

The Challenges of Corruption and the Attainment of Vision 20:2020

J. F. Adebisi^{[a],*}

^[a] Ph.D., Dept of Accounting, Kogi State University, Anyigba, Nigeria.
*Corresponding author.

Received 28 June 2012; accepted 18 January 2013

Abstract

Of late the focus and tenor of the fight against corruption has attracted renewed interest and come under fresh scrutiny as part of the broader good governance agenda. This is partly due to increases in the incidence of corruption with impunity and mounting evidence about its negative multidimensional impact. The effect of corruption varies, depending on country conditions. It may, in the short term, even coexist with strong economic performance like (Chile, Asian Tigers). Its long-term effect, however, extends beyond actual revenue loss. This paper reflects on the economic effects of corruption in the attainment of Vision 20:2020. It is observed that the relate indirect effects include driving away investment, diminishing core democratic values, weakening the rule of law and credibility of public institutions, undermine consolidation of good governance and violate the social contract between citizens and the state. Furthermore, the findings showed that governance constraint, and corruption in particular, is a key determinant of a country's global competitiveness. These findings challenge traditional notions of what constitutes the country's investment climate, and who shapes it. This paper realizes that illegal forms of corruption would continue to be prevalent in the interaction between transnational of the rich world and the public sectors in many emerging countries.

Key words: Corruption; Good governance; Rule of law; Revenue loss; Attainment; Values

J.F. Adebisi (2013). The Challenges of Corruption and the Attainment of Vision 20:2020. *Canadian Social Science*, 9(1), 65-70. Available from: <http://www.cscanada.net/index.php/css/article/view/j.css.1923669720130901.047>
DOI: <http://dx.doi.org/10.3968/j.css.1923669720130901.047>

INTRODUCTION

Corruption is a global challenge and occurs in every country at varying levels. Highly publicized cases of mega corruption and the daily effects of petty corruption have earned Nigeria a woefully damaging reputation, and the whole country suffers from this reputation. This poor reputation is underscored by the 2005 it Corruption Perception Index (CPI) where 10 of the 20 countries (50%) rated most corrupt are in Nigeria (ABD Report, 2006) Corruption in Nigeria is a development and governance challenge that is increasingly receiving greater attention; more so as its damaging effects are better understood and citizens decidedly become unwilling to tolerate corrupt public officials (Kaufmann, 2004).

Nigeria is no more corrupt than other countries of the world. However, the impact of corruption is worst in Nigeria because the states are poor and can not bear its cost, and can least afford its consequence. Nigeria's particular vulnerability to corruption and rent-seeking practices is mainly due to the excessive and central role played by the public sector, particularly in controlling economic activities otherwise best left to market forces (ADB Report, 2006). How corruption manifests itself and its effects varies by country. At the margins, however, some practices deemed as corrupt in one country may not be considered so in another (*corruption relativism*). In Nigeria, social culture and traditional practices/norms of gift-giving and reciprocity are cited to argue the inescapability of corruption. However, as corruption is not condoned in any culture Nigeria or otherwise, culture should not be used as an excuse for not taking strong action against it. In the words of President Olusegun Obasanjo of Nigeria "In no society is it acceptable to the people for their leaders to feather their own nest at public expense" (Kaufmann, 2004). A key concern, therefore, is that as corruption becomes more widespread and entrenched; the distinction between socially accepted and corrupt practices becomes increasingly blurred and less rigorously enforced.

From Wikipedia (2008), corruption poses a serious development challenge. In the political realm, it undermines democracy and good governance by flouting or even subverting formal processes. Corruption in elections and in legislative bodies reduces accountability and distorts representation in policymaking; corruption in the judiciary compromises the rule of law; and corruption in public administration result in the unfair provision of services. More generally, corruption erodes the institutional capacity of government as procedures are disregarded, resources are siphoned off, and public offices are bought and sold. At the same time, corruption undermines the legitimacy of government and such democratic values as trust and tolerance (From Wikipedia, 2008).

CONCEPT OF CORRUPTION

Corruption is a common parlance with different definition and meaning-cloaked with ambiguities about its causes, effects, extent and solutions. Legal definitions of corruption tend to be less precise and narrower than its economic, social and political subtext. It attributes pervade across sectors and boundaries, and are manifested in practices such as theft, fraud, bribery, extortion, nepotism, patronage, and laundering of illicit proceeds. The Bank Group defines corruption as “misappropriation of public assets or public office/trust for private gains” (Kirgaard, 1998). Taking a broader scope, the African convention on preventing and combating corruption identifies nine different acts of corruption and related offences (Kaufmann, 2004). From Black’s Law Dictionary (2001), the word corruption is defined as an act done with intent to give advantage inconsistent with official duty and the rights of others. The act of official or character to procure some benefit for himself or for another person contrary to duty and the right of others.

