Journal of Business Ethics (2005) 59: 121–138
DOI 10.1007/s10551-005-3402-3 

# Corruption and Development: New Initiatives in Economic Openness and Strengthened Rule of Law

*Augustine Nwabuzor*

ABSTRACT. Corruption is a major problem in many of the world's developing economies today. World Bank studies put bribery at over $1 trillion per year accounting for up to 12% of the GDP of nations like Nigeria, Kenya and Venezuela. Though largely ignored for many years, interest in world wide corruption has been rekindled by recent corporate scandals in the US and Europe. Corruption in the developing nations is said to result from a number of factors. Mass poverty has been cited as a facilitating condition for corruption just as an inability to manage a sudden upsurge in mineral revenues has been credited with breeding corruption and adventurous government procurement among public officials in countries like Nigeria and Venezuela. Virtually all developing nations that have serious corruption problems also have very limited economic freedom and a very weak enforcement of the rule of law. In such nations, corruption represents a regressive taxation that bears hard on the poor. It has a dampening effect on development and it could result in the production of inferior goods as companies find ways to accommodate under-the-table payments. Finally, corruption is a dangerous threat to the legitimacy of the governments of some of the developing nations themselves. It is suggested that new urgent initiatives are needed to deal with the dangers posed by corruption in the developing economies. They include making the economies of these nations more open by the withdrawal of the government from the productive sector and by the abolition of unnecessarily stringent restrictions on business conduct. The rule of law needs to be strengthened in these nations and those countries like Nigeria and Venezuela should ignore scruples over sovereignty and seek foreign assistance in the management of their oil wealth. Finally, multinationals should be made to disclose all the payments they make in developing nations to such organizations like International Chamber of Commerce or Transparency International where they can be reviewed by anyone interested.

## Introduction

Corruption is a very serious problem for the world's developing nations today. According to a World Bank study of 2002, the world spends some $1 trillion on bribes each year. These bribes are worth a full 3% of the GDP of nations of the world. For countries like Nigeria and Kenya, bribes account for between 8 and 12% of the GDP (Clay, 2004). The principal objective of this paper is to explore this very serious problem in the developing world. Its causes and consequences will be examined with a view to suggesting possible ways of combating it. The paper draws heavily from Nigeria regarded as one of the most corrupt nations in the world and on which the author has ample information. Kenya and Venezuela have been added as good representatives of the other developing nations of Africa and South America.

Corruption has been described as "the abuse of public trust for private gain (Todaro and Smith, 2003)." It has also been described as a violation of established rules and ways of doing things with the aim of obtaining private gain or profit (Sen, 1999). The misuse of public power for private benefits will include "the bribing of public official or embezzlement of public funds (Transparency International, 1997)."

A more general definition is implied in the description of corruption as a "form of unethical behavior or wrongdoing (Eiras, 2003)." The dictionary gives the meaning of ethics as "the discipline dealing with what is good or bad" and, in general, we call unethical "those actions for which there is social consensus that they are a bad thing (Webster's New World, 2003)." Business ethics has been specifically defined as "a conversation about right and wrong conduct in the business world (Newton and Ford, 2004)." In this context, corruption may be seen as a form of anti-social behavior, which confers improper benefits to people in authority through a perversion of societal norms and morals (Banfield, 1998). This paper accepts all the above definitions of corruption. It sees corruption as including the outright diversion and conversion of public funds to private use by public officials; the bribery of public officials by multinationals or other private sector entities as inducements to obtain government patronage and contracts; and the extortion of money and other consideration by public officials as a condition for awarding the same patronage. Finally, it will include a relatively new phenomenon, very rampart in Nigeria, in which criminal minded individuals fleece unsuspecting and greedy foreign nationals of large sums of money by promising to deliver non-existent products and/or services.

Discussions on the political economy of nations have always included an examination of the issue of corruption. Indexes of corruption have regularly shown that the rate of corruption in the world's poor nations is much higher than what obtains in the developed economies. Thus the elimination of corruption is seen as very important for development for the following reasons:

1. Honest government will promote growth and sustainable high incomes.

1. The elimination of corruption is associated with public empowerment, which is an objective of development.
2. The resulting good governance will provide what has been called the "capability of function" (Sen, 1999), which provides a lift out of poverty.
3. The effects of corruption fall disproportionately on the poor making it very hard for them to escape form poverty.

In spite of knowledge of the above for over four decades, very serious discussions and proposals to deal with the menace of corruption did not pick up until recently. Although Transparency International, which has been in the forefront of measuring the extent of corruption in the nations of the world, has been operating for a decade now, international organizations and the world's richest economies did not begin to respond to their findings until a few years ago. When they did, their first attention was on the use of foreign aid funds by recipient developing nations. The OECD published its study of "Aid Activities in Least Developed Countries" in 1999 with wide ranging recommendations on how misuse of aid funds can be checked. The US Government issued the Millennium Challenge Account in 2002, which, among other provisions, aimed at reducing the ability of recipient nation to misuse aid funds and "the removal of institutions that foster corruption, cronyism and government mismanagement (The White House, 2002)."

