

# THE NEXUS BETWEEN POLITICAL INSTITUTIONS AND CORRUPTION: LESSONS FOR NIGERIA

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## **Abstract**

This paper examines the relationship between corruption and measures of political institutions using Africa sample. The analyses show that there is negative relationship between political institutions and corruption. Meaning that corruption declines as political institutions improve. Rule of law depicts the strongest relationship with corruption. Governance is next to rule of law in terms of strength of relationship, follow by judicial independence, voice and accountability, press freedom, and free and fair election in that order. Therefore, for Nigeria and any country facing corruption crisis should make conscious efforts to improve quality of political institutions so as to win the war against corruption.

**Keywords:** corruption, rule of law, judicial independence, voice and accountability, press freedom, free and fair election, governance

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## **1. Introduction**

Corruption is endemic and persistence in many societies across the world, particularly in Africa. The nature and intensity of the problem, however, vary from one society to another. Significant research efforts have been directed to understanding the causes and consequences of corruption. Though, there are few studies which show that corruption can grease growth (see for example: Rock & Bonnett, 2004, Egger & Winner 2005), bulk of the studies show that corruption is detrimental to growth, investment, provision of public goods (such as electricity, water and other infrastructure) and performance of public enterprise, particularly in developing countries (examples are Mauro 1997; Gymiah-Brempong 2002; Pellegrini & Gerlagh 2004; Anoruo & Braha 2005; D' Agostino et al 2016; Dominik & Christina 2017; Gründler & Potrafke 2019; Alfada 2019). Many studies also argued that corruption is responsible for most of the development challenges in Africa (Uwak & Udofia 2016; Mlambo et al 2019). Thus, fighting corruption is paramount in ending poverty, inequality, poor infrastructure and other development challenges in the African continent. The World Bank Group considers corruption a major challenge to the goals of ending extreme poverty by 2030 and boosting shared prosperity for the poorest 40 percent in developing countries. The World Bank added that corruption discourages poor people from accessing health services and negatively impacts health outcomes, such as infant mortality. It is argued that reducing corruption stands at the heart of achieving the ambitious targets of Sustainable Development Goals. Thus, fighting corruption is one of the priority of almost all the development institutions and many of the donor agencies as well as other development partners.

Nigeria is not exempted from this cancan worm called corruption. In fact, Nigeria has over the years been ranked among the most corrupt countries in the world by different agencies that measure corruption across countries. Corruption has become so massive and pervasive such that no sector is left out of its nefarious effect including the judiciary and the private sector. Corruption has negatively affected the progress of the country and prevented the actualization of her potential. PWC (Price Water House Cooper), a private organization has conducted research in 2016 to analyse the channels through which corruption affect the Nigerian economy and estimate the cost of corruption in the past fifteen years as well as stimulate the gain of low corruption for the next fifteen years. Their results show that the effect of corruption occur via lower governance

effectiveness, inefficient government expenditure, weak investment including FDI, and lower human capital because majority of the poor are deprived access to healthcare and education. The cost of corruption in terms of output lost was estimated at \$1,000 per person as at 2014 and it will rise to about \$2,000 in 2030 if corruption continue at the level of 1999 to 2015. The question is why has corruption remained a major issue in the country despite it being the key priority of every political regime since 1960s?

Many factors were identified in the literature as the cause of corruption. However, the common view is that there is a strong link between institutions and corruption. Corruption is higher in countries with weak institutions while it is lower in countries with strong and effective institutions. Therefore, this paper aims at establishing the relationship between some measures of political institutions and corruption, then draw lessons for Nigeria. Therefore, the paper is arranged as follows: section two discusses the concepts of corruption and institutions; the link between institutions and corruption is presented in section three; the lessons for Nigeria is drawn in section four; and section five concludes the paper.

## **2. Conceptual Issues**

The concepts of corruption and institution are complex and difficult to define. The two concepts could mean different things to different people. Therefore, this section attempts to give the most popular definitions of these two concepts.

