CORRUPTION AND SUSTAINABLE HUMAN DEVELOPMENT IN NIGERIA

By

DR. MUSA IDRIS

Department Of Public Administration

Ahmadu Bello University, Zaria

+2347051337728

ABSTRACT

Successive administrations in Nigeria have over the years enacted laws, established institutions and launched strategies aimed at fighting corruption and improving human development. In spite of these efforts, the rate of corruption still remains high in Nigeria. Conversely, the human development index for the country remains low over the years. The objectives of this paper are to identify the causes of corruption and its effect on human development in Nigeria. The study also examined the relationship between corruption and human development in the country. The research design was content analyses of data from Transparency International and the United Nations Development Programme. These were presented in tables and analyzed using percentages and averages using the Spearman's Rank Correlation Coefficient to test the hypothesis. The study identified excessive government intervention in the oil sector, ineffective accountability frameworks, mild and non-enforcement of punishments for corruption offences among others as the root causes of corruption in Nigeria. The study also established that corruption is among other factors responsible for the low level of human development in Nigeria. It recommends for the deregulation of the oil sector, strengthening of accountability frameworks and the civil society, as well as severe punishments for corruption offences among others. The study also recommends for greater commitment in the provision of health and educational services as well as creation of an enabling environment for productive economic activities to thrive.

1.0 INTRODUCTION

The first decade of the twenty first century have more than any other period experienced concerted efforts aimed at accelerating the pace of development by global, continental and national governments. This is partly due to the crisis of development experienced and the untiring quest for accelerated development by the citizenry. The United Nations Organisations (UNO) thus came up with the *Millennium Development Goals (MDGs)* and the *New Partnership for Africa's* Development by the African Union (Federal Republic of Nigeria, (2008) and Todaro

and Smith (2009). The Federal Government of Nigeria also came up with its National Economic Empowerment and Development Strategies (NEEDS) I and II (National Planning Commission, 2004 and 2008).

Prominent in the development strategies is the quest for sustainable human development and the fight against corruption. Pursuant to these, the economic, educational, and health sectors were reformed in Nigeria (Lambo, (2008), Lawal, (2008), and Okebukola (2008). Impressive arrays of institutions were also established through enabling laws to fight corruption and instill transparency and accountability in Nigeria. These include the Independent Corrupt Practices and Other Related Offences Commission (ICPC) established vides the ICPC Act, 2000 and the Economic and Financial Crimes Commission (EFCC) established by the EFCC Act 2004. Others **include the Fiscal Responsibility Act, 2007, the Public Procurement Act, 2007 and the Nigeria** Extractive Industries Transparency Initiative (NEITI) Act 2007.

In spite of these efforts the United Nations Development Programme (UNDPs) Human Development Index (HDI) Report for 2010 indicates that Life Expectancy at Birth (LEB) in Nigeria is as low as 48.4, the Mean Years of Schooling (MES) remain at 5.0 while the Gross National Income (GNI) Per capital was 2,156. In 2011, the LEB was 51.9, MES was 5.0 and GNI per capital for Nigeria was 20,069. The UNDP HDI figures have been low over the years. It was 0.429, 0.449, 0.454 and 0.459 in 2005, 2009, 2010 and 2011 respectively (UNDP, 2011, 133). Conversely, the rate of corruption remains high in Nigeria in spite of the anti-corruption laws enacted and agencies established. The country's Corruption Perception Index (CPI) according to Transparency International Staggers between the lower of 1.0 in 2001 to highest of 2.7 out of 10.0 in 2008 only to slip back to 2.5 in 2009 and further to 2.4 in 2010 and 2011.

Why is the rate of corruption still high and human development low in Nigeria in spite of the efforts made by successive administrations in the country? What are the causes of corruption in Nigeria? What are the effects of corruption on human development in Nigeria? Is there any relationship between corruption, and human development in Nigeria? What can be done in order to reduce the incidence of corruption and improve human development in Nigeria? The objectives of this paper are to identify the causes of corruption and its effect on human development in Nigeria. The study will also examine the relationship between the variables and make suggestions on how to reduce the incidence of corruption and improve human development in Nigeria in view of the findings. The hypothesis (H_0) postulated for the study states that there is no significant relationship between corruption and human development in Nigeria.