Recent corporate ethical scandals in the USA (Enron, Tyco) and elsewhere (e.g Parmalat and Ahold Financial scandals in Europe) have rekindled interest in the issues of corporate responsibility and ethical behavior by multinationals and on the issue of worldwide corruption as a whole. It is realized, for instance, that while the advanced economies have well established laws and mechanisms to deal with corporate scandals in their economies, incidents of corruption in the world's developing economies go unabated under poor investigative and enforcement mechanisms. This became quite clear in an international conference held only in the month of May this year to examine world wide corruption and existing voluntary codes of conduct by multinationals (International Center For Corporate Accountability, 2004). The conference concluded that corruption remains a very serious problem that deserves urgent attention.

## Types of corruption

Corruption in the developing countries takes different forms. Petty corruption is the practice in which government functionaries extort money from the public before carrying out their normal duties such as issuing licenses, issuing forms etc. This practice, though obviously pervasive, unethical and undesirable, does not constitute a serious danger to the economies of most nations. This is why this writer has argued elsewhere (Nwabuzor, 2004) that the practice needs to be brought out in the open; such small bribes are better seen as tips and nations affected by them should shift their attention to ensuring that those perpetuating them do not extort the payments in advance of the service to be rendered.

Far more serious is the corruption that involves outright diversion of revenues due governments to private pockets. The amounts involved are often staggering. Ex-military rulers in Nigeria (Sani Abacha), and the Democratic Republic of Congo (Mobutu Se Se Seko), for instance, are alleged to have starched away $ billions of their nation's revenues in private accounts in Switzerland and elsewhere. There have been similar allegations of a $1 billion diversion of Kenya's revenues by the former government of Daniel Arap Moi (Murungi, 2004) Not only does this form of corruption ruin national economies, they are also responsible for the never-ending civil strife in various parts of Africa. Personalized revenues form diamonds by Liberia's Charles Taylor are said to have financed and prolonged Sierra Leone's civil war 2000–2003.

Often, corrupt top public servants use the willing accomplices of multinationals to deprive their national economies of huge sums of money. Adax Petroleum Company, for example, is alleged to have conspired with top government officials to defraud the Nigerian government of $1 billion during the period 1996–2002 in crude oil exploration and marketing revenues under an agreement with the Nigerian National Oil Corporation (Agbambu and Isiwu, 2004). Similar corrupt practices occur when multinationals bribe public officials in order to win government contracts and patronage. Kellog, Brown and Root, a subsidiary of Halliburton is now being investigated in both Nigeria and the US over allegations that the company paid out $200 million in bribes to win a contract for the construction of a Liquefied Gas Plant in Nigeria (Agande, 2004).

A new and very serious form of corruption has developed in Nigeria in recent years. It takes the form of certain elements of the private sector scamming unsuspecting and often greedy foreign nationals of large sums of money on the pretext of being able to deliver lucrative contracts or connections with highly placed government officials. In the most celebrated of these cases, six Nigerian businessmen fleeced a Brazilian national, Nelson Sakaguchi, of $242 million on a promise of being able to influence the award of contacts for lifting Nigerian crude oil to the Brazilian. The scam led to the collapse of the Brazilian bank, Banco Noereste, for which Mr. Sakaguchi was the Managing Director. So serious is the new form of corruption that the Nigerian government has taken out an advertisement in the London Financial Times to warn the world against it. (The Financial Times, Feb 6 2004). The country has also commenced criminal prosecution of those involved in the Brazilian scam. All these forms of corruption are dangerous to the economies of developing nations. In the case of Nigeria, corruption has so battered the image of the country that it is extremely difficult to attract the foreign direct investment, which the economy badly needs.

## Causes of corruption

### *The poverty explanation*

Those seeking to explain the high incidence of corruption in the developing nations have suggested that large-scale poverty is to blame. In the case of Nigeria, for instance, it has been pointed out that the core poor as a percentage of the national population has been on the increase since 1980. In that year, the core poor were only 6.2% of the population. By 1985, the figure has risen to 21%. It was 23.9% and 29.3% by 1992 and 1996, respectively. Indeed, in spite of the many poverty alleviation programs now being pursued in Nigeria, the projection is that 21.4% of Nigeria's population or 31.1 million people will still be very poor by 2015 (Ajakaiye, 2004). Not surprisingly, the United Nations projects that there will be 70 million poor Nigerians by that date.

