argument is commonly espoused by investors in the developing world. According to Rose-Ackerman (1978), it is a pragmatic justification that grows out of frustration with the existing legal order.

Investors do not just pay bribes to avoid inefficient rules and taxes; they pay bribes to reduce the impact of all state-imposed burdens, justified or not. Tolerating such corruption can cause serious damage in nations struggling to build viable states. Such nations need to develop public institutions that translate popular demands into law, establish a credible commitment to the enforcement of those laws, and provide legal recourse to people or firms that think they have been wronged. If investors and ordinary citizens are left to decide which laws are legitimate, efforts to create viable institutions will founder.

Bribes to Obtain Contracts and Concessions

Bribes paid to win major contracts and concessions and to privatize companies are generally, the preserve of large businesses and high-level officials. Such bribes appear in cases in which government disburses a scarce benefit and the likelihood that these officials are effectively insulated from prosecution and thus can be less restrained in their corrupt demands than lower-level officials. If corruption does not restrict who bids and if the officials granting the concession cannot affect its size, then the firm that pays the largest bribe values the concession the most. The lost revenue from the higher bids, however, will be felt in the form of higher taxes and canceled public programs. Payoff scandals and illegalities envelopes the country's privatization and commercialization exercise of the 1980s and 1990s and people bribe their way through to acquire firms they had no capacity to manage, Example is the Power Holding Company and the Nigerian Airways, etc. These companies were worst off after privatization and some has to be scrapped. The payoff may be just a transfer, but it is harmful to the well-being of ordinary citizens.

In some countries, systemic high-level corruption coexists with strong growth. These are states, mainly in Asia, that have managed to create secure economic environments so that state-supported deals represent credible long-term commitments (Campos and Root, 1996). Even in such countries, however, corruption is not beneficial (Wei 1997). In addition to its distributive costs, corruption distorts allocative choices.

Bribes to Buy Political Influence and Votes

Democracy gives citizens a role in choosing their political leaders. So, corrupt elected officials can be voted out of office. But democracy is not necessarily a cure for corruption. Some democracies harbour corrupt politicians even though citizens are aware of their malfeasance. Moreover, bribes are often used to fund political parties and election campaigns. Modern

political campaigns require enormous amounts of money. In the absence of public funding, businesses that have a stake in politicians' decisions are the most convenient source of funds. Even if certain contributions from business are legal, firms and politicians may prefer to keep them secret. An entrenched system of illegal payoffs can undermine efforts to reform campaign financing.

As Campos and Root ((1996) put it, conflicts of interest faced by politicians and bureaucrats are not be viewed as serious problem in many developing and transition economies. Many countries have few laws regulating the private business activities of public officials, leaving; them open to accusations of favouritism. Campaign finance laws are often similarly permissive, although in some cases the rules are so restrictive that off-the-books transfers are almost required to finance campaigns. Recent scandals in France, Italy, Japan, Korea, and even the United States point to the importance of clear rules governing the solicitation of private money and the provision of sufficient legal sources of campaign financing.

Bribes to Buy Judicial Decisions

Through their decisions judges have the power to affect the distribution of wealth. Thus, like any public official with similar powers, they may be tempted to accept bribes. This temptation is stronger when judges are underpaid and overburdened and have poorly equipped and understaffed offices. Even if judges are not themselves corrupt, clerks in-charge of assigning cases and advising judges may demand or accept bribes. In Nigeria and some Latin American countries, the lack of formal court fees creates incentives for court employees and judges to charge unauthorized fees (Buscaglia, 1995).

Bribes can expedite decisions. Buscaglia (1995), found that between 1973 and 1993, judicial delays and backlogs in Latin America increased dramatically, creating incentives to pay bribes. In Nigeria, judicial bribe is common knowledge and judicial delays and backlogs create incentives for bribes. Bribes thus influence decisions and opposing parties use bribes to obtain legal judgments in their favour.

When the judiciary is considered corrupt, it introduces uncertainties into the business climate. Laws may not mean much, and those with disputes may avoid bringing them before the courts unless they are certain to be the highest bidders. Courts can be circumvented by, for example, hiring private arbitrators or resorting to the protection provided by organized crime. (Buscaglia, 1995).

