



Corruption and Sustainable Economic Opportunity in Nigeria

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Abstract

The fight against corruption and the creation of sustainable economic opportunity have been issues of public concern in Nigeria. In spite of the efforts made aimed at reducing the rate of corruption in Nigeria, the vice is still rife in the country. On the other hand, basic infrastructure is fast deteriorating, business opportunities remain low while the rural sector remains neglected. The major objective of this study is to identify the causes of corruption and its relationship with the state of sustainable economic opportunity (SEO) in Nigeria within 2001 - 2010. The research design is content analysis of data from Transparency International for Corruption and the Mo Ibrahim Foundation for SEO. These were presented in tables, averages and percentages using the Spearman's Rank Correlation Coefficient to test the hypothesis. The study discovered among others that there exist a perfect correlation between corruption and SEO in Nigeria. The study recommended for strengthening of accountability frameworks severe penalties and enforcement of the same for corruption offences. Others include improvement in basic infrastructure and development of the rural sector.

Keywords: Corruption, sustainable development, governance.

Introduction

The fight against corruption and the creation of sustainable economic opportunity (SEO) have been issues of great concern to governance in Nigeria especially in the first decade of the twenty first century. This is partly due to the rising incidence of corruption with impurity and the mounting evidence of its adverse

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effects on the socio-economic and political lives of the citizenry. As part of the Fundamental Objectives and Directive Principles of State Policy, Section 15(5) of the Constitution of the Federal Republic of Nigeria (FRN) 1999 provides that “the state shall abolish all corrupt practices and abuse of power.” Similarly, section 16 of the constitution concerned itself with the creation of sustainable economic opportunity (Federal Republic of Nigeria, FRN, 1999, 11 – 12). The National Economic Empowerment and Development Strategies (NEEDS) I and II also stressed on the need to ensuring transparency and accountability in governance and creation of economic prosperity (National Planning Commission, 2004, and 2008). Pursuant to this, many laws were enacted and institutions established. This include the Independent Corrupt Practices and Other Related Offences Commission (ICPC) (ICPC, Act 2000) and the Economic and Financial Crimes Commission (EFCC) (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, corruption is still manifested in different dimensions in Nigeria. For instance, while the country has been in darkness due to epileptic electric power supply over the years, political office holders in connivance with career office holders were alleged to have diverted the sum of N5.2 billion meant for rural electrification agency in a contract scam (Tell, 2009). A very few Federal Public Servants were also alleged to have received a bribe of 1.3 billion euro and 10 million euro from Siemens and Willbrow International respectively between 2006 and 2007 (Akinrijomu, 2009) and Financial Standard, 2007). FRN (2003) in a Governance and Corruption Survey discovered corruption as one of the major problems of development in Nigeria. Costa (2008), the United Nations Executive Director for Drugs, Narcotics and Money Laundering estimates that corrupt leaders in Nigeria embezzled close to \$400 billion within 1960 – 1999. On the contrary, the supply of electricity still remains inadequate and irregular, the rail and road networks are largely deplorable, rural areas remains neglected as poverty and unemployment are on the raise.

What are the causes and effects of corruption on sustainable economic opportunity in Nigeria? Is there any relationship between corruption and SEO in Nigeria? What can be done to reduce the rate of corruption in order to enhance the creation of SEO in Nigeria? The objectives of this study are to identify the causes of corruption and its effect on sustainable economic opportunity. The study will also examine the relationship between the two variables. Recommendations will



be made in view of the findings of the study. The Hypothesis (H_0) states that; there is no significant relationship between the rate of corruption and the level of sustainable economic opportunity in Nigeria.

