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An Analysis Of The Impact Of Corruption And Development In Nigeria

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Abstract:

Irrespective of the abundant natural and human resources , Nigeria being the most populous country in Africa continent is regarded as the most corrupt and seriously appalling developmental performance record.

Corruption and development are interrelated for the simple fact that one give rise the other, hence, corruption is defined as any form of abuse of public office for private gain which in turn has a tantamount negative economic and social trickle down effect on the whole society.

Some perspectives are of the notion that developing societies and their people are inherently more corrupt than developed ones, yet the argument is that sometimes lack of development opportunities automatically encourages corruption. The this view, economic growth and development create social opportunities that are of potential benefits to the people so that they tend to engage in honest activity to sustain themselves. The specific reward for entrepreneurship and productive rise in relation to rent seeking investment when there is sustain growth can have a positive impact on the society.

In contrast, the despair caused by inequality and pervasive poverty may encourage people to break the rules of honesty and decency. People access to or shortage of resources often develop a self perpetuating momentum so that the well –endowed get more and the poor get even less.

In the light of the above, this paper will also discuss critical issues like impact of corruption on development, theoretical assumption about corruption and development, and how corruption affect development.

1.Introduction

Nigeria inspite of her abundant human and natural resources being the most populous country in the Africa continent with an estimated population of over One Hundred and Fifty (150) million people by 2006 census figures and ranking number six (6th) as the world largest producer of oil, was confronted with a seriously appalling developmental performance record. The country was ranked among the 30th least human capital development index. The 158th out of 177 countries listed in the human capital development index. The 57th out of 95 countries in the human poverty index with seventy percent (70%) of its population living below the poverty line of one dollar per day (UNDP 2005). It was equally revealed by the World Bank report that eighty percent (80%) of the total revenue from oil which provides for about ninety percent (90%) of the country's total foreign earnings benefits only one percent (1%) of Nigeria's population (Okaba 2007:24),4"d the country was rated as the 147th corrupt country in the world (Nigeria Tribune 27th Sept. 2007). It was in the light of these statistical absurdities that this paper intends to discuss some of the theoretical perspective^ on the topic "corruption and development" "theories and praxis".

2.Conceptual Definition Of Key Terms Development

According to Walter Rodney in his book "How Europe Underdeveloped Africa", more often than not, the term development is used in an exclusive economic sense. The justification being that the type of economy is itself an index of other social features. A society is therefore said to develop as its members increases jointly their capacity for dealing with the environment. This capacity for dealing with the environment is dependent on the extent to which they understood the laws of nature (science), on the extent to which they put that understanding into practice by devising tools (technology) and on the manner in which work is organized. (Rodney 1972). Taking a long term view It can be said that, there has been constant economic development within some societies since the origin of man because, man has multiplied enormously his capacity to win a living from nature. From this perspective, development can be seen as art Inter play between environment and the social structure of a particular society, within a specific period of their historical evolution.

3. Corruption

World Bank (1997) defines corruption as the abuse of public office for private gains. Public office is abused for private gain when an official accepts, solicits or extorts a bribe, it is also abused when private agents offer bribe to circumvent public policies and process for competitive advantages and profit. Also Otite (1986) described corruption as the perversion of integrity or state affairs through bribery, favour or moral depravity. He stated that corruption takes place when at least two parties have interacted to change the structure or processes of society or the behavior of functionaries in order to produce dishonest, unfaithful or defiled situation.

4. Theory

Originally the word theory is a technical term from ancient Greek. It is derived from THEORIA meaning “a looking at, viewing beholding” and refers to contemplation or speculation as opposed to action. Theory is often contrasted to “Practice”. Theory is an account of the world which goes beyond what we can see and measure. It embraces a set up interrelated definitions and relationships that organizes our concepts and understanding of the empirical world in a systematic way.

5. Praxis

A Greek word for “practice” is an Aristotelian concept which is used in a broad sense to refer to anything done for the sake of any action in contrast with theory. Praxis is also defined as the degree to which sociological analysis is responsible to human values. Praxis is the Key, concept that differentiate the critical sociologist from the historical gatherer of "common sense facts" and catalogue of mathematical abstractions whose activities characterized contemporary, sociological positivism. Praxis connotes the ideal of conscious practical actions against the capitalist commodity relationships within historical possibilities (Habermas 1971).