This study spans the period 2001 - 2011. The twilight of twentieth and the first decade of the twenty first centuries are turning points in Nigeria as the country returned to democratic rule after a prolonged period of military dictatorship. A democratic government is expected to be less corrupt and more development oriented than military rule. The choice of the period has also been determined by the availability of current and reliable data from the UNDP and Transparency International. This study is concerned with corruption in the public sector without undervaluing the occurrence of the vice in the private sector. Public Sector

Corruption is of greater concern to governmental studies. The components of human development in this study are; a long and healthy life measured by life expectancy at birth, knowledge as measured by the adult literacy rate and a decent standard of living as measured by the GNI per capital in Purchasing Power Parity (PPP)in terms of US dollars. This study has a national rather than regional or state average for maximum utility. The major limitation to this study in that though, the study spans from 2001 2011, the Human Development Index figures for 2001, 2003 and 2008 could not be obtained the UNDP. However, data on the balance of eight years have been obtained hence; this limitation is not enough to invalidate the findings of the study.

The Mo Ibrahim Foundation identified transparency and accountability and sustainable human development as components of good governance (Mo Ibrahim Foundation, (2011) Transparency International CPI shows the perceived level of corruption in the public sector. The CPI reveals that countries with poor CPI also record low HDI. However, no empirical study has been undertaken by these organizations on the relationship between corruption and human development in Nigeria. Svensson (2005) attempted an empirical study on the relationship between corruption, human capital, and economic growth among the top ten most corrupt countries including Nigeria using Transparency International's CPI omitting Life Expectancy at Birth. This study is aimed at remedying this gap by examining the empirical relationship between corruption and all the components of human development.

2.0 LITERATURE REVIEW AND THEORETICAL FRAMEWORK

As common and real as corruption is, it defies a precise definition. Transparency International (TI) (2002), Tanzi (1998) and Svensson (2005) see corruption as the abuse or misuse of public office or power for private gain. Ocheje (2001) similarly asserts that corruption represents a deviation from the normal, with regard to official corruption; the concept refers to deviation from the duties or rules of public service. He adds that it is easier to identify what corruption is not as opposed to what it is, because, of the wide array of forms it manifests itself. The definitions advanced by TI (2002,6) Tanzi (1998) and Svensson (2005) perceived corruption only from public rather than general point of view. The definitions are limited to the public service as if corruption does not occur in the private sector. This definition however, fits into the concern of this paper while acknowledging that corruption is not limited to the public sector. Again, corruption is not only undertaken for self or personal gain as the definitions posit, it can also be undertaken for the benefit of a third party.

Ocheje (2001) while acknowledging that corruption occurs in both public and private sectors opined that it is easier to identify what corruption is not than what it is because of the wide range of forms it is manifested. Akinyemi (2010) however, differed from this opinion and argues that corruption can be better understood by identifying the forms in which it is manifested. These include bribery, trading in influence, graft, patronage, nepotism and cronyism. Others are election and vote fraud, embezzlement, kickbacks and involvement in organized crime. From the definitions advanced, corruption can be defined as the misuse or abuse of public

office, power or trust for either private or self gain and or for the benefit of a third person. This can be in any of the forms identified by Akinyemi (2010) as bribing, embezzlement of public funds trading in influence, graft patronage, cronyism, electoral and vote fraud etc.

The causes of corruption are many and varied. Sevensson (2005) in his empirical study of the most corrupt countries including Nigeria discovered that there is a correlation between income and corruption as well as human capital stock and corruption. The study also revealed a correlation between the extent of transparency in governance, government regulation of the economy and the level of corruption. The study discovered that countries with higher Gross Domestic Product (GDP) Per Capital, higher human capital stock less corrupt. The same is with countries with more open governance and less regulation of the economy vice-versa: Tanzi (1998) identifies both direct and indirect causes of corruption. He explained that these causes are connected with the activities of the state and especially with the monopoly and discretionary powers of the state. The direct causes include excessive government regulation and authorizations, spending decisions on investment projects, procurement spending and extra budgetary spending. Others include the provision of goods and services at below-market prices as with petroleum products and political party financing in Nigeria. The indirect causes include inefficient bureaucracy, low public sector wages, non-enforcement of penalties for corruption offences, and non-transparency in public-service. These are similar to those identified by FRN (2003) in Nigeria Governance and Corruption Survey Study which are public sector wages, lack of effective corruption reporting system and low level of transparency in the public service.