From the above however, we can adduce that corruption engenders various evils and distortions on the social, economic and political structure of our society. According to Nwaze (2012), it has brought about:

- i. Waste of skills, time and money in trying to track down perpetrators or prevent its occurrence by way of commissions of enquiry, panels of investigation, forensic and statutory audits, project monitoring, judicial enquiry, etc.,
- ii. Political instability, social upheavals, revolution and military insurgency and insurrections. All the coups in the country were instigated and blamed on corruption;

- iii. Reduction in the quality of goods and services available to the public. The regulatory officials do not have any moral capacity to blame suppliers on quality because they have been settled. The consuming public has no choice;
- iv. Upsetting ethnical balance and may lead to agitations, revolts or protests if not addressed;
- v. Erodes confidence in the democratic structures, institutions, and systems in the country. Institutions such as the judiciary, National Assembly, etc, have today lost their reputation in Nigeria because of corruption;
- vi. Undermine effective governance. Nothing works until people legitimately employed to do the work are settled. This undermines good governance and endangers democracy;
- vii. Proliferation of abandoned projects hitherto awarded to agents of public officers who only share the money once disbursed and abandon the contract;
- viii. Justice for sale. Even *ex parte* orders are today issued by judges on payment of a prescribed fee. Where then lays the hope of the common man;
- ix. Distortion of financial surveillance and regulation. Financial institutions today buy their way out of sanctions and flout prudential and other guidelines while the Central Bank, NDIC, etc officials look the other way;
- x. Examination malpractices by school proprietors, students, teachers, parents, examination officials and others have resulted in poor standards and recycled mediocrity and inefficiency at the expense of quality and merit.

This list of the evils of corruption could go on and on but the question is 'how do we resolve the problem of corruption in Nigeria, considering its magnitude and spread?'

Changing the Face of Corruption in Nigeria

Systemic corruption which engenders low level of transparency and accountability has been identified by the National Planning Commission as a major source of development failures (NPC, 2005). The effect of this on the socio-economic development of the country is myriad and these impede growth among other factors. Development projects are made unnecessarily complex to justify the corrupt and huge expenditure on them. When there is corruption, society loses in several ways. Productivity is not at its optimal because inefficient people are doing the job. Corruption makes most people to feel frustrated, hopeless and of very low morale. When the majority of the citizenry feel that desirable outcomes through honest efforts are not necessary, the result is either passive or excessive cynicism. These leads to loss of revenue, as funds are diverted for personal use. It also results in economic distortions, inefficiencies and wasted resources. This increases the cost of doing business and poor service delivery.

What steps can a reform-minded government take to reduce this menace in the country? The possibilities depend on the country's capacity, commitment and the level of development. In addition to changing social attitudes and expectations, anticorruption efforts should limit public officials' opportunities for corruption and increase the benefits of being honest and the costs of being corrupt. Many such reforms can be assisted by World Bank projects and loans –

but only if a country's political leaders are willing to bear the costs of change. Here we focus on four broad categories of reform that is necessary to reduce incentive for corruption in the economy - reducing the discretionary power of government officials, enforcing anticorruption laws, reforming the civil service, and increasing the accountability of government to citizens.

Reducing the discretionary power of public officials and incentives for Bribe

The most basic anti-corruption reforms are those that reduce the level of benefits under the control of public officials. A reform strategy must do this, however, without eliminating programs that have strong public justifications and without simply shifting the benefits to the private sector, where they will show up as monopoly profits. The most obvious approach is simply to eliminate laws and programmes that breed corruption. For example, if the state does not have the authority to restrict exports or license businesses, no one will pay bribes in those areas. If a subsidy is eliminated, the bribes that accompanied it will disappear as well (like the oil subsidy in Nigeria). If price controls are lifted, market prices will reflect scarcity values, not bribes. If a parastatal like NNPC, Power holding, etc, is a locus of corrupt bribing, properly privatizing it will eliminate the corruption, etc.