### **2.1 The Concept of Corruption**

The most popular definition of corruption in economics is that “corruption is the use of public office for private benefits” (Mauro 1998, Bardhan 2005). Svensson (2005) defines corruption in similar way as misuse of public office for private gains. This definition though not all encompassing, captures issues of embezzlement, nepotism, diversion of funds, misappropriation, bribery and kickbacks in public procurement and other abuse of public office. However, corruption can also occur in private corporations and even in informal settings when executive/manager use corporation/business resources for personal gains at the expense of shareholders’/owner’s interest. Corruption could also be between private firm and government officer, for example, when a firm gives bribe to a tax officer in order to avoid paying tax to government. Authors like Lucky (2011) defined corruption to include wide range of social ills such as examination malpractice in its various forms including lecturers awarding marks to students for some favours, fraudulent business deals (419), importation and distribution of fake or sub-standard products, electoral manipulations, ritual killings and so on.

## **2.2 The Concept of Institutions**

One of the most widely accepted definition of institutions was given by North (1990) that “institutions are the rules of the game; more formally, are the humanly devised constraints that structure political, economic and social interaction”. They consist of formal rules (for example, constitutions, laws, property rights), and informal constraints (for example, sanctions, taboos, traditions, customs, norms of behaviour, conventions and self-imposed codes of conduct) as well as their enforcement characteristics. In other words, they consist of the structure that humans impose on their dealings with each other. Institutions often establish the constraints, determine the costs and benefits under which individuals take decisions. The extent of constraints and the choices individuals make in different institutional settings depend on the effectiveness of their enforcement.

Broadly speaking, institutions can be categorised into two: formal and informal institutions. The formal institutions are further divided into economic and political institutions. The interactions between economic and political institutions are complex. On one hand, political institutions shape the fate of economic institutions, and on the other hand, economic institutions are critical to the fate of political institutions. Thus, it is difficult mapping a distinction between political and economic institutions. However, this paper focuses on political institutions.

Premised on the definition by North (1990), political institutions can be seen as the “political rules of the game”. They are collections of structures, rules and standard operating procedures that have a partly autonomous role in political life. March and Olsen (1995) conceptualized political institutions as “relatively enduring collection of rules and organized practices, embedded in structures of meaning and resources that are relatively invariant in the face of turnover of individuals and relatively resilient to the idiosyncratic preferences and expectations of individuals and changing external circumstances”.

In this way, political institutions are considered to organize the polity and to have an ordering effect on how authority and power is constituted, exercised, legitimated, controlled and redistributed. In this study, political institutions are discussed in relationship to how they may influence corruption of public officers, elected or appointed. Therefore, the working definition of political institutions is considered in this study as those laws and regulations that govern political process and political decision making as well as the citizens ability to engage with and criticize on that process. Specifically, attention is directed to institutions as rule of law, judicial independence, free and fair election, press freedom, voice and accountability as well as governance index.

### **3. The Link between Institutions and Corruption**

The link between institutions and corruption is generally discussed on the context of principal – agent model. The agent usually occupies a position and take decision on behalf of the principal, which has direct effect on the interest of the principal. A common example of principal – agent relationship is relationship between voters as the principal and politicians as agent. Another example is the relationship between shareholders as the principal and manager as agent. The problem arises when the principal cannot monitor the actions of the agent such that the agent takes decisions to his interest at the expense of the interest of the principal. If the ability of the principal to monitor and punish the agent for misbehaviour is weak, the incentive for the agent to be corrupt is very high. It is the institutional setting that determines the incentive system. This section discusses how different political institutions shape the incentive system of public officers to indulge in corruption. The effects of the different components of political institutions on corruption is interwoven such that the effect of one depends on the effectiveness of others.