6. Corruption And Development

Developing countries face both real and perceived problems with corruption. They always feature prominently in the lower part of international corruption indices. According to the 1998 Transparency International Corruption Perception Index, for example, the African country perceived to be the least corrupt is Botswana, who rates 23rd out of the 85 countries listed. South Africa is rated 32nd. Significantly, four

African countries are listed among the last thirteen on the list: Uganda, Kenya, Nigeria and Tanzania. While this list does not necessarily reflect how corrupt countries actually are, the perceptions among International investors are naturally important. As will be pointed out below, investors are cautious about being involved in corrupt environments because corruption increases the cost of transactions and makes them vulnerable to sanction elsewhere. The links between corruption and lack of development could become mutually reinforcement. Whether these links are real or perceived, they form an important part of the corruption issue in the global community and have distinct effects on the plight of emerging economies and poor people across the world. This analysis therefore reflects on some of the possible linkages between development and corruption.

7.Does Development Impact On Corruption?

Developing societies and their people are not inherently more corrupt than developed ones. Yet, the argument is sometimes made that the lack of development opportunities automatically encourages corruption. From this perspective economic growth and development create social opportunities

that are of potential benefits to people so that, they tend to engage in honest activity to sustain themselves. The specific rewards for entrepreneurship and productive investment rise in relation to rent seeking investment when there is sustained growth.

In contrast, the despair caused by inequality and pervasive poverty may encourage people to break the rules of honesty and decency. People's access to or shortages of resources often develop a self-perpetuating momentum so that the well-endowed get even more and the poor get even less. Major development-related assets in this regard are land, educational opportunities and access to capital. The distribution of land affects income distribution in most developing societies because income from land constitutes a major share of households' income in such countries. Furthermore, land is often used in such contexts as collateral for borrowing and investing. Hence, the lack of land among those who are poor constrains their access to loans and other forms of financial assistance. The income earning potential and productivity of capital-poor people and institutions is also lower than that of those with capital assets. Educational inequality often translates into broader income inequalities. Firstly, people's earning power is affected by their relative levels of education. Secondly, higher education levels empower some groups to lobby government more effectively to prioritize their particular needs and requirements. While none of these factors intrinsically led to corruption, shortages of

resources raise the stakes of competition for those resources that are available and slant the balance of power towards those with access, Such intense competition may either encourage people with access to resources to use corrupt means to hold on to those privileges, or serve as an incentive for the deprived to use corrupt means to improve their own plight.

8.Theoretical Assumptions About Corruption And Development

- The internal logic of the 'more development means less corruption argument is rather simplistic. Ignoring the likelihood that many people will not necessarily benefit from growth and development initiatives. Many poor people do not engage in corruption in the first place. Because, even if they wanted to, they might not have the resources to do so. Developed countries are even more corrupt especially in their relationship with less developed countries. The larger part of corruption in the third world countries are encouraged by multinational corporations of the developed world aided and abated by the institutional policies of IMP and World Bank.
- ii. Corruption is a global phenomenon, Both first and third world countries have experienced blatant corruption. Transparency International's ranking shows large variations in the perception of corruption among groups of countries. At particular stages of development^ corruption exist in varying degrees in the US^A, Britain, France, Greece, Japan and Italy (ICEG 1999)
- Corruption cuts across international borders. Many cases of corruption reported in emerging economies involved corporations from the first world. (Transnational corruption). For example scandals involving Halliburton an American oil servicing company in the turnaround maintenance contract of Nigerian refineries, the Vaswani Brothers rice importation scandal and the Siemens involvement in the underhand dealings in the sell of NITEL are some classical example of transnational corporations Involving in corruption.
- Modernization and growth are not panacea for ending corruption. In fact, these processes have been accompanied by an increase in corruption in several transitional economies. One explanation for this phenomenon is that expansion and structural changes in the economy create more opportunities and possibly rewards for corrupt transactions. Moreover, transitional economies do not change

overnight. They remain on a dual-track system for some time, marked in part by obligatory delivery at controlled prices, interspersed with market transactions and market prices. This creates several new opportunities for corruption. Within the state-controlled sector, the lack of competitive pricing places extensive power in the hands of officials. Without proper rules and procedures, and in the absence of well-developed checks and balances, officials could easily abuse this power or extend favors on the basis of bribery. Often, privatization and deregulation weaken these power bases and in that way help to reduce the scope for corruption. However, privatization and deregulation are also not panacea for ending corruption. Because the process of the privatization of state-owned enterprises in many countries has also given rise to opportunities for public officials to receive bribes from buyers of those enterprises and from contractors involved in service delivery.