The African Development Bank (ADB) Group (2006,2) argues that government's attempts to over regulate the economy, discretion devoid of effective accountability, weak political will, inadequate legislation and relaxed enforcement foster corruption with impunity. Hence, according to the ADB (2006), corruption thrives where public official assume monopoly power, has discretionary power and is not accountable for his action. This is presented in the equation thus;

C = Monopoly + D - A;

where corruption = monopoly + discretion -accountability.

Similarly, Huther and Shah (2000) sought to explain the causes of corruption based on the incentives for opportunistic behaviour by public officials and considering the conditions that encourage public officials to seek out or accept corruption. The World Bank Scholars assert that self-interested individual will seek out or accept corruption if the expected gains outweigh the costs as expressed in the equation:

E [B] = n x E (G) - prob (P) x (P) > 0 Where E is the expectations operator

n is number of corrupt transactions

G is the gain from the corrupt transaction

Prob (p) is the probability of paying a penalty

P is the penalty for the corrupt activity.

From the views of Svensson (2005), Tanzi (1998), FRN (2003), ADB (2006) and Huther and Shah (2000), the causes of corruption are multifarious and systematic. These range from government excessive inference in the regulation of the

economy, wide discretionary power exercised by public servants and non-transparency in governance. Others include poor public sector wages and weak enforcement of punishment for corruption offences.

The concept of sustainable development is relatively new in development literature. In spite of this, it has become a political and academic buzzword since the United Nations report "our common future" 1987 (Funtes - Nieva and Pereira, 2010.). Sustainable development as a concept, as a goal and as a movement spread rapidly and is now central to the mission of countless international organisations, national governments and corporate enterprises (Kates, Parris, and Leiserowitz, (2005). Three major components of sustainable development can be discerned in development literature. These are: sustainable economic development, sustainable human development and environmental sustainability (Jingan, 2007). This paper concerned itself with sustainable human development.

The United Nations Development Programme (UNDP) which is globally acknowledged as the most reputable organisation in human development has defined human development with changing emphases from 1990 - 2009. These varies from enlarging people's choices, creating environment in which all people can expand their capabilities, expanding people's choices to lead lives they value and expanding people's choices, freedom and dignity (Alkire, 2010) in all the definitions advanced by the UNDP from 1990 - 2009, the issue of long healthy life, knowledge and resources for decent standard of life appeared dominant. This forms the nucleus of human development.

Development Scholars Jihingan (2007) Martinussen (nd), Neumayer (2010) and Todaro and Smith (2009^, define the concept of human development using the view of the UNDP (1990) as a process of enlarging people's choices. Operationally, human development is determined by the extent of the level of literacy, life expectancy and income of the citizens. These are measured using an index (Human Development Index) which varies from 0 1 and it is calculated as; HDI = 1/3 (Income Index Longevity Index Education index) (Neumayer, 2010). These indicators of human development according to MO Ibrahim foundation are health care delivery, education and poverty reduction. These are similar to those of the UNDP. The scholars; Jhingan, (2007) and the UNDP contrasted economic growth with human development. They asserts that, while economic growth focuses on the expansion of one choice (income), human development embraces the enlargement of all human choices whether economic, social, cultural or political.

The ADB (2006) explains that corruption reduces economic growth by diverting limited funds, distorting investment decisions towards non-productive sectors and leads to general misuse of public resources. The poor are excluded from access to basic public services requiring bribes to be paid. Similarly, Tanzi (1998) discovered among others that corruption reduces the fundamental role of the government in such areas as enforcement of contracts and protection of property rights as well as the legitimacy of the market economy and democracy. Corruption has also been found to be likely to increase poverty because it reduces the income earning potential of the poor. He adds that corruption also reduces the productivity of public investment and of a country's infrastructure. In summary, corruption creates

poverty and widens in inequality and reduces investment in health and education thus thwarting human development.