The consequences of poverty on Nigeria's future are worrying:

> "Of the factors and forces inhibiting and limiting the country's capacity to become a proactive participant in the globalization process, the most fundamental ones include pervasive poverty, the marginalization and dispossession of the mass of the people" (Adeoye, 2004).

Elsewhere, the Nigerian situation is quite similar to the poverty levels in countries like Bangladesh and Venezuela whose economies are ravaged by corruption and sharp practices. Both nations have consistently performed poorly in the annual survey of Corruption Perceptions Index and their poverty levels have also been on the increase. Venezuela's economy actually declined by 9.2% in 2003 (CIA, 2003) as its oil revenues which account for 80% of all its export earnings continue to be mismanaged due to corruption.

The argument is that the existence of a high level of poverty is a breeding ground for anti-social and unethical behavior such as bribe taking. That argument is supported by all the surveys conducted since 1995 matching wealth/poverty of nations to their levels of corruption. The world's most corrupt nations are also among the poorest.

This is quite clear from Table I:

TABLE I

The world's poorest nations are also the most corrupt

| Country | Rank | Corruption perception score | GDP per capita $ |
|---|---|---|---|
| Finland | 1 | 9.7 | 25510 |
| Denmark | 2 | 9.5 | 29450 |
| New Zealand | 3 | 9.5 | 13710 |
| Iceland | 4 | 9.4 | 27970 |
| Singapore | 5 | 9.3 | 20690 |
| Sweden | 6 | 9.3 | 24820 |
| Canada | 7 | 9.0 | 22300 |
| Luxembourg | 8 | 9.0 | 38830 |
| Netherlands | 9 | 9.0 | 23960 |
| United Kingdom | 10 | 8.7 | 25550 |
| Tanzania | 82 | 2.7 | 280 |
| Ukraine | 83 | 2.4 | |
| Azerbaijan | 84 | 2.2 | 710 |
| Bolivia | 85 | 2.2 | 900 |
| Cameroon | 86 | 2.2 | 560 |
| Kenya | 87 | 2.2 | 360 |
| Indonesia | 88 | 2.1 | 710 |
| Uganda | 89 | 2 | 250 |
| Nigeria | 90 | 1.9 | 290 |
| Bangladesh | 91 | 1.6 | 330 |

*Sources*: Transparency International, Corruption Perceptions Index 2002, Berlin Germany, 2003, and The Words Bank Group: Development Data Group, 'ICT AT A Glance' 2004.

Poverty is certainly a plausible explanation for the so called "petty corruption." This is the practice, already discussed, of relatively junior government functionaries demanding and receiving ex-gratia payments before agreeing to perform their normal duties. However, the really serious incidents of corruption in developing nations are perpetuated by top government officials and well-placed executives not by the nations' poor. The perpetrators occupy positions of influence and power in government, industry and commerce. Thus, again in Nigeria, there is an ongoing criminal prosecution of four individuals who are alleged to have defrauded the Nigerian Federal Government of millions of dollars in the national identity cards project. Among them are two cabinet ministers, a top civil servant, and the national secretary of the ruling political party. These are individuals who already hold exalted positions in society and it is their positions of privilege that they are accused of abusing. General poverty in society cannot explain the actions of such corrupt senior officials.

### *Corruption from too much wealth?*

To say that some countries are among the poorest in the world and yet that their wealth is responsible for their high level of corruption sounds like a contradiction. But this is exactly the case with countries like Nigeria and Venezuela. Both have oil from which they derive most of their export earnings, 92% of Nigeria's and 83% of Venezuela's in 2003. They scored less than 2.5 each on a 10-point scale of Corruption Perceptions Index in 2003 making them among the most corrupt nations of earth.

In the specific case of Nigeria, oil was discovered in 1959. Commercial production started in 1960 when the country exported 0.02 million barrels per day. Export quantities rose dramatically reaching 1.59 million barrels per day by 1970. These massive oil exports put huge amounts of foreign exchange at the disposal of the Nigerian government in the early 1970s. So awash was Nigeria with oil funds at this time that military ruler, General Yakubu Gowon, was quoted as saying that money was not Nigeria's problem in 1971 but how to spend it. And with that comment, he reportedly paid off the entire annual civil service salary bill for the country he was visiting in the Caribbean (Aluko, 2004).

Sumptuous oil revenues also led to economic arrogance and other forms of corrupt adventurous procurement by government officials. In 1974, for instance, this writer was part of a Nigerian government delegation that was sent to London to negotiate the construction in Nigeria of a 1 million ton annual capacity cement plant with the Blue Circle

Group. The Blue Circle Group had just submitted a financing proposal for the $250 million project when the leader of our delegation, a minister of state, announced that the Nigerian government was prepared to pay cash and needed no financing Twice in the nation's history, Nigeria reached a depth of financial profligacy when her fragile ports became clogged with ships carrying cement and other general consumption goods. In 1971–1974, the government, citing a need to speed up civil construction, ordered massive quantities of cement from virtually all over the world. At one point more than 100 ships were waiting to berth at Lagos port resulting in enormous demurrage charges. Again, during the regime of Alhaji Shehu Shagari, an adventurous Minister of Commerce recklessly issued import licenses for goods without regard to the actual needs of the economy. The ports were again clogged with ships carrying goods that ranged from motorcars to baby dolls.