- The trickle-down perspective. At the very heart of the trickle-down perspective, is an assumption that one can wait for development to solve the problem of corruption. That is to say by improving their developmental policies and strides, and by diligent and systematically implementations developing countries would attain a stage where corruption would be impossible. But the is question how long?

9.How Corruption Affects Development

The substantive part of this conceptual analysis revolves around the question of how corruption affects development. The general agreement is that corruption is bad for development. The World Bank estimates the cost of corruption accordingly:- if just 5% of the value of all direct foreign investment and imports go into countries with extensive corruption, the yearly take would total around US \$80 billion. Significantly, this only takes into account theft from commerce crossing borders, not the stealing of state assets or the fleecing of fellow citizens. Corruption jeopardizes development in several ways

- It distorts public spending. Distortions arise in three ways: from shaping the official priorities of government, by deflecting allocated resources away from their original purpose, and by undermining the tax base of government. Priorities are distorted and public resources

deflected in corrupt regimes, because allocations go where corrupt officials and politicians personally gain the most. The public interest is no longer the measure. Where corruption is rife, even the best possible project, no matter how supportive it may be of public goals of growth and development, can go astray because it does not serve the interest of public office bearers who want to enrich themselves.

Corrupt officials also deflect funds that have been earmarked specifically for development goals away from their original purpose. In some of the world's most notorious cases the Philippines lost some 20% of internal revenue through corruption in the 1970's, around 10% of Nigeria's GDP and 25% of Zaire's went lost due to corruption.

Tax evasion, weak tax administration and tax exemptions that favour the well-connected and wealthy limit the scope for effective development policy in a number of ways. These practices harm the fiscal, curb redistribution through undermining progressive taxes and prevent public expenditure and investment in development ventures. The consequence for development are manifold. Talent is often misallocated and opportunities for labour based construction are missed because corrupt bureaucrats tend to favour non-standard, complex and expensive capital-intensive projects that make it easier to skim significant sums. A large defense or infrastructure contract may thus be favored over the construction of primary schools and health clinics. Inevitably, poor people become primary victims. They are denied services either because resources are moved elsewhere or because the costs of services become inflated through corrupt payoffs. In many cases, ill-structured projects, agreed towards the wealth of corrupt officials and their co-conspirators, fail to meet appropriate technical standards, limit the number of jobs and opportunities created, or allocate them on the basis of unfair favours. In this manner, corruption distorts the initial aim of social and anti-poverty programmes, i.e. to allocate resources according to the needs of the recipients.

- Corruption undermines efficiency. Time and money wasted through corrupt activities come at the expense of productive activities. These impacts both on public administration and private enterprises. Public sector efficiency becomes compromised because corruption superimposes informal practices over the

proper rules and procedures of government. This adds direct and indirect costs to the execution of programmes.

- The Global Competitiveness Report of 1997 shows that firms confronted by corrupt regimes have had to spend vast additional time to negotiate licenses, permits, taxes and approvals. This is underscored by the results of a recent World Bank survey in 69 countries which shows that some 40% of firms working in those countries have engaged in some of bribery. One can imagine the cumulative effect on the national and the international economy.
- A 1996 enterprise survey showed that, within the Ukraine, firm owners who pay large sums in bribes have to spend almost one- third more time with officials than firm owners who pay less in bribes. Those high-bribing firms also need to spend 75 staff weeks per year of (non-owner) administration time in dealing with officials, as compared with a yearly average of 22 staff weeks for low-bribing firms;
- Data from the World economic Forum's Global Competitiveness Report for 1996 (2000 enterprises surveyed across 49 countries) shows that the incidence of corrupt practices is significantly higher in settings with higher regulatory and state-bureaucratic interference in business.
 - Corruption discourages investment and growth. While some investors might well conduct their business through bribes, the overall implication of notoriously corrupt environments is that many potential investors avoid them. Incidences of corruption deter investment because higher bribes imply declining profitability on productive investments relative to rent-seeking investments, William HAGUE, the British foreign secretary was quoted in the Sunday trust newspaper of July 3rd 2011 (Pg 14) as saying that, corruption adds up to 10% of the total cost of doing business globally and up to 25% of the cost of procurement contracts in the developing countries. Furthermore, corruption intrinsically means that the economic rationale for projects gets distorted. It is therefore likely to shift investment from more productive projects and investments to less productive ones. This will automatically push growth downwards. Finally, corruption often goes alongside incentives for capital-intensive investments as opposed to labour-intensive ventures. This could have a more immediate impact on poverty alleviation.