In general, any reform that increases the competitiveness of the economy will reduce incentives for corrupt behaviour. Thus, policies that loosen controls on foreign trade, remove entry barriers for private industry, and privatize state firms in a way that ensures competition will help control corruption. Such reforms will also encourage firms to move from the informal into the formal economy, where they can obtain access to capital at market rates and be effectively regulated and taxed. In general, going “underground” is a substitute for bribery, although in some cases, firms bribe officials in order to avoid official status.

But any move toward deregulation and privatization must be carried out with care. The Nigerian privatisation is a case in point. Deregulating one area may increase corruption elsewhere. Privatisation and the new regulatory institutions it demand also can be corrupted. Instead of bribing a parastatal to obtain contracts and favourable treatment, bidders bribe privatization officials. In some cases, company insiders often receive special treatment (Manzetti and Blake 1996; Celarier 1996).

The integrity of privatization is especially important in transition economies. The risk is not simply corruption and insider deals but domination by organized crime groups, which drive competitors, especially western firms, away. Thus, the privatization process should also establish a transparent and reliable legal environment. Many countries that have privatized, including Nigeria ignored this step – with predictable results (Rose Ackerman, 1994; Shella, 1994). Privatisation is desirable in a wide range of cases, but reformers must carefully examine the incentives for rent seeking created by such reforms (Rose-Ackerman 1996). Making rules more transparent also helps limit opportunities for corruption – as with simple, nondiscretionary tax spending and regulatory laws. Governments can also use market prices as benchmarks against which to judge public contracts. With clear rules, violations will surface even if bribery remains hidden.

Economists have long recommended reforming regulations in areas such as environmental protection by introducing market-based schemes that limit the discretion of regulators. Analysis also recommends user fees for scarce government services. These reforms have the advantage of removing incentives for corruption by replacing bribes with legal payments. For example, the sale of water and grazing rights and of import and export licenses can improve the efficiency of government operations while limiting corruption. However, developing countries whose regulations are poorly enforced may have trouble implementing such reforms since violators are not currently bearing any of the costs of existing rules.

Finally, administrative reform may reduce incentives for corruption. Corruption is often embedded in the hierarchical structure of bureaucracies. Low-level officials collect bribes and pass a share on to higher-level officials, perhaps in the form of an up-front payment for the job itself (Wade 1982). Conversely, higher-ups may organize the corrupt system to avoid wasteful competition among low-level officials and to collect the spoils themselves. Breaking such patterns may require fundamental reorganization.

Establishing Credible Law Enforcement Agencies

A basic condition for corruption control is a viable legal framework that enforces the law without political favouritism or arbitrariness. Such a system deters those tempted to engage in corrupt acts and encourages the public to resist criminal conduct by officials. Tough laws are not sufficient, however. Nigeria, for instance, have exemplary formal statutes that are essentially meaningless because they are seldom enforced. A country that is serious about reform must also have effective agencies to investigate and prosecute corruption and an independent judiciary that is not itself corrupt.

An independent judiciary can be particularly effective in checking official malfeasance. Judicial reform requires more than just changing personnel. Changes in underlying conditions are fundamental in successful reforms. This include improving pay and working conditions for judges and supporting personnel and better monitoring of the system's performance, by both insiders and outsiders. Information on delays by court and type of case could be collected and made public.

Increasing the professionalism of judges and the independence of the judiciary should reduce the incidence of corruption. Whatever the mechanism, the goal is a judiciary that has constitutional constraints on his power but that is insulated from day-to-day political pressures. The judiciary can play a role not just in hearing corruption cases brought by state authorities but also in helping citizens review state actions. In countries where the judiciary provides an independent voice for the rule of law, citizen suits requiring the executive to obey the law may be a useful supplementary tool.

One way to make the judiciary more effective is to have well-written laws. Courts cannot avoid exercising discretion, but a clear body of laws helps resolve disputes and make judicial decisions less arbitrary. Most of Nigeria laws were written in the language of the former colonial masters and are difficult for citizens to understand. Others continue to rely on

outdated statutes borrowed from industrial countries. Thus, reforming and upgrading the judiciary can help control incentives for corrupt behaviour. Judicial reform will have little impact in the absence of an effective prosecutorial system. When ordinary law enforcement offices are ineffective or corrupt, an alternative is an independent anticorruption commission.