The conclusion is that the seeds of corruption in Nigeria were sown by the advent of unexpected large revenues from the export of crude oil. The economy was not quite ready for such a massive infusion of capital and the individuals managing the money lacked the capacity and experience needed for a planned, orderly and judicious use of the money. The situation was worsened by the intervention of the military into civil administration and their domination of the nation's governance for years. Out of Nigeria's 43 years of independence, 29 have been spent under military dictatorship and the worst cases of corrupt diversion of oil funds into private pockets have occurred under military rule. No one has been able to account for a $2.2 billion ''oil windfall'' that accrued during the Gulf War of 1991 (Aluko, 2004). Thus, while excessive revenue generation is not typical of most developing nations, huge oil revenues have certainly contributed to the corruption malaise in some, such as in both Nigeria and Venezuela.

### *Limited economic freedom*

It has been suggested that the absence of economic freedom encourages corruption (Eiras, 2003). Economic freedom is defined as:

> ''The absence of government constraint or coercion on production, distribution and consumption of goods and services that are beyond the extent necessary for citizens to maintain and protect liberty itself'' (O'Driscoll et al., 2003).

The Heritage Foundation/Wall Street Journal in their annual survey of the level of economic freedom in the nations of the world use factors that include trade and monetary policy, wages and prices, government direct intervention in the economy and the size of the informal sector. Many of the world's developing nations, which score very poorly in the Corruption Perceptions Index, also perform very poorly in the Index of Economic Freedom. In the 10 years that the Index of Economic Freedom has been produced, both Nigeria and Venezuela, for instance, have constantly ranked among the world's most depressed economies.

In the case of Nigeria, the government still owns a good chunk of the national economy with attendant inefficiencies that also engender corruption. The much heralded privatization program has been stalled as major industries like energy, refineries and railways remain firmly in government hands (Akwaya and Bassey, 2004). Even failed government-owned companies like the Nigeria Airways are being revived against World Bank's advice for outright liquidation. The firm grip the government has on the national economy is a major source of economic repression.

Economic freedom in developing nations is often circumscribed by frequent changes in government policy and by the imposition of stringent constraints often without consultation and discussion with industries affected. The Nigerian government, for instance, frequently bans the importation of some products said to be consuming too much foreign exchange and/or threaten local industries. Forty-two such products were banned in November 2003 as the nation's President declared:

> ''. . . We must protect our infant industries, create a market for locally produced goods and prevent Nigeria from becoming a dumping ground for foreign products (Nwankwo, 2004).''

The President is obviously not impressed with the argument that banning imports only condemns the local industries being protected to permanent infancy. With a guaranteed market, and hence revenues and profits, the management of such industries have little incentive to be efficient and innovative. Eliminating foreign competition will hasten the demise of such industries (Rogriguez, 2001).

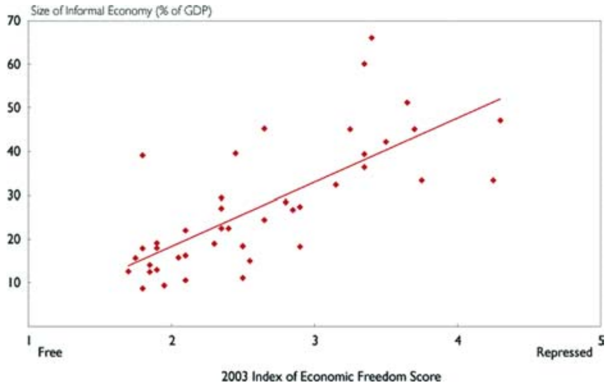
A more serious issue is the fact such product bans only fuel corruption. In Nigeria, importation bans only enrich men of the Custom Service. Some importers, intent on maintaining their sales and profits, will find ways of bringing in banned products. The government collects no duties, consumers pay higher prices resulting from a false scarcity of banned products and the local economy suffers inflationary consequences (Osagie, 2004).

Government's direct intervention in the economies of developing nations extends to the determination of prices and wages. In Nigeria, where the government owns the power generating and distribution companies, government fixes the prices paid for electricity and petroleum products. An attempt to remove government subsides on petroleum products and to bring their prices closer to international levels, for in stance, led to two national strikes in 2003. Another mass action by the Nigerian Trade Union Congress occurred in June 2004 with the union promising further strikes if the government enforces a new patrol tax it has imposed but which the courts have temporarily blocked. The government continues to have direct control in the determination of prices charged by commercial airlines on domestic routes, rail transport fares and agricultural inputs, such as, fertilizers.