Particularly, damaging to the economy's long-term growth prospects is the fact that innovators are particularly at the mercy of corrupt public officials, because new producers need government-supplied goods like permits and licenses more than established producers. In any case, corruption as a tax on profits may stifle the entry of new goods or technology that requires an initial fixed cost investment, in general. The World Development Report of 1997 points out that bribes are not only a disincentive to further investment because of the immediate costs, but also because they entangle businesses in "... a web of time-consuming and economically unproductive relations" while negotiating through growing government arbitrariness. The problem with corrupt regimes is that they are intrinsically arbitrary. Hence, they introduce risks of uncertainty that many investors are simply not willing to take. This also automatically increases the transaction costs of investment. As a result, other key economic objectives, such as job creation and the development of vibrant small and medium enterprises, are likely to suffer.

- Corruption intrinsically undermines the quality of governance. It does so firstly, because it creates distrust, and uncertainties associated with arbitrary governance. Furthermore, corruption fundamentally runs contrary to accountability. Corrupt politicians, government officials and their cohorts do not want others to know the operational mechanism of governance. Information about resource allocations and the basis for decisions therefore becomes deliberately obscured. In the longer run, corruption undermines governance, public trust in the states credibility and the ethics of government and society. Corruption negatively impacts on the rule of law and the more systemic, the more difficult it becomes to be identified, dealt with and penalized. A fortnight ago, at a debate organized by "club de Madrid" on the topic - meeting sustainable societies and social justice, in Geneva, Switzerland, former President Olusegun OBASANJO declared that, the present Nigerian government as it is constituted, lacked the will and consistency to deal with the deep-seated malaise of corruption in Nigeria, Dieter Frisch captures this impact on governance by arguing that "... corruption kills the development spirit-Nothing is as destructive to a society as the rush to quick and easy money which makes fools of those who can work honestly and constructively. " He continues by calling for "...a market economy built around the rule of law and a

strong state that does not allow a free ride for uncivilized capitalism aimed at immediate benefit at all cost.”

Despite the obvious damage this perception incurs on the economy and on the fate of the poorer communities, corruption in many parts of Africa is a two-way phenomenon. As Bayart argues, theft or the reallocation of public resources is not simply the doing of the elite (or 'big men'), acting for personal gain at the cost of the impoverished. Corruption and embezzlement often take place within very particular patron-client networks. Disempowered through poverty, political exclusion or spatial isolation, those removed from the state and its prostates expect their 'big men' (politicians from their ethnic group/village) to reorient state resources in their direction in the form of roads, hospitals, or schools, for example. That the big man in question develops a belly (i.e. enriches himself) in the process, is the expected other side of the coin.

- Increasingly, corruption places participants at risk of international castigation. Issues of corruption have come to the fore on the international agenda in the last couple of years. Much of the drive for an international criminal law on bribery has stemmed from the United States. After the Lockheed aircraft scandal in Japan, the Northrop bribery scandal and the exposure of the suborning of foreign political parties by the CIA, The US Congress enacted the Foreign Corrupt Practices Act in 1997. This act criminalizes commercial payoffs by American nationals to public servants abroad and is actively enforced, with companies being found guilty having to pay heavy fines. Ever since, US companies have complained that they have been forced to compete on an uneven playing field with their European competitors. The OECB has recently followed suit. The OECD Council of Ministers recommended that bribery (of public servants and holders of public office) should be criminalized in an effective and coordinated manner. In December 1997, the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions was signed. This is being followed by a war on bribe payers in companies. Interpol now has a special working group on corruption. Ethics courses are becoming compulsory in the curricula of western business schools. Companies are learning how damaging the backfire can be. Siemens' telecommunications wing, for instance, was banned from doing business in Singapore after a utilities official was allegedly bribed. The Royal Dutch/Shell Group is doing its clean-up internally: in 1997, it fired 23

workers who had been involved in bribery, and terminated contracts with 95 firms on ethical grounds. Employees are being assured that they will not be penalized for losing business by refusing to pay bribes.