A tough, independent anticorruption agency can be a potent tool as long as it represents a credible long-term commitment and includes checks on its ability to be misused for political ends. The Nigeria EFCC, ICPC, NDLEA, etc are good but bad cases. Effective legal and judicial reform may, however, be beyond the reach of developing countries in which corruption is endemic. In such cases, reform should focus on reducing the incentives for bribes and on increasing the state's accountability to ordinary citizens.

Reforming the Civil Service

Conditions of service and work incentives for workers in Nigeria is known to be generally poor compared to even very poor neighbouring countries. Often officials supplement their pay with second jobs or payoffs. A recent cross-country study found that high civil service wages (relative to private sector wages) are associated with low corruption levels (Van Rijckeghem and Weder, 1997). Civil service reform is generally a long-term undertaking, especially if the system is caught in a trap in which high corruption begets even higher corruption.

If officials in the public sector are paid much less than people with similar training elsewhere in the economy, only those willing to accept bribes will be attracted to the public sector. In order to recruit based on merit and to permit those selected to serve without resorting to corruption, civil service pay should be set, at least, equal to that for equivalent positions in the private sector with generous benefits including pensions that will be received only if the worker retires in good standing (Becker and Stigler 1974). It is seldom possible, however, to raise civil service salaries to levels that reflect the discretionary benefits under officials' control. (Van Rijckeghem and Weder 1997). This strategy, however, must be combined with effective monitoring and a transparent, merit-based system of selecting civil servants. In addition, penalties for corrupt practices must be tied to its marginal benefits.

Increasing Accountability to Citizens

The public can be an important check on the arbitrary exercise of power by governments, but only if citizens can find out what the state is doing and use this information to hold public officials accountable. As a first step, governments must publish budgets, revenue collection data, statutes and rules, and proceedings of legislative bodies. Financial data should be independently audited. Several World Bank and United Nations development programmes/projects have helped developing and transition economies publish timely and accurate documents on the basic operations of government. Others have helped countries, especially in Latin America and Africa; make their budgetary processes more transparent (World Bank 1994). These reforms provide an important background for anticorruption efforts.

Public procurement regulations must ensure that the process is open and fair (Pope 1996). Many procurement scandals have occurred in Nigeria because top government officials overruled the tender board or because subordinate officials operated without formal controls. But procurement rules must not be perceived as silly or overly intrusive. It also requires an institutionalized mechanism for lodging complaints about corruption.

Disappointed contractors are an important source of information in any integrity system (Alam 1995). However, losers have an incentive to accuse the winner of corruption even if none occurred. We need to make constructive use of the information contractors provide without having to investigate the claims of every disappointed bidder. Thus, information is a pre-condition for anti-corruption efforts. Freedom of information acts in the United States and a number of European countries contribute to effective public oversight. These laws allow citizens to request information without having to show how that information affects them. But information is of little value unless people can use it to influence government.

Individuals face a free rider problem in seeking to control political and bureaucratic processes and limit malfeasance. Information may be available in principle, but no one has an incentive to look at it. Laws that make it easy to establish watch-dog associations and nonprofit organizations can help; like the recent 'whistle blowing' in the country. Many corrupt officials who are worried that nongovernmental organizations will monitor their performance, ensure that such group does not come up or at best, make it very costly for them to operate, or subject their members to surveillance and harassment. The World Bank should help countries promulgate statute facilitating the incorporation of nonprofit organizations.

Such organizations can play a constructive role. For example, with the help of the World Bank and bilateral donors, local branches of Transparency International have organized integrity workshops in many part of Nigeria. These workshops bring together concerned people from the public and private sectors to discuss issues bothering on corruption. Nonprofit organisations can also carry out and publish surveys that reveal public attitudes towards government services. Pioneering work has been carried out by Public Affairs Centre in Bangalore, India, in five cities and the result reveals that up to one-third of slum dwellers there had to bribe officials to obtain services (Paul, 1995).