Kirgaard (1988) explains that public office/trust is misappropriate for private gain when officials solicit, accept or extort bribe. It is equally abused when a private interests offer bribes to circumvent rule/procedures to gain competitive advantage and profit. Public office/trust may also be misused for personal gain without the exchange of money through patronage and nepotism, diversion of state revenues or theft of public assets. The focus here on public sector corruption should not undervalue the occurrences of corruption in the private sector. Corruption and fraud also takes place in the private sector corporate corruption, often with disastrous and costly result. Weakly regulated financial institutions and private firms fraught with corruption undermine good corporate governance; erode savings, increases transaction costs, and exact high economic cost when they collapse as witnessed in recent high profile cases in the West. Private sector corruption poses a formidable challenge, but corruption in the African public sector or at the public/private interface is,

arguably, a more serious problem and of greater of greater concern to the ADB (Ibid).

The scope of corruption is contextual and its incidence varies greatly, reflecting a country’s policies/legislations, bureaucratic culture, political development and social tradition. Corruption affects all sectors but tends to pervade some more than other (Operations Policy and Review Report, 2006). It flourishes where institutions of restraint and accountability are weak and policies provide scope for rent-seeking; particularly in areas of government contracts, public benefits, public revenue, regulatory avoidance and access to justice. Experience shows that corruption in the economic sector occurs when the state attempts to over regulate the economy through sweeping control regimes such as import/export quotas, licenses, permits and exchange controls. Applied with discretion and devoid of effective accountability, such regimes foster rent seeking opportunities. Additionally, weak political will plus inadequate legislation and lacked oversight/enforcement foster corruption with impunity in key functions such as customs, taxation, tender and procurement, police protection, public works, security sector and service delivery (Kirgaard, 1998).

Corrupt practices become the exception rather than the norm if the likelihood severe, and if it is generally condemned by society. The dynamics of public sector corruption is best summarized by the following simple model: $C = M + D - A$; where Corruption = Monopoly + Discretion – Accountability.¹ Under this model a public official is assumed to have monopoly power over a good or service which generates economic rent, and has the discretion to decide who will acquire it determining how rent will be distributed, and is not accountable for his/her action ((Operation Policy & Review, 2006).

ECONOMIC EFFECTS OF CORRUPTION

Corruption also undermines economic development by generating considerable distortions and inefficiency. In the private sector, corruption increases the cost of business through the price of illicit payments themselves, the management cost of negotiating with officials, and the risk of breached agreements or detection (Vedder, 2006). Although some claim corruption reduces costs by cutting red tape, the availability of bribes can also induce officials to contrive new rules and delays. Openly removing costly and lengthy regulations are better than covertly allowing them to be bypassed by using bribes. Where corruption inflates the cost of business, it also distorts the playing fields, shielding firms with connections from competition and thereby sustaining inefficient firms (Ibid).

From Wikipedia (2008), corruption also generates economic distortions in the public sector by diverting public investment into capital projects where bribes and kickbacks are more plentiful. Officials may increase the technical complexity of public sector projects to conceal

or pave way for such dealings, thus further distorting investment. Corruption also lowers compliance with construction, environmental, or other regulations, reduces the quality of government services and infrastructure, and increase budgetary pressures on government.

Economists argue that one of the factors behind the differing economic development in Africa and Asia is that in the former, corruption has primarily taken the form of rent extraction with the resulting financial capital moved overseas rather than invested at home (hence the stereotypical, but often accurate, image of African dictators having Swiss Bank Accounts). In Nigeria, for example, more than \$400 billion was stolen from the treasury by Nigeria's leaders between 1960 and 1999 (From Wikipedia, 2008). University of Massachusetts researchers estimated that from 1970 to 1996, capital flight from 30 sub-Saharan countries totaled \$187bn, exceeding those nations' external debts (From New Statesman, 2008). (The results, expressed in retarded or suppressed development, have been modeled in theory by economist Mancur Olson.) In the case of Africa, one of the factors for this behavior was political instability, and the fact that new governments often confiscated previous governments' corruptly obtained assets. This encouraged officials to stash their wealth abroad, out of reach of any future expropriation. In contrast, corrupt administrations in Asia like Suharto's have often taken a cut on everything (requiring bribes), but otherwise provided more of the conditions for development, through infrastructure investment, law and order, etc. (Ibid).