International financial and development institutions have a/so woken up to the negative developmental impact of corruption. The World Bank, long criticized for financing economically dubious and environmentally risky projects in developing countries, has focused afresh on anti-corruption strategies and measures since the arrival of Mr. James Wolfenson as its President in June 1995. Now the World Bank and the International Monetary Fund are conducting spot audits of all their work to catch flagrant misuses of funds. The IMF cut off a US \$120 million loan to Cambodia when revenue from logging concessions mysteriously failed to appear. Operations were suspended in Nigeria, Sudan, and Afghanistan and other countries on grounds that the aid was unlikely to reach the people it was intended for. The World Bank is also offering clean-up strategies to governments seeking help (e.g. Venezuela, for its judicial system; as well as Latvia). The United Nations has launched a Global Programme on Corruption. Many development agencies now support special governance and anti-corruption programmes in developing countries. For example, corruption-related issues in South Africa have featured prominently in support programmes of the European Union, the British Department for International Development (DFID) and the US Agency for International Development Programme (UNDP). The last few years have also seen the emergence of several cross-country indices of corruption, such as those provided by Business International and Transparency International. There have been concerns that these indices underplay the role of first world corruption and that their assumptions are biased against emerging economies. However, they have developed a certain standing in international government and private sector circles and have helped bring the issue of corruption to the forefront. This, in turn, has had significant political effects. For example, Pakistan's rating of next-to-worst in the 1996 Transparency International ranking system raised a tumult that brought down Benazir Bhutto's government. Islamabad claims that Bhutto and her husband, Asif Ali Zardari, stole over US \$1 billion from state coffers. Swiss authorities have frozen seventeen bank accounts belonging to the couple and their partners, and a Swiss judge said in June 1999 that he intended to indict Bhutto and her husband on money-laundering charges.

These are significant changes in attitude. It is no longer fully accepted for businesses to preach probity at home and act dishonestly abroad. Development institutions and other foreign donors are becoming increasingly reluctant to sponsor public projects or development organizations and initiatives where mismanagement of funds has occurred, especially endemically. South Africa and other developing countries are directly affected by these shifts. In the era of economic globalization, marked by highly mobile international investors armed with mobile capital and technology, high transaction costs in a particular economy are likely to curb investment significantly. Judge Health, of South Africa's anti-corruption investigative unit, observed in August 1999 that "... evidence shows that countries with notoriously high levels of corruption risk marginalization in a world of rapid economic integration. We cannot allow this to happen to our fragile democracy".

- Arguments have been made that corruption may not be inconsistent with development and, at times, may even foster it. The example of the economically successful Asian tigers, associated with an alleged high incidence of corruption, is often cited in this regard. The issue is worth probing, since it does highlight an obvious inconsistency in the link between corruption and development. The argument is often two fold; that corruption helps to streamline burdensome bureaucratic regulations and ineffective legal systems, and/or that bribery can serve as 'speed money', enhancing efficiency by cutting the considerable time needed to process permits and paperwork. A refined version of this argument is that corruption will allow supply and demand to operate, as the lowest cost firm (with the highest bribe) will win.

The above arguments are all problematic. For one, it is difficult to isolate corruption as the determinant factor in cross-country comparisons. Instead, corruption may well have been offset by countervailing factors in the more successful economies, such as a credible rule of law and sound macro-economic management. Furthermore, corruption brings an inherent element of uncertainty in economic transactions; there is no guarantee that both sides will honour their side of the deal. Corruption tends to feed on itself. The discretionary powers of politicians and bureaucrats in corrupt societies provides them with discretion over the creation, proliferation and interpretation of regulations. This tends to fuel arbitrary rule, with dire implications for both democracy and investor confidence

as public trust declines and economic marginalization takes hold. Finally, corruption's own market efficiency is at its best more costly than the alternative. To argue that corruption will allow supply and demand to operate, as the lowest cost firm with the highest bribe will win, is to ignore that the very practice of bribery introduces additional costs. There is thus no coherent and firm case for corruption as a source of development. Its economic, financial and administrative costs, as well as its undermining impact on accountable democratic governance, are simply too considerable to make corruption a meaningful proposition in support of development whatsoever.

10. Conclusion

Concluding from the foregoing revelations, one can clearly depict that, corruption and development are two opposing social forces. Entrenched corruption and especially, the systemic political type is a very serious antidote to sustainable development. For Nigeria and other developing economies to rise above the challenge of under development the scourge of endemic corruption must be fought headlong and conquered.

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