Existing empirical study on the relationship between corruption and the SEO is scanty. Transparency International (1995 – 2010) measures the perceived level of corruption in many countries of the world using its Corruption Perceptions Index (CPI). The global agencies have not established any empirical relationship between Corruption and SEO. Mo Ibrahim Foundation (2001 – 2010) identifies Transparency and SEO as components of good governance. No empirical study has been undertaken by the foundation on the relationship between the two variables. Aduda (2007) concerns himself on how to combat corruption in the provision of infrastructure rather than SEO. This study is intended to cover this knowledge gap. This study spans for the period 2001 – 2010. This has been determined by the availability of data. The choice of the period can also be justified for being a period of return to democratic governance in Nigeria. Democratic regimes are expected to be more transparent, accountable and development oriented than military dictatorships. It also has a national coverage rather than regional for maximum utility. The study is also concerned with corruption in the public sector without undervaluing the occurrence of the vice in the private sector. Public sector corruption is however, of greater concern to governmental studies. SEO is viewed as an economic component of the broader field of sustainable development rather than the whole. This is aimed at giving the study more focus.

2.0 Literature Review and Theoretical Framework

As common and real as corruption is, it defies a precise definition. Transparency International (TI) (2002,6), Tanzi (1998, 564) and Svensson (2005,20) define corruption as the abuse or misuse of public office or power for private gain. Ocheje (2001, 1979) 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, 564) and Svensson (2005,20) 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, 179) 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 electoral 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).

The causes of corruption are many and varied. Sevansson (2005, 27 – 29) in his empirical study of the bottom 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 extend 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, and more open governance and less regulation of the economy are less corrupt and vice-versa. Tanzi (1998, 565 – 576) 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 power 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 low 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; $C = \text{Monopoly} + D - A$; where corruption = monopoly + discretion - accountability. Similarly, Huther and Shah (2000, 2-3) 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:

$$E [B] = n \times E (G) - \text{prob} (P) \times (P) > 0$$

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 of exercised by public servants and non-transparency in governance. Others include poor public sector wages and weak enforcement of punishments for corruption offences.

In an empirical study, the ADB (2006,2) established that corruption reduces economic growth by diverting limited funds, distorting investment decisions towards non-productive sectors and leads to general misuse of public resources. It also raises transaction cost and creates uncertainty in the economy. In addition, corruption skews public expenditure away from preventive health and education used by the poor because these expenditure relative to public works and defense contracts, are not easy to extract rent from. The poor are excluded from access to basic public services requiring bribes to be paid. Similarly, Tanzi (1998, 582 - 586) 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 distorts market economy and democracy, increases public expenditure and wastes, creates poverty and widens inequality and reduces investment in the country's infrastructure thus thwarting the creation of SEO.

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" in 1987 (Fuentes – Nieva and Pereira, 2010.1). Sustainable development as a concept, as goal, and as a movement spread rapidly and is now central to the mission of 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. 22). This study is concerned with the issue of sustainable economic development and specifically creating sustainable economic opportunities in Nigeria since the sustainable economic development is feasible only when sustainable economic opportunities are created. The Mo Ibrahim Foundation (2011) stresses that the freedom to participate in the creation of economic wealth is a key right for all citizens and governments have an overwhelming duty to develop an enabling framework in four ways. The first is government's abilities to manage the macro-economy along sound lines to ensure broad economic development (public management). This consist of the strength of statistical capacity and public administration control of inflation, extend of diversification and buoyancy of reserves. Others include budget management, ratio of the revenue to expenditure, debt management, ratio of external debt service to exports and the reliability of financial institutions.

The second component of sustainable economic opportunities seeks to measure the regulatory framework which allows, inter alia, the wealth creating private sector to grow within the constraints and interest of society as a whole (business environment). In this category is the government's ability to create a competitive business environment and investment climate, including for rural areas, rural financial services development and the extend of bureaucracy and red tape. The availability of basic infrastructures which in some cases is provided by the state constitute the third variable of sustainable economic opportunity. This comprises of access to electricity, road and net-works, and air transport facilities. Others are the



extend of telephone and information technology infrastructure and digital connectivity. The fourth group covers aspects of rural and environment issues. This consist of the availability of public resources for rural development, land and water for low-income rural populations as well as agricultural research and extension services. Others include input and produce markets, policy and legal framework for rural organisations and dialogue between government and rural organisations. Corruption in undermines good public management and the creation of enabling business environment as well as the provision of basic infrastructure and thus antithetical to the creation of sustainable economic opportunities. These indicators of sustainable economic opportunity as identified by the Mo Ibrahim Foundation, are in many respects similar to those of Economic Freedom as identified by the Heritage Foundation in partnership with the Wall Street Journal (Miller and Kim 2010:57). The indicators of Economic freedom are: business, trade, fiscal, monetary, investment and financial freedoms. Others are government spending, property rights, freedom from corruption and labour freedom.