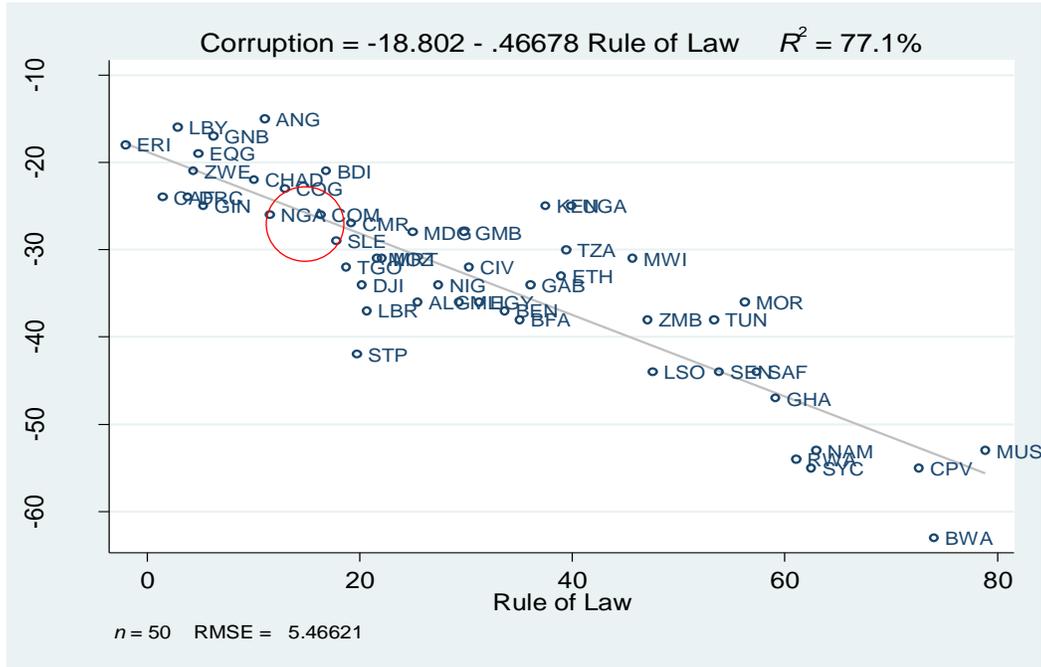
#### **Rule of Law and Corruption**

Tamanaha (2012) defined rule of law to mean that government officials and citizens are bound by and abide by the law. Rule of law ensures that all persons, ruled and rulers act according to the laws of the land and everyone is equal before the law. According to United Nations (UN) Secretary General’s report (2004), rule of law “refers to a principle of governance in which all persons, institutions and entities, public and private, including the State itself, are accountable to laws that are publicly promulgated, equally enforced and independently adjudicated, and which are consistent with international human rights norms and standards”. This implies absence of discretionary power, abuse or misuse of power and respect for the supremacy of the law. Rule of law has about four components: (i) equality before the law: everyone irrespective of social, economic or political class/status is subject to the law of the society and jurisdiction of the courts; (ii) the law must be clear, published in advance, predictable, stable, just and applied evenly; (iii) the process by which the laws are enacted, administered, and enforced must be accessible, fair, and efficient; and (iv) justice must be delivered timely by competent, ethical, and independent representatives and neutrals who are of sufficient number, have adequate resources, and reflect the makeup of the communities they serve.

Theoretically, corruption is expected to be low if there is strong adherence to rule of law. Using data on inverse of Corruption Perception Index (CPI) and index of rule of law in World Bank Governance Indicators, Figure 1 below depicts the relationship between rule of law and corruption using Africa sample. It is clear

from Figure 1 that there is strong negative relationship between rule of law and corruption. That is, high corruption is associated with weak adherence to rule of law and vice versa. The weaker the institutions enforcing rule of law, the higher the level of corruption. For example, corruption is very low in countries like Botswana (BWA), Mauritius (MUS), Cape Verde (CPV), Seychelles (SYC) and Namibia (NAM) because there is strong rule of law. On the other hand, corruption is prevalent in countries with poor observation of rule of law such as Eritrea (ERI), Angola (ANG), Zimbabwe (ZWE) and Nigeria (NGA).