The theoretical framework of the study is the Development Paradigms of Institutions. Its proponents are Amsden, (1989), Chang, (2002), Evans, (1995), Jayadev, (2010). It was used by Jayadev (2010) in his study Global Governance and Human Development; Promoting Democratic Accountability and Institutional Experimentation. The Theory presents evidence (Primarily from East Asia) of the crucial role of activist state institutions in producing developmental success. According to this perspective, institutions do indeed matter, but it is the robust public institutions which buttress the developmental state that are important in promoting improvements in the welfare of their citizens. These effective public institutions provide collective goods such as education and health care which are critical to the expansion in capabilities experienced by societies. A central function of developmental states is to provide means whereby the poorest and most vulnerable can enhance and invest in their own capabilities.

In relation to this study, the Nigerian state and the institutions of governance should be development oriented by providing opportunities for the citizens to invest and realize their capabilities. This can be achieved through the provision of accessible health and adequate educational services, creating an enabling environment for meaningful economic engagement that will entitle them to decent living.

3.0 METHODOLOGY

The research design for this paper is content analysis. The source of data is mainly from Transparency International (TI) for data on corruption and the United Nations Development Programme (UNDP) for data on human development. Transparency International is a global non-governmental anti-corruption watch-dog committed to measuring the level of transparency in the public sector using its Corruption Perceptions Index (CPI). The CPI ranges from Maximum of Ten (10) to Zero (0). The closer a country's CPI is to ten, the less corrupt the country is. Conversely, the closer a country CPI is to zero (0), the more corrupt the country is. In arriving at the CPI, TI uses the perception of knowledgeable respondents, local and expatriate residents, business elites, scholars and country analysis. The CPI is a better measure of the level of corruption than the country's ranking which only shows a country's position relative to others and not the actual level of corruption (TI, 2002).

The UNDP is globally acknowledged as the most reputable organisation in human development. The UNDPs Human Development Index (HDI) released annually ranges from zero (0) to maximum of 1.00. The variables used in determining the HDI are; Life Expectancy at Birth (LEB), Mean Years of Schooling (adult literacy rate) and Gross National Income (GNI) per capital at Purchasing Power Parity ($). The closer a country's HDI is to 1.00, the higher its level of human development and vice-versa. The data obtained from these organisations will be presented in tables using averages and percentages to analyse the data and the Spearman's Rank Correlation coefficient to test the hypothesis with the aid of computer Statistical Package for Social Sciences (SPSS).

4.0 FINDINGS AND DISCUSSION

Table 1: Transparency International CPI for Nigeria 2001 2011

Year	CPI	Transparency (%)	Corruption (%)
2001	1.0	10	90
2002	1.6	16	84
2003	1.4	14	86
2004	1.6	16	84
2005	1.9	19	81
2006	2.2	22	78
2007	2.2	22	78
2008	2.7	27	73
2009	2.5	25	75
2010	2.4	24	76
2011	2.4	24	76

Source: Adapted from TI CPI 2001 2011

The data in table 1 presents Nigeria's CPIs from 2001 2011. The figures were however, converted to percentages for easy analyses. The data indicates that Nigeria's CPI range from 1.0 (10% in transparency) to the highest of 2.7 (27% in transparency). Conversely, the rate of corruption ranges from the lowest of 7.3% in 2008 to highest of 90% in 2001. The reduction in the rate of corruption was neither maintained nor improved upon as it rose to 75% in 2009, and 76% in 2010 and 2011. The average level of corruption in Nigeria according to TI from 2001 2011 is 80.09%. This indicates a very high level of corruption in Nigeria for a decade and one year. Contrary to the postulation of the theoretical framework, the institution of the Nigeria state (anti-corruption institutions) have not been able to effectively fight public sector corruption in Nigeria.