The theoretical framework for this paper is the developmentalist paradigms of institutions. Its proponents include Armsden (1989) Chang (2002) and Evans (2005) (Jayadev, 2010). It was used by Jayadev (2010) as a framework in his study; Global Governance and Human Development, Promoting Democratic Accountability and Institutional Experimentation. The theory presents evidence of the crucial role the activist state institutions must play in fighting corruption, providing security and an enabling environment for accelerated economic development. In relation to this study, the institutions of the Nigerian state must effectively fight corruption and promote the creation of sustainable economic opportunities.

3.0 Methodology

The research design for the study is content analyses. The source of data is therefore secondary mainly from Transparency International and the Mo Ibrahim Foundation. Transparency International is a global non-governmental anti-corruption watchdog committed to measuring the level of transparency in the public sector using its Corruption Perceptions Index (CPI). The CPI ranges from the 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's CPI is to zero, the corrupt the country is. Transparency International uses the perception of knowledgeable respondents, local and expatriate residents, business elites, scholars and country analysis in arriving at the CPI. 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 other and not the actual level of corruption (TI, 2002).

The Mo Ibrahim Foundation is a reputable non-governmental and African-centered organisation concerned with promoting and rewarding good governance in Africa. It uses the Ibrahim Index of African Governance in rating countries. The index remains one of the most reliable and up to date data in Africa. One of the indicators of good governance used by the organisation is softy and security which is presented in percentages. The data on the variables as obtained from the using tables, percentages and averages. The Spearman's Rank Correlation Coefficient will be used in testing the hypothesis postulated with the aid of statistical package for social sciences (SPSS).

4.0 Discussion and Summary of Findings

The independent and dependent variables as contained in the hypothesis postulated are corruption and sustainable economic opportunity respectively. Data on corruption was obtained from Transparency International's Corruption Perceptions Index (CPI) for Nigeria from 2001 – 2010. On the other hand, data on the level of sustainable economic opportunity was obtained from the Ibrahim Index of African Governance from 2011 – 2010.

4.1 The Rate of Corruption in Nigeria

The rate of corruption in Nigeria from 2001 – 2010 is presented in table 1.

Table 1: Transparency International Corruption Perception Index (CPI) Corruption (%)

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

Source: Adapted from Transparency International Corruption Perceptions Index 2001 – 2010 Editions



From the table above, Nigeria's CPI's were converted into percentages and the percentage rate of corruption derived there from. The data indicates that Nigeria's CPI ranges from the lowest of 1.0 (10%) in 2001 to the highest of 2.7 (27%) in 2008. This was neither maintained nor improved upon as the CPI slipped to 2.5 (25%) in 2009 and further to 2.4 (24%) in 2010. The average CPI for the country for the decade is 1.95 (19.5%). The level of corruption on the other hand ranges from the highest of 90% in 2001 to the lowest of 73% in 2008. The average rate of corruption is 80.5%. The data indicates that the level of corruption has been very in Nigeria for the period 2001 – 2010.

4.2 The Level of Sustainable Economic Opportunity in Nigeria 2001 – 2010

The creation of Sustainable Economic Opportunity (SEO) is the dependent variable in this study. This consist of Nigeria's performance in public management, provision of conducive business environment, the quality of infrastructure and rural sector development. The country's scores in SEO as obtained from the Mo Ibrahim Foundation are presented in table two.