TOWARDS AN EFFECTIVE ANTI-CORRUPTION STRATEGY

What Are the Key Elements of an Effective Anti-Corruption Strategy and What Lessons Can We Draw from Current Practices?

An effective strategy against corruption has to address the broader governance and institutional reasons that give rise to the problem in the first instance. At the individual level, it must address the elements of rational choice which rationalizes corrupt practices as low-risk high-gain endeavors rather than the other way around. More broadly, an effective anti-corruption strategy must be country-specific, but also based on internationally accepted norms and standards. The fight against corruption at home and internationally must typically be multi-pronged, incorporating elements of prevention, detection, investigation, enforcement, public awareness and institution building. It must begin with a demonstration of political will and publicly supported leadership for the rule of law and against impunity; involve action to reform legal, judicial and prosecutory systems; strengthen and professionalize the public sector; promote competitiveness of the private sector; and hold public officials accountable for their action (Operation Policy & Review, 2006).

A realistic anti-corruption strategy must also recognize that fighting corruption has to be viewed within the context of broader societal challenges and priorities, of which reducing corruption is an important element. In the fight against corruption, the optimal level of corruption may not be zero. A key consideration in the design and implementation of realistic national anti-corruption campaigns is not to totally rid states of all corrupt and rent seeking practices, but to reduce it to a level that is manageable and tolerable. Arguably a preoccupation with corruption can be costly—not only in terms of funds spent to control it, but also in the deflection of attention and organizational competency away from other priorities. Even if corruption could be reduced by ever greater efforts, the benefits of reducing it to zero must be weighed against the marginal cost incurred in the process.

Vito *et al.* (1998) notes that success in fighting corruption is neither easy nor achievable in the short term. It requires consistent, coherent, broad-based approach and a long-term perspective. The experience of industrialized countries shows they were able to check rampant corruption over time and only as political and economic competition became institutionalized and adherence to the rule of law became widespread. Building on the efforts of most African countries there is a need for a redoubling of efforts by government towards developing newer and more effective strategies, including better coordination to meet the changing challenges corruption presents.

Ultimately, national anti-corruption strategies to combat both the causes and consequence of corruption must be put in place by government themselves, with support from the international community and the private sector. Some key elements of effective national strategies are presented below:

Political will Leadership: In the fight against corruption, there is no substitute for leadership at the top, and all other efforts can not succeed without it. Although not sufficient in and of itself, high-level signal assures legislatures and enforcers of laws, rules and codes of conduct that they can confidently perform their duties without fear or favor, and assured of support at the top. It also signals that no-one is above the law and corruption will not be tolerated. Politicians that rise to high offices on a platform of targeting corruption attempt to follow through once in office. However, stop-start measures and piecemeal approaches have proven ineffectual either because they have not been rigorously invoked or because important public figures have been exempted or both. Political will is administrative measures are enacted, enforced indiscriminately, and stringent penalties are imposed on violator.

Strengthening Institution: Building strong institution is a central governance challenge and key to controlling corruption and requires action in several fronts. Well functioning institutions, strong legal framework, independent judiciary, and vibrant civil society all serve

to safeguard against corruption. In general, building a professional and accountable civil service, establishing sound financial management systems and transparent policy making are proven deterrents against corruption. Several countries have found that streamlining government involvement in the economy, curbing discretionary decision making powers, deregulation and removal of price controls and reducing license and permit requirements curtails corruption and rent seeking practices. On the accountability and transparency side, measures such as rigorous budget expenditure tracking and financial reporting mechanisms, ensuring all expenditures, including the defense/security sector, are on-budget, enforcing audit provisions, and improved public access to information significantly contribute to reduce corruption.

Reforming the Public Sector: States where corruption is the exception rather than the norm have done so by reforming public institutions such as civil service, parliament, and the judiciary, which in turn create interlocking systems of oversight and accountability. As a complement to broader institutional reform efforts, reform in the following public functions is required for the fight against corruption to have credence:

- **Financial Management:** Good financial management systems have proven to be an effective deterrent against corruption and facilitate detection and persecution. They allow proper management of resources, tracking of improper expenditures and facilitate audit functions by creating audit-trails. Preliminary experience with financial management diagnostics such as Public Expenditure Reviews (PER) are found to be promising.

- **Civil Service Reform:** A professional and well motivated civil service is a key to fighting corruption. Previous administrations have implemented reforms programs, including downsizing and wage-decompression, without discernable improvement in corruption levels. Experience shows that as long as public sector pay remains grossly inadequate, bureaucratic corruption will remain entrenched. Effective civil service reform has to be complemented with credible policy and administrative reforms, which are mutually reinforcing. Experience shows that merit based recruitment and promotion restrains patronage, ensures proper incentives and sanctions, creates professionalism and reduces opportunities for corruption and rent seeking.