Figure 1: The Relationship between Rule of Law and Corruption



Source: computed by author

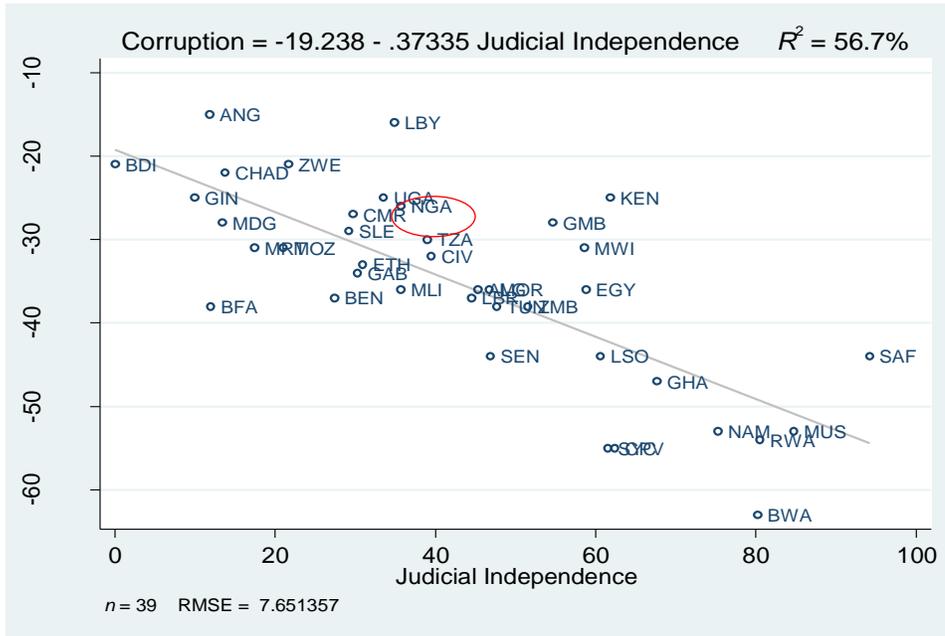
### Judicial Independence and Corruption

According to Duhaime's Law Dictionary, judicial independence refers to a situation where judges are not subject to pressure and influence, and are free to make impartial decisions based solely on facts and law. This represents a legal system where judges in all courts decide cases fairly, impartially, according to facts and law and free from fear, prejudice, intervention of legislature, executive or any institution. It is important that all judges are allowed to administer law under the protection of law, independently and freely, without fear or favour. Interestingly, judicial independence is essential for rule of law. To achieve judicial independence, it is necessary for the law to provide three types of securities for the judges: first, service and tenure security; second, financial security during and after service; and third, administrative security. There is also need for separation of power among the arms of government.

Judicial independence has strong link with rule of law on one hand and corruption on the other hand. It is difficult to attain rule of law with a judiciary that is not independent and as such it will be difficult to reduce corruption. Therefore, corruption would decline with improvement in judicial independence. Figure 2 presents the relationship between corruption and judicial independence using Africa sample. The figure depicts inverse relationship between corruption and

judicial independence. Countries with lower judicial independence experience more corruption, while countries with higher judicial independence have low corruption.

Figure 2: The Relationship between Judicial Independence and Corruption



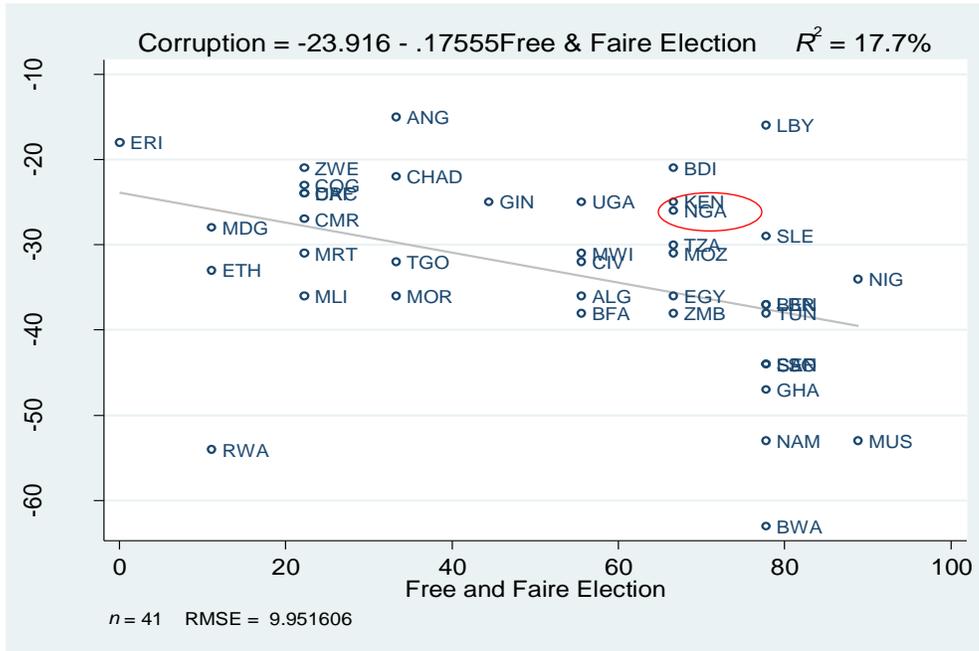
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### Electoral System and Corruption