One response to stringent controls on an economy by government is the existence and continuous growth of a large informal sector. Informality is a response to burdensome controls, and an attempt to circumvent them. The relationship between the informal sector and the level of economic freedom in a given economy is that the informal sector will assume a larger portion of a nation's GDP as economic freedom recedes. We see this very clearly in a 2001/2002 survey of the economies of OECD nations and the economies of 22 developing countries (Chart 1).

It is quite evident from Chart 2 below that the size of the informal sector as a percentage of the GDP in economically repressed or un-free countries is about three times the size of the informal sector in economically free nations. Similarly, the size of the informal sector in repressed economies is almost

Chart 1. Economic freedom and the size of the informal economy.




Note: Data for 22 Transition Economies is 2000/01 average, and data for 21 OECD countries is 2001/02 average. Sources: Friedrich Schneider; "The size and Development of the Shadow Economies and Shadow Economy Labor Force of 22 Transition and 21 OECD Countries: What Do We Really Know?" Paper prepared for the conference, Unofficial Activities in Transition Economies: Ten Years of Experience, Institute of Public Finance, Zagreb, Croatia, October 18–19, 2002. Gerald P.O'Driscoll, Jr., Edwin J. Feulner, and Mary Anastasia O'Grady, *2003 Index of Economic Freedom*. (Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc. 2003).

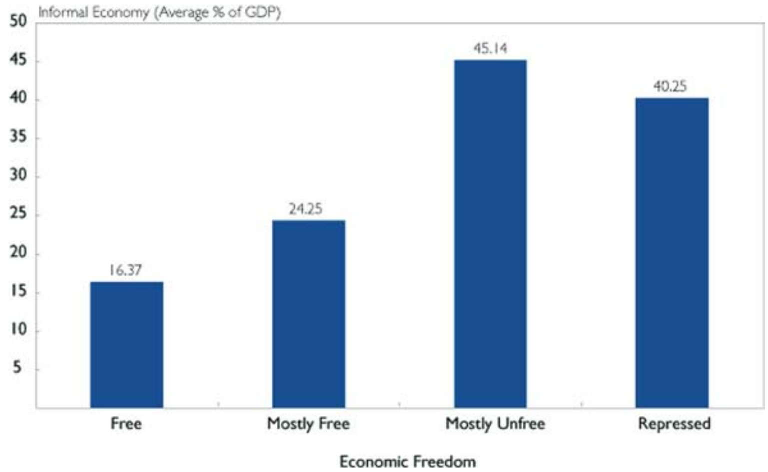
double the size of the same sector in mostly-free economies.

Corruption will flourish in those nations where economic freedom is low (Eiras, 2003) and Nigeria is a living proof of that assertion. The same conclusion was reached in 2003 survey of the level of corruption in the economies of 95 nations. The survey established that the level of perceived morality, the opposite of corruption, is almost four times the level of perceived morality in the public sector of economically repressed nations (Chart 3).

### *The rule of law*

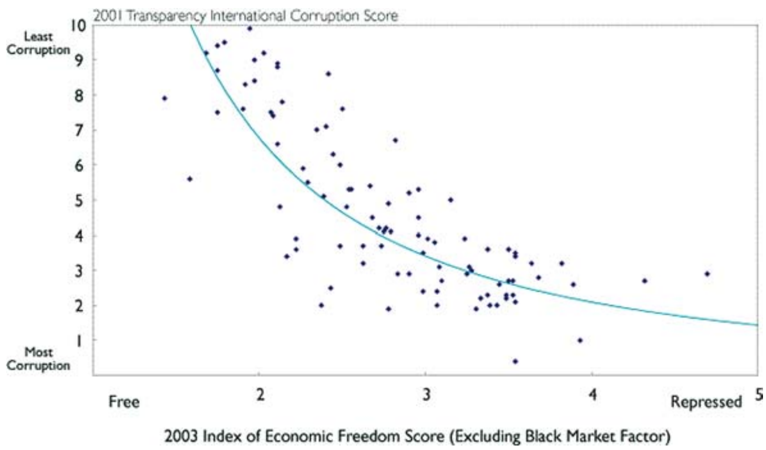
Rule of law is the only way nations have of maintaining law and order, for punishing crimes, for enforcing contracts and for maintaining and enforcing individual freedom and rights. "Without the rule of law, there will be no mechanism to stop private abuse and public mismanagement (Eiras, 2003). An environment that has very weak rule of law will mean that foreign aid is simply stolen by

Chart 2. Economic freedom and the average size of the informal economy.