Anti-Corruption Laws in Nigeria

One area in which the government has demonstrated a commendable resolve to tackle corruption over the years is in the enactment of relevant anti-corruption legislation. But as earlier observed, our problem has never been paucity of laws, but the willingness and capacity to implement the laws. Today, these laws are trampled upon with impunity on daily basis, even by those whose duty it is to enforce them. This is a great challenge our leaders have to address. Some of the laws may be very old, but they are still operationally relevant. Here, attention is drawn to the codified seven anti-corruption laws relating to issues discussed in this paper. In order not to distort the sacred provisions of the laws, readers are advised to refer to the authentic legislations, while the summary is given below:

1. Establishment of the Economic and Financial Crimes Commission (EFCC Act: 2004)

Essentially, this act provides for the establishment of the EFCC, charged with the responsibility for the enforcement of all economic and financial crime laws among other things in Nigeria.

2. Advance Fee fraud and other Related Offences Act (2005)

An act to create offences pertaining to advance fee fraud and other offences; to provide for the arrest and trial of persons who commit such offences and for matters connected thereto.

3. Money Laundering (Prohibition) Act, 2011

This act which repeals an earlier one of 2004, contains elaborate provisions for the prohibition of Money Laundering which has also given Nigeria a bad image in the eyes of the international community. The new amendment introduced by this MLPA (2011) has to do with increasing the threshold for disclosure to keep pace with inflation.

4. Dishonoured Cheques (Offences) Act 1997

This act makes it an offence for any person anywhere in Nigeria to induce the delivery of any property or to purport to settle a lawful obligation by means of a cheque which when presented within a reasonable time is dishonoured on the grounds that no funds or insufficient funds were standing to the credit of the drawer of the cheque.

5. Recovery of Public Property (Specific Provisions) Act 1983

An act to make provisions for the investigation of the assets of any public officer who is alleged to have been engaged in corrupt practices, unjust enrichment of himself or any other person who has abused his office or has in any way breached the code of conduct for public officers contained in the constitution of the Federal Republic of Nigeria.

6. Code of Conduct Bureau and Tribunal Act 1991

An act to provide for the establishment of the Code of Conduct Bureau and Tribunal to deal with complaints of corruption by public servants for breaches of its provisions. This is a two-in-one Act :

Part I: Code of Conduct Bureau

Part II: Code of Conduct Tribunal

7. Independent Corrupt Practices and other Related Offences Commission (I.C.P.C. Law 2000)

This Anti-Corruption Law 2000 which came into effect on the 13th of June 2000, was enacted to prohibit and prescribe punishment for corrupt practices and other related offences. It is in eight parts.

Conclusion

In this study, we have shown that corruption is not only endemic in Nigeria but pandemic. It has eaten very deep into the annals of our bureaucracy and exerts almost complete dominance

over transparency in all aspects of our national life. It is not possible to eradicate corruption in totality in Nigeria overnight, but we can, at least, begin to lay the real foundation of a moral and ethical society. Ethics and morality are the norms of every decent society and these had been ignored in our daily social, political and economic life. We must begin to recognize their importance in our society as the bedrock on which a wholesome, efficient, just and prosperous society can be built.

As stated in this study, the fight against corruption should start with us, in our homes, offices, business places, churches and to our public life. We should start to build integrity for ourselves and this will endear others to follow us. So, this valedictory song must end the way the journey started; re-emphasizing the fact that the most important challenge confronting Nigeria today is corruption, not just of power, but also the power of corruption. Our leaders should recognize this fact. Once the power of corruption is subdued, all other challenges facing us as a nation will crumble and pale into insignificance.

Our leaders need to identify the right therapy to tackle Nigeria's corruption. If Nigeria corruption has defied conventional practices and solution, can't we try a more radical approach? We should not continue with the same approach that has not work over the years, else we are indirectly compromising corruption instead of fighting the menace. In other words, is it possible for an iron-strong, transparent and independent-minded character to be produce by the kind of system that we operate at the moment to enable us address the malignant of corruption in an unconventional way? Though sound academic, we can attempt some deductive reasoning. All the Anticorruption and other legal provisions in the country are good enough statutes to fight corruption but they seem not to have any power to resolve the malaise.

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