Theoretical literature posits that periodic democratic election will reduce public corruption. This argument is based on the assumption that the electorates will always replace a corrupt incumbent politician with a non-corrupt politician. Therefore, the incumbent politician who wants re-election will reframe from corruption. Also, political parties will present non-corrupt or at least less corrupt politicians to win elections. In practice however, this is not always the case even where elections are adjudged to be free and fair. There are situations particularly in Africa where voters either continue to re-elect corrupt politicians or replace a corrupt politician with another corrupt politician. As evident in Figure 3 below, there is very weak relationship between free and fair election and corruption in Africa, though the relationship is inverse. A number of countries (Burundi, Kenya, Sierra Leone, and even Nigeria) have had free and fair elections and yet corruption is high. This evidence is contrary to the theoretical proposition that free and fair election will lead to less public corruption. Kilishi, Yaru and Yakubu (2013) have argued that when voters' choices are marred by religion and ethnic sentiments then elections cannot lead to reduction in corruption even if the

elections are free and fair. This is because politicians who share same sentiments with voters are elected irrespective of their attitude to corruption.

Figure 3: The Relationship between Free and Fair Election and Corruption



### Press Freedom and Corruption

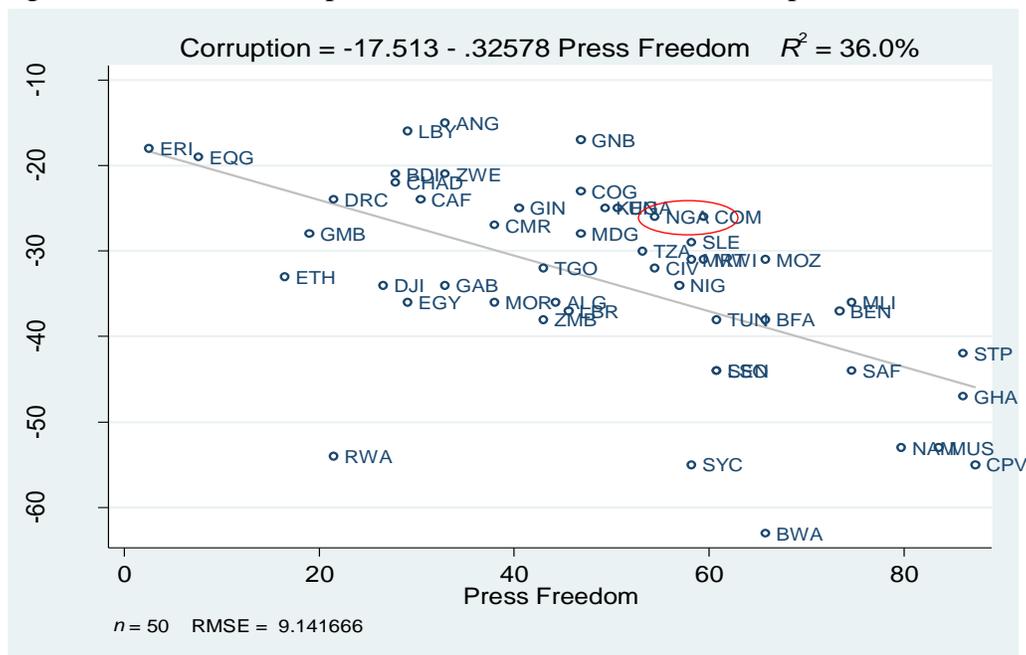
The freedom of press to access and publish public information including information concerning corrupt practices is expected to have negative relationship with the level of corruption in the society. Brunetti and Weder (2003) argued that free and independent press has a strong incentive to investigate, discover and expose information on wrongdoing including corrupt practices in public and private offices. Therefore, more press freedom will result to less corrupt practices. Norris (2006) explained that the function of press as watchdog which promotes transparency and accountability of public officers as well as promote public scrutiny of decision makers are the channels through which press freedom impact on corruption.