- **Tax & Revenue Function:** Tax and customs departments are often the locus of major fraud and corruption and thus must be major focus of a national anti-corruption strategy. A key strategy in this domain, presently being implemented in some African countries is to give revenue agencies greater managerial freedom in the hiring of staff and setting pay scales. Also agency restructuring by separating tax assessment functions from collection functions, and staff rotation have proven effective in reducing corruption. Simplification of tax and

tariffs and keeping them modest also reduces tax staff setting discretions.

- **Public Procurement:** Procurement and contract management are highly vulnerable to corruption. As budget come under pressure and payments are delayed, incentives to bribe increases. As the basic principles and best practices of sound procurement are well known, the challenge is how to better focus resources and efforts on establishing sound systems and building capacity to operate them as intended.

- **Anti-corruption Agencies:** Autonomous agencies and watchdog bodies are significant components of a national anti-corruption strategy. These include specialized anti-corruption agencies, (EFCC, ICPC) office of the inspector general, auditor general and ombudsman and independent electoral bodies. To be effective such bodies must be independent from political manipulation. They themselves must maintain high standards of conduct and have sufficient financial and professional resources to perform their duties. The performance record of such bodies across the continent is mixed. Although there has been political interference in some cases, in other, such bodies have been instrumental in investigating and prosecuting corruption.

- **Legal & Judicial Reform:** Purely legal measures alone have not proven to be totally effective in fighting corruption. They must constitute an essential part of a strategy that includes a well functioning legal system-laws, regulations as well as administrative process and institutions through which they are enforced. Experience has shown that enforcement of anti-corruption legislation requires an independent and functioning legal system, plus an efficient, predictable, and accountable judiciary, whose rulings are protected from political interference. This entails, amongst others, judicial independence (including transparent criteria for the selection and removal of judges, well-paid judges with secure tenure, and appropriate training in ethics); improved court administration and case management; procedural reforms in the courts, and access to alternative dispute resolutions mechanisms.

- **Legislators:** Legislators creates the enabling legislative framework for fighting corruption and serve to bridge the gap between state and society through their legislative, oversight and representative mandates. Institutional mechanisms such as house oversight committees, public accounts committees and house-mandate commissions of inquiry and publication of legislative records are some of the ways in the institution can lead in the fight against corruption. Also, lawmakers themselves are not above corruption and rent seeking opportunities. Recent efforts by some legislators to adopt stringent measures including voluntary codes of conduct and comprehensive asset declaration are promising first steps that must be supported and scaled-up, as appropriate.

Civil Society: civil society, including and independent media and the private sector are arguably key players in articulating the *demand-side* of controlling corruption. It is only when citizens will no longer tolerate it that corruption can be curbed. Interest groups, professional organizations, consumer groups, religious leaders build coalitions against corruption and serve as important watchdogs, demanding greater accountability. Experience shows that strengthening various sectors in and out of government simultaneously tend to foster a dynamic system of checks and balances. A key challenge observed in most States is that of effectively galvanizing public opinion and action against corruption in a context where historically citizens distrust government and the public sector is apprehensive about citizen involvement in state affairs. Another challenge is that of civil organizations themselves living up to ethical standards and operating transparently and in a manner not adversarial to the state.

By actively fighting corruption, the private sector stands to benefit from a level playing field that increases competition, predict legal protection, enforcement of contracts and property rights and reduced bureaucratic red tape. The private sector is thus a key partner in efforts to stop the payment of bribes. Similarly, an independent media plays a vital role in educating the public, exposing corruption and building support for the fight against corruption. Corruption thrives in secrecy, which is countered by a free press, the threat of negative publicity and exposure by the press serves as a strong deterrent. An independent and free press also helps counteract long held perceptions that corruption is inevitable and that important people are immune from investigation or censure. Local media exposures of alleged cases of mega corruption in Kenya, South Africa and Lesotho help counter such perception. On the other hand, proper ethical standards and capacity for responsible investigative journalism still remain weak in the Nigerian media. Hence, *witch-hunts* and unsubstantiated accusations stand to undermine and erode the credibility of anti-corruption efforts.