Table 2: Nigeria's Scores in Sustainable Economic Opportunity 2001 – 2010

Year	Score (%)
2001	37
2002	36
2003	37
2004	37
2005	38
2006	40
2007	40
2008	39
2009	42
2010	41

Source: Adopted from Mo Ibrahim Foundation, Ibrahim Index of African Governance Country Scores 2001 – 2010

The data in table 2 above indicates that Nigeria's scores in the creation of sustainable economic opportunities range from the lowest of 36% in 2002 to the highest of 42% in 2009. The average score for the country for the ten years in 38.9%. This is a poor performance. The scores have also been undulating over the years with no record of steady improvement. It is also revealing to note that the rise and fall in SEO was preceded by a fall and rise in the rate of corruption as in



2009 and 2008 and 2002 and 2001 respectively when SEO rose to the highest in 2009 to 42% as the rate of corruption fell to 73% in 2008. Likewise SEO was lowest in 2002 (36%) as a result of the rise (90%) in the rate of corruption in 2001.

4.3 Test of Hypothesis

The H_0 postulated for the study states that; there is no significant relationship between the rate of corruption and the level of sustainable economic opportunity in Nigeria. The independent and dependent variables in the hypothesis are corruption and sustainable economic opportunity 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 with the aid of Statistical Package for Social Sciences (SPSS) the results of which have been presented in table 3.

Table 3: Symmetric Measures

		Value	Asymp. Std. Error ^a
Interval by Interval	Pearson's R	1.000	.000 ^b
Ordinal by Ordinal	Spearman Correlation	1.000	.000 ^b
N of Valid Cases		805	

a. Not assuming the null hypothesis.

b. Based on normal approximation.

The data in tables 1 and 2 indicate that the rate of corruption has been high in Nigeria between 2001 and 2010. Conversely, the level of sustainable economic opportunity has been low for the same period. From the hypothesis tested the calculated value is 1.000 while the critical value is 0.564 at 0.05% margin of error. In this case, the calculated value of 1.00 is greater than the table value of 0.564 thus, the H_0 which states that there is no significant relationship between the rate of corruption and level of SEO in Nigeria for the period 2001 – 2010 is rejected. The calculated value also indicates that there is a perfect correlation between the rate of corruption and the creation of SEO in Nigeria.

5.0 Conclusion and Recommendations

The study concludes that the rate of corruption has been high while the level of SEO has been low in Nigeria for the period 2001 – 2010. From the test of



hypothesis, the study also concludes that there is a perfect correlation between Corruption Sustainable Economic Opportunity. Therefore a reduction in the rate of corruption will facilitated the creation of SEOs in Nigeria and vice-versa. Contrary to the provisions of the theoretical framework, the institutions of the Nigerian state have not been able to effectively fight corruption and provide sustainable economic opportunities.

The causes of corruption as identified from the literature reviewed include government excessive regulation of the economy, wide discretionary powers exercised by public servants and inadequate transparency in governance. Others are poor public sector wages and weak enforcement of punishments for corruption offences. These have adversely affected the quality of public management, provision of conducive business environment, the quality of infrastructure and the development of the rural sector.

In view of this the study recommends for the deregulation of the economy with the exception of the social sectors that benefits the poor such as health, education and water supply. Others include the provision of basic infrastructures such as roads, rails and ports. There is also the need to reduce the discretionary powers of public servants especially political office holders in the use of public resources such as the security vote. This can also be achieved by strengthening the capacity of accountability frameworks such as the legislature, citizen participation and the existence of a virile civil society in addition to a free press. This will also ensure transparency in governance.

Public sector wages should be increased as empirical studies by Svensson (2005, 27 – 29) discovered a correlation between income and corruption in developing countries including Nigeria. This cannot however, be achieved without reducing the size of the workforce. The enforcement of punishment for corruption offences will reduce the expected gains from the act. This should however, be severe enough to serve as a deterrent. These recommendations are expected to reduce the rate of corruption and improve the quality of public management, create enabling environment for the private sector to thrive, improve infrastructure and development the rural sector for sustainable economic opportunity in Nigeria.



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