Figure 4 displays the relationship between press freedom and corruption in Africa. The relationship is negative as expected but it is not a strong relationship. Corruption is high in countries like Cameroon, Guinea – Bissau, Congo Republic and Nigeria among others despite the relatively high level of freedom the press enjoyed in these countries. Since press freedom does not have direct effect on

corruption, it cannot lead to reduction in corruption without reasonable improvement on the channels via which it influences corruption. Therefore, for press freedom to have significant impact on corruption, majority of people should not only have access to news/information but should be able to analyse and use such information to hold government accountable. Mathias, Emma and Hemik (2011) showed that the effect of press freedom in fighting corruption depends on the level of electoral democracy. Their results showed that press freedom does not have significant effect on young democracy but the effect is significant in countries with well-established democracies. This argument buttresses the proposition that in competitive multiparty democracies, voters use information provided by the press to vote out a corrupt politician. Since democracy is still at infancy stage in most African countries, the weak relationship observed in Figure 4 is not surprising.

Free and independent press is a necessary condition to fighting corruption in Africa, however, it is not sufficient. The sufficient conditions include: one, more people should have access to news; two, the public should be able to scrutinize the news; three, voters should be able to use the information to decide whether to elect or not to elect a given politician; and four, the votes of the electorates should count.

Figure 4: The Relationship between Press Freedom and Corruption



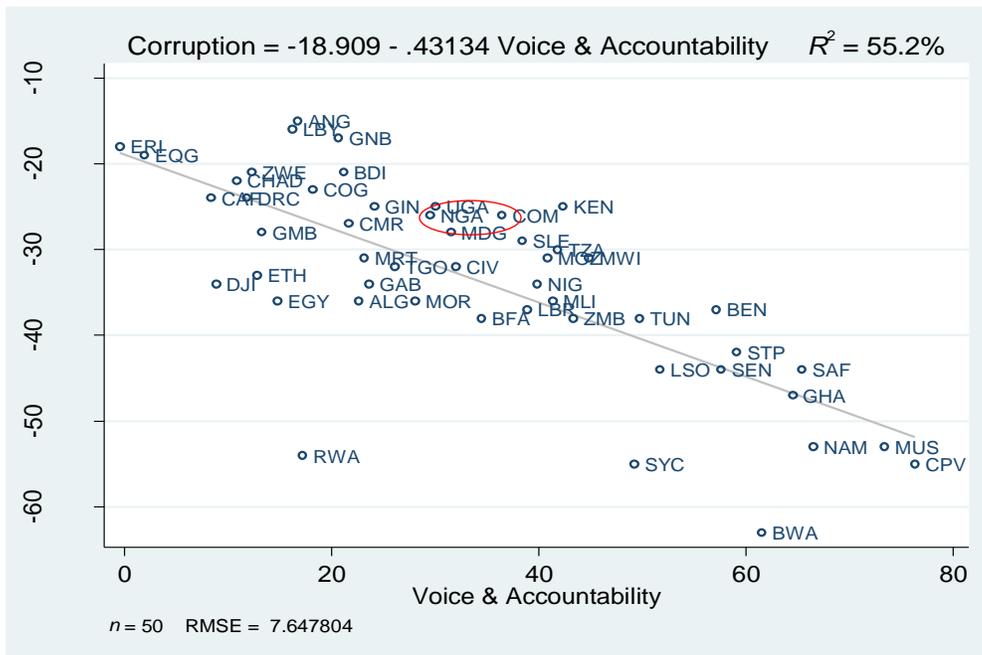
Source: computed by author

### Voice and Accountability and Corruption

The extent to which the citizens of a country are involved in public decision making process and the extent to which they enjoy freedom of expression as well as freedom of association determine the level of voice and accountability. The level of corruption is expected to be lower when voice and accountability is high. Lederman, Loayza and Soares (2005) explained that the central argument for the negative relationship between accountability and corruption is that accountability allows for the punishment of politicians that adopt bad policies including corrupt practices thus politicians have the incentives to align their preferences with those of the electorate. Accountability leads to less corruption by either encouraging punishment of corrupt individuals; or by reducing the informational problem related to government activities.

Figure 5 depicts strong negative relationship between accountability and corruption in Africa. Countries where voice and accountability are high, corruption is low and corruption is high where there is less accountability. The degree of accountability is connected to political competition, checks and balances as well as transparency. These three have bearing on political accountability.

Figure 5: The Relationship between Voice & Accountability and Corruption

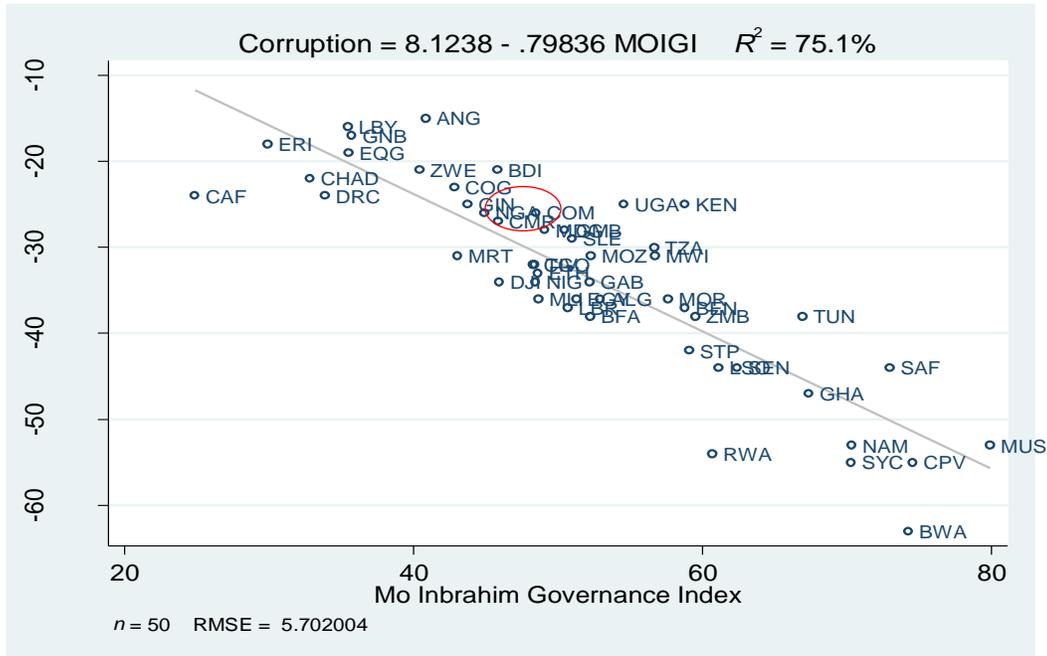


Source: computed by author

## Governance and Corruption

Corruption in Africa and other developing countries is often blamed on bad governance. Thus, corruption is viewed as the outcome or consequences of bad governance. Countries with bad governance have more corruption than countries where governance is good. It has also been argued that corruption causes bad governance. Therefore, the relationship between governance and corruption could be two way rather than one direction. Bad governance causes corruption while in turn corrupt politician have little or no incentive to improve the governance system. Figure 6 displays the relationship between governance and corruption with the focus on how governance influences corruption. The relationship as depicted in the figure is strong and negative. The overall Mo Ibrahim Index of Governance was considered in the figure. This index comprises of four broad indexes namely Safety and Rule of Law, Participation and Human Rights, Sustainable Economic Opportunity, and Human Development which were computed from 93 indicators. Mo Ibrahim Foundation uses these indicators to measure and monitor progress in governance annually across all African countries. Evident from the figure is that corruption reduces with improvement in the indicators of Mo Ibrahim Governance Index.