4.2 The Level of Human Development in Nigeria

The dependent variable as contained in the hypothesis postulated is human development. Data on this variable was obtained from UNDPs HDI. Nigeria's HDI values from 2001 2011 are presented in table 2.

Table 2: Human Development Index Values for Nigeria

Year	HDI	HDI (%)
2001	-	-
2002	0.466	46.6
2003	-	-
2004	0.448	44.8
2005	0.429	42.9
2006	0.506	50.6
2007	0.511	51.1
2008	-	-
2009	0.449	44.9
2010	0.454	45.4
2011	0.459	45.9

Source: Adapted from UNDP Human Development Index Figures 2001 2011

As indicated in table 2, Nigeria's HDI varies form the highest of 0.51 (51.1%) in 2007 to the lowest of 0.429 (42.9%) in 2005. The HDI figures also show an undulating but generally declining trend over the years with 2006 and 2007 recording the highest while 2004 and 2005 recorded the least HDI. There is no indicating of any steady improvement in the HDI as they remain largely unstable. The average value of Nigeria's HDI for the eight years is 0.465 (46.5%). According to the categorization of the UNDP HDI values, Nigeria has been classified as having a low HDI. Contrary to the views of the theoretical framework, the institutions of the Nigerian state have not been able to provide adequate education, health and economic opportunities for the citizens.

4.3 Test of Hypothesis

The H_0postulated for the study states that; there is no significant relationship between corruption and human development in Nigeria. The independent and dependent variables are corruption and human development respectively. The hypothesis was tested using the data in tables 1 and 2. The Spearman's Rank Correlation Coefficient was used in testing the hypothesis at 95% level of significant using SPSS. The result of the inferential statistical test is presented in tables 3.

Table 3: Symmetric Measures

		Value	Asymp. Std. Error[a]	Approx. T[b]	Approx. Sig.
Interval by Interval	Pearson's Research	1.000	.006	44.613	.000[c]
Ordinal by Ordinal	Spearman Correlation	1.000	.003	69.411	.000[c]
N of Valid Cases		372			

a. Not assuming the null hypothesis.

b. Using the asymptotic standard error assuming the null hypothesis.

c. Based on normal approximation.

The calculated value from the test of hypothesis is 1.00 as indicated in table 3. The critical value on the other hand is 0.536.The calculated value of 1.00 is greater than the critical value of 0.536 thus; the H_0 which states that there is no significant relationship between corruption and human development in Nigeria is rejected. This indicates that there existed a significant and indeed a perfect correlation between corruption and human development in Nigeria for the period 2001 2011.

5.0 Conclusion and Recommendations

The data in tables 1 and 2 indicate a very high level corruption in Nigeria while the rate of human development in the country has been poor. From the hypothesis tested, there exist a perfect correlation between corruption and human

development in Nigeria. In other words, the very high level of corruption in Nigeria is among other factors responsible for the poor rate of human development. This implies that in order to improve human development in Nigeria the high rate of corruption in the country must be reduced and vice-versa. In order to achieve this, the root causes of corruption as identified in the literature such as government excessive regulation of the oil sector in the form of subsidy payment that created rents in Nigeria and unaccounted extra-budgetary expenditure in the form of excess-crude receipts from the Federation Account. Others are ineffective accountability frameworks, non-transparency in governance, poor public sector wages, mild and non-enforcement of punishments for corruption offences.

In view of these, the study recommends for complete deregulation of the oil sector in order to reduce the number of corruption transactions and reduce rent-seeking. There is also the need for electoral reforms for the system to be more credible, representative and accountable for good governance at all levels. The entire machinery of government should be reformed by increasing public sector wages and a reduction in workforce. There is also the need for genuine political will in the implementation of the freedom of Information Act and strengthening of the civil society for more transparency in governance. The same political will is also required in enforcing penalties that are deterrent enough to reduce incentives for corruption. In view of the primacy of human resources in development, the Nigerian government need to commit more resources to education, health care delivery establish macro-economic framework that will ensure equity and improve the living standard of the majority of Nigerians.

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