Note: Averages are taken for 11 free countries, 20 mostly free countries, 9 mostly unfree countries, and 2 repressed countries. Sources: Friedrich Schneider; ''The size and Development of the Shadow Economies and Shadow Economy Labor Force of 22 Transition and 21 OECD Countries: What Do We Really Know?'' Paper prepared for the conference, Unofficial Activities in Transition Economies: Ten Years of Experience, Institute of Public Finance, Zagreb, Croatia, October 18–19, 2002. Gerald P.O'Driscoll, Jr., Edwin J. Feulner, and Mary Anastasia O'Grady, *2003 Index of Economic Freedom*. (Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc. 2003).

Chart 3. Economic freedom and corruption.




Sources: Gerald P.O'Driscoll, Jr., Edwin J. Feulner, and Mary Anastasia O'Grady, *2003 Index of Economic Freedom*. (Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc. 2003); Transparency International, *The Corruption Perception Index 2001 and 2000*, Berlin, Germany, 2001 and 2000; available at http://www/transparency.org/cpril2001.html and http://www.transparency.org/cpril2000.html.

elites and almost all the rest is wasted on projects that yield no economies benefits whatsoever (Bartell, 2002). Hence some have suggested that the use of a rule of law yardstick to determine the suitability of applicant nations for foreign aid (Eiras, 2003).

There are several aspects to the rule of law. They include respect for and enforcement of property rights, the functioning of agencies for the enforcement of law and maintenance of order, police and customs, and the judiciary. A strong rule of law ensures that people have a sense of safety that comes from knowing that their individual possessions will be protected. The rule of law spurs economic activity because people save and invest when they have assurance that their property, their investments and the fruits of their labor will not be taken away form them (Hoskins and Eiras, 2002).

Outright expropriation of people's investments in the name of nationalization has gone out of style as almost all nations to day have active programs to attract foreign direct investment. However, there area still occasional, even if isolated, instances of people losing their properties without due process in some developing nations. The celebrated land seizures in Zimbabwe in 2002 easily come to mind. Nigeria does have strong safeguards for property rights although the governments, state and federal, of the country have formed a habit of frequently canceling certificates of the occupancy, which are people's legal title to land. Property rights are also largely respected in Venezuela, Kenya and many other developing nations.

Real problems exist in law enforcement in developing nations. So bad is the situation in Nigeria, for instance, that some diplomatic missions there frequently advise their nationals not to bother reporting crimes to the local police. Such reports, when made result in nothing. No arrests are made even after corrupt police officers have extorted money from complainants. Incidents of very serious crimes, assassinations, open banditry, daring daylight raids on banks and car snatching, have been on the rise (Adeoye, 2004). People's personal safety is constantly threatened. Law enforcement is an area where the rule of law in Nigeria faces serious challenges.

An independent and efficient judiciary is an indication of the existence of the rule of law in a nation. The courts are the last refuge for the aggrieved and the place where the wrongly accused can expect justice. Unfortunately, in the case of Nigeria, there is increasing evidence that the pervasive corruption has spread to the judiciary. Cases involving "big guns" are adjourned on end. There are open allegations of judges demanding and receiving bribes that result in perverted judgments and loss of confidence in the courts. Even the nation's Chief Justice has not escaped allegations of bribe taking in the adjudication of disputes arising from the national elections of 2003 (Adeoye, 2004).

A final problem with the rule of law in Nigeria is the way the judiciary is funded. The judiciary operates on annual budgets that are prepared by the executive and approved by the national assembly. Actual releases of appropriated amounts are entirely at the pleasure and timing of the executive. The process is often abused with the public believing that the executive uses its release of funds to the judiciary to have its way in the courts. The situation thus stifles the ability of citizens to use the courts to check government excesses.

### *The socio-cultural explanation*

There is a socio-cultural explanation for corruption in developing countries. It suggests that the presence of large ethnic diversities and a plethora of religions make developing nations prone to corruption. Such societies are plagued by "ethnocentric-linguistic fractionalization (Lipset and Lenz, 2000) that finds some expression in corruption and anti-social conduct. It is equally asserted that cultures that stress the importance of economic goals but which restrict economic opportunities will be prone to corruption (Merton, 1987). Nigeria has some 250 ethnic nationalities and the county has frequently been shaken by ethnic and religious disturbances. But there is no evidence that correlates these ethno-religious differences to the high level of corruption in the nation.

The economic expectations and opportunities explanation is plausible when applied to Nigeria. Economic expectations are very high in this society that encourages polygamy and extended families (Onalaja and Onalaja, 1991). Yet, opportunities are very limited in a society where the rate of graduate unemployment exceeds 50%. Besides, there is an obsession with materialism in the country. People have a compulsion to find short cuts to riches. Those who have acquired wealth receive public approbation in churches and social functions where they make a flamboyant and affluent display of money. This tends to aggravate the corruption that is already an epidemic in the society.

## Evil effects of corruption

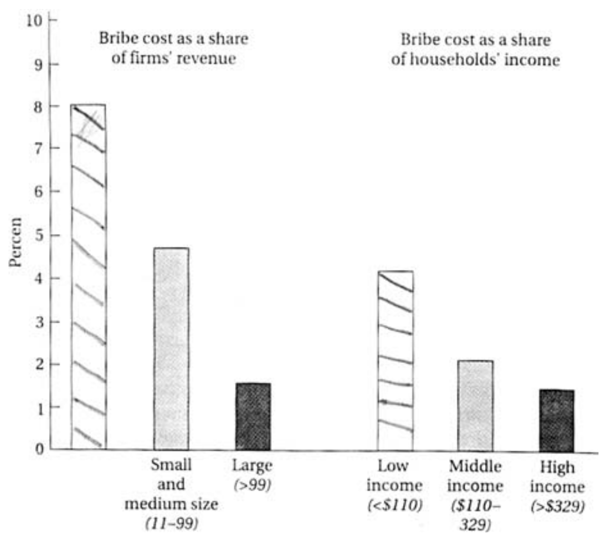
### *A regressive taxation*

Corruption represents a regressive tax that falls heavily on the poor. While the rich may pay large bribes under corrupt regimes, the poor pay much larger fractions of their incomes in bribes and other forms of extortion. Similarly, government for sale means government for the highest bidder. The poor will find fewer services in their communities when corruption is rife. In those circumstances, it is difficult for the poor to accumulate the means to escape from poverty traps. Besides, micro-enterprises of the poor will invariably pay a much higher proportion of their sales in bribes than would larger firms just as low income households pay a larger percentage of their incomes in bribes that would higher income households (Tadaro and Smith, 2003). This is clearly illustrated in the case of Ecuador as depicted in Chart 4.

*A dampening effect on development*

Corruption has a dampening effect on the efforts of any nation to achieve political and economic development. For one thing, corruption reduces investment (Barro, 2000) because investors see corruption as an unnecessary extra cost of doing business (Lipset and Lenz, 2002). It also discourages foreign aid as donor nations grapple with how to ensure that aid money does not end up in private pockets. Corruption equally lowers results achievable form

Chart 4. Corruption is a regressive tax: Ecuador.




Source: World Development Report 2000/2001(New York: Oxford University Press, 2000), p. 102. Note: Firm sizes refer to number of employees. Household values refer to monthly to income.

investments in education as such investments easily lend themselves to graft (Shleifer and Vishny, 1993). Finally, corruption leads to a concentration of government investments on projects on which officials can easily collect bribes rather than on the actual needs of society. Thus huge investments are made in prestige, hard-to-manage projects such as stadia, dams and airports. The newly completed stadium in Abuja, Nigeria, for instance, exceeded its original cost estimate of $10 million by more than 300% (The Guardian, 2004).

Again in the case of Nigeria, corruption appears to be teaching the citizenry the dangerous lesson that it no longer pays to be hardworking, law-abiding and honest. Politics has been raised to ''big business'' as political office holders acquire posh properties within and outside the country. They flagrantly display their wealth in public functions and people now seek political offices only for whatever they can loot once elected. The result is that politics in Nigeria today is dirty, corrupt and dangerous.

*Misuse of skills and manpower*

Because of corruption, inappropriate use is often made of scarce skills and manpower a nation has. Valuable management time and money is spent monitoring projects and in conducting investigations into cases where corruption or suspicions of it have been alleged. Leaders of military coups often justify their action by citing cases of alarming corruption by regimes they are replacing (Welch, 1987). The coups themselves lead to even more manpower displacements and misuse of skills.

*Effects on goods and services provided*

Corruption can adversely affect the quality of goods and services produced in a given economy. Companies that are burdened with ''under-the-table payments'' will try to contain their costs by cutting corners. Also by avoiding useful and necessary improvements on their products they can relieve themselves of additional costs. In Nigeria, for instance, marked differences in quality and performance have been observed between locally made goods and imported ones. Besides, onother form of very damaging corruption in Nigeria is the refusal of individuals and organizations to pay for goods supplied and services rendered as and when due. Where made at all, such payments come only after affected business enterprises have spent al lot of management time and money chasing the debts. This form of corruption is said to be scaring away British businessmen from Nigeria (Guilford and Peck, 2002).

*Threatening the legitimacy of government itself*

Corruption can destroy government structures and capacity. It is a threat to the legitimacy of government itself. In Nigeria, for instance, allegations of certificate forgery and corrupt enrichment drove the first Speaker of the House of Representatives from office in 1999. The Presidency of the Senate changed three times between 1999 and 2003 over allegations of fraud and financial mismanagement. Many people wrote off the Shehu Shagari regime, 1979–1984, as inept and highly corrupt. They welcomed the military intervention of 1984, which culminated in the brutal, shamelessly corrupt government of Sani Abacha 1993–1998. Six years after Abacha's demise, the Nigerian Federal Government has still not been able to recover all the billions he starched away in foreign banks.

Finally, corruption has a terribly demoralizing effect on the psyche of citizens of affected countries who live and work abroad. In the case of Nigeria, the pervasive corruption in the country has all but destroyed its image abroad. Because manpower is Nigeria's largest export outside crude oil, there are very many Nigerian professionals working abroad. Most of them are performing creditably in their chosen fields. Unfortunately, personal competence and excellent job performance have not saved such Nigerians from being seen as potential fraudsters and drug peddlers.

## Initiatives to combat corruption

The good news is that in 2004 the world has woken up to the dangers posed by corruption particularly in the developing economies. Governments have accepted the challenge posed by corruption and they appear determined, at least on the face of it, to deal with the problem International organizations are taking the lead. The United Nations, Organizational Integrity Unit, is now preparing a set of mechanisms for ensuring corruption-free environments (Fourcault, 2004). Transparency International is stepping up its watchdog activities urging African nations to ratify the UN Convention on Corruption (Lovitt, 2004) and encouraging European Union's newest members to take steps to join the existing public sector anti-corruption efforts (Sticka, 2004).

In Nigeria, President Obasanjo, himself a founding member of the Board of Transparency International, came to power in 1998 vowing to fight corruption. At the beginning of his second term in 2003, he repeated that pledge. Addressing members of Nigeria's panel on the Partnership for African Development (NEPAD) in February 2004, he declared that "corruption must be stamped out of the Nigerian society" and that "any minister or top government official found to be corrupt will be dismissed and prosecuted (Djebah, 2004)." He has lived up to his word. A cabinet minister was dismissed in March and he is among those now being tried over the identity card bloated contract scandal.

A number of special agencies have been created in Nigeria since 1998 to investigate allegations of corruption against pubic officials and to prosecute cases that are warranted. An Independent Corrupt Practices Commission was charged with receiving petitions from the general public regarding cases of corruption by public servants. It is to investigate such allegations and prosecute where necessary. In recent months, the Commission has been "waging a total war on corruption" as its chairman, Justice Akanbi, sees his mission as nothing short of a "crusade to rid Nigeria of this terrible cankerworm" (Djebah, 2004). The Commission is currently prosecuting two former cabinet ministers, a former governor of one of the states and other top government officials. The prosecution of many more state governors is promised once their terms end in 3 years (Okeke, 2004).

A Money Laundering, Economic and Financial Offences Commission investigating corrupt practices by banking and insurance officials, matters relating to tax evasion and smuggling, and any other offences that might constitute economic sabotage has been set up. A reinvigorated Code of Conduct Bureau has started investigating the assets of public officials while in office in order to detect cases of corrupt and improper self-enrichment. Both the Commission and the Bureau have powers to prosecute offenders and they have started to do so. Finally, under the auspices of the "Extractive Industries Transparency initiative, President Obasanjo has set up a 28-man panel charging it "to throw open the books of the oil and gas industries in Nigeria with a view to demonstrate our commitment to the global anti-corruption campaign" (The Vanguard, 2004).

In Nigeria, the government has also started to tackle the menacing issue of "bloated contracts", over-invoicing and adventurous procurement by public officials. Dubbed the "Due Process Certificate Principle", this new initiative has reportedly saved Nigeria $1/2 billion since 2002 (This Day News, 2004). The foreign suppliers or contractors who are found guilty of overcharging government or of conniving with officials to commit corrupt practices also run the risk of being blacklisted and barred from future government patronage.

There is evidence that the anti-corruption campaign is also catching on in other African countries. The New Partnership for African Development, NEPAD, which was launched in 2002 provides for transparency in government and a vigorous war on corruption. Thus, South Africa's Thabo Mbeki and Kenya's Mwai Kibaki have launched anti-corruption campaigns in their respective countries since 2003. In the case of Kenya, a very popular appointment of an anti-corruption czar, in the person of Mr. Githongo, was announced by President Kibaki in January 2003 (Phombeah, 2003). No Doubt, these are laudable measures.

For Nigeria, however, actions so far taken have yet to make any dent on the level of corruption in the country. Daily revelations of alleged stealing and corrupt diversion of public funds in the country's newspapers create the clear impression that the situation is in fact getting worse. The general impression continues that the Nigerian population as a whole has not yet fully accepted nor joined the anti-corruption crusade of the Prersident And, although every one applauds the beginning President Obasanjo has made; the outside world is calling for a lot more. Said the US Secretary of State, Colin Powel:

> "...the President has made progress but I think there is much more to be done with respect to ending corruption, with respect to transparency in government. And we have spoken openly and directly to our Nigerian friends about it" (Akande, 2004).