Figure 6: Mo Ibrahim Governance Index and Corruption



Source: computed by author

#### **4. Lesson for Nigeria**

One of the main obvious priorities of Muhammadu Buhari led federal government administration in Nigeria is war against corruption. Some of the major steps taken are arrest of looters and recovery of loots. As much as this is an appreciable effort, it is just a short-term solution to corruption. The long term and more enduring solution is to build strong and effective institutions that will ensure transparency and accountability of public officers on one hand and on the other create participatory government which allows people to have input on decisions that concern them. It is however obvious from the discussion in section three that the quality of political institutions ranging from rule of law, independent judiciary, to voice and accountability and overall governance are poor in Nigeria. Thus, to win the war against corruption, it is extremely important to carryout sincere and serious institutional reform that will ensure rule of law and direct involvement of citizens as well as civil society in decision making process.

It is not enough to say government should reform institutions without mentioning some of the specific steps to take in order to achieve actual reforms. Starting with rule of law, it is virtually impossible to have rule of law without independent and impartial judiciary. Therefore, judicial reform that will guarantee tenure, economic and administrative security of judges is paramount in attaining rule of law and winning the war against corruption. This security is not limited to particular set of judges, rather to all judges at all levels while they are in service and after retirement. Tenure and even administrative security cannot be achieved if the appointment and removal of judges is at the prerogative of one single individual because such individual may discretionarily appoint or remove judges so as to trample justice. Therefore, the law should clearly define the procedure of appointment and removal of judges such that no single individual can influence this procedure. In addition, judges should be protected by law from any form of assault when discharging their duties. More so, judges should be allowed to serve for relatively long tenure before retirement and they should be remunerated adequately during and after service. However, corrupt judges should not be protected under the law.

How electoral system, press freedom and voice and accountability affect corruption is interwoven. Electoral reform that will let the votes of people to count is necessary but may not be sufficient to combat corruption. This is because people will not be able to hold politicians accountable if democratic capital is low even if elections are free and fair. Democratic capital includes levels of literacy, poverty and size of middle class. More efforts should be made to reduce illiteracy rate and poverty so as to have a robust middle class that uses information from free press to take informed decisions during elections. It is also difficult for

citizens to have voice in the design and implementation of public decision if they are not educated in the full meaning of education. Therefore, high level of literacy, low level of poverty and robust middle class are prerequisite to the effectiveness of electoral and press reforms that will lead to lower corruption. Additional electoral reform is needed in Nigeria because of the socio – political setting of the country that fractionalizes citizens along ethnic and religion divisions. Legalizing rotation of political positions such that all candidates for a particular position will come from same ethnic group will help to solve or at least minimize the problem of sentimental voting. Voters are most likely to vote for the best candidate in such situation.

## **5. Concluding Remarks**

This paper examined the link between corruption and political institutions measure by rule of law, judicial independence, electoral system, press freedom, voice and accountability as well as overall governance. It is observed that corruption is high in countries where political institutions are poor in term of weak enforcement of rule of law, judiciary not fully independent, lack of voice and accountability and overall weakness of governance. Countries such as Botswana, Cape Verde, Seychelles, Rwanda, Mauritius, and Namibia where corruption is low, political institutions are of high quality. The institutions in these countries allow participatory governance where citizens are directly involved in decision making and politician are accountable to the people. Therefore, for corruption to be reduced significantly in Nigeria and other countries facing serious corruption crises, conscious and sincere efforts should be exerted on reforms that will ensure independence of judiciary, adherence to rule of law, press freedom, free and fair election, voice and accountability as well as good governance. In addition, investment in democratic capital that would reduce the levels of illiteracy and poverty as well as increase the size of the middle class is important. The paper concludes that much cannot be achieved in the war against corruption if nothing is done to improve the quality of political institutions.

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