Regional/International Measures: corruption has a strong regional and international dimension, and moves towards a coordinated multi-level response. Until recently industrialized countries were reluctant to admit that their national/multinational companies fueled corruption in Nigeria. This has now changed dramatically and several initiatives are afoot to aid Nigeria to fight corruption. The OECD anti-bribery convention; the UN convention against Corruption; and the Extractive Industry Transparency Initiatives (EITI), Transparency International (TI) are a few of the measures criminalizing foreign bribery and eliminating the tax deductibility of such bribes. Regional commitments to the fight against corruption articulated in the AU Convention Against Corruption & Related Crimes, the New Partnership for Africa's Development (NEPAD), and various sub-regional, conventions facilitate development of formal

agreements between countries. It also provides scope for creation of legal mechanisms to address the trans-national aspects of corruption such as money laundering and the smuggling of small arms and drugs. Recent cooperation by the major international banking concerns to investigate and return illegally gotten money is also a step in the right direction. However, government continue to encounter international banking regulations the make information hard to come by, and difficult to prosecute accomplices.

CONCLUSION

The fight against corruption in Nigeria is gradually moving beyond the discussion of the problem to the development of a more robust implementation to both government and donor partners are clear. State governments have to accelerate the broader political and economic reforms which promote free and open competitions, transparency, accountability, and the rule of law thereby actualizing the Vision 2020. At the same time, they must adopt realistic and achievable strategies and build coalitions with civil society to ensure that corruption is met with strong public disapproval as well as sanctions. Sanctions must also include persecution of few high-profile cases to signal the end of impunity and respect for the rule of law.

The international community for its part must show political commitment by first ratifying the UN Convention Against Corruption. It must also take proactive measures that make bribery in international business a criminal activity; reduce possibilities for corruption practices in the aid industry, and fully support the anti-corruption efforts of Nigeria government. The international community can further strengthen Nigeria's fight against corruption by taking stringent steps against Multi-national business and their perceived commercial interest. Regional initiatives and legally binding instruments (AU, NEPAD, APRM) that broadly address governance challenges and corruption in particular have an important leadership role to play in curbing corruption.

Beyond generalities, the following specific activities can strengthen the country efforts to better understand frontier issues in the fight against corruption and to respond more effectively.

- Leadership is key. Sustaining and expanding the fight against corruption required committed leadership and a mobilized civil society. Construction pressure and assistance from abroad can help, but can not substitute for political leadership.
- For leadership to be credible, it must go beyond mere pronouncements and adopt concrete, monitorable and time-bound action, to which a country's leadership is held accountable to its citizens and partners. Where political space exists, civil society must partner with government in the implementation of national strategies and monitoring and reporting their effectiveness;

- The body of knowledge on what works and does not work in fighting corruption in Nigeria still remains weak. There is much to learn on the design and implementation of effective intervention strategies. This knowledge gap has to be filled with more research, seminars and conferences, and drawing lessons and best practices from such gatherings;
- Corruption also poses great fiduciary risk to foreign aid, all the more so as it is estimated that an additional \$10 billion per annum is pledged for Africa. This will pose significantly greater corruption risk in the aid industry, and must be proactively managed by both donor and recipient countries and institutions.

While investigation and prosecution is necessary to desecrate an end to impunity, it is far more important to emphasize the preventive nature of anti-corruption efforts over its enforcement aspect. Equally important is the need for national strategies to be forward-looking, focusing on improving systems and institutions, rather than focusing on uncovering past abuses (from Operations and Policy Review, 2006).

REFERENCES

Black's Law Dictionary (6th Ed.) (2001). Definition: West Group.

- African Union Convention Preventing & Combating Corruption and Related Offences Article IV.
- British Broadcasting Corporation* (2007). African Corruption 'on the wave', July 10, 2007 BBC News Retrieved from <http://news.bbc.co.uk/2/hi/6288400.stm>
- Corrupt Practices Investigation Bureau* (2006). *What is Corruption*. Retrieved September 5, 2008.
- Kaufmann, D. (2004). *Corruption, Governance and Security: Challenges for the Rich Countries and the World*. World Bank Institute.
- Kirgaard, R. (1998). *Controlling Corruption*, Berkeley; LA, University of Cal Press, 220p.
- Operation Policy & Review Department (OPRD) (2006). *Combating Corruption in Africa: Issues and Challenges*, A Concept Note Paper for the 2006 Annual Meetings, Ougadougou, Burkina Faso.
- Vedder, E. (1896). *Corruption Legislation*, Library of Congress. Retrieved from www.wikipediaincorruption on September 6, 2008
- Vito, T. & Hamid, D. (1998). *Roads to Nowhere: How Corruption in Public Investment Hurts Growth*.
- Wikipedia (2008a). *New Statesman-When the Money Goes West*. Retrieved September 2, 2008.
- Wikipedia (2008b). *Political Corruption*. Retrieved from http://en.wikipedia.org/wiki/political_corruption on August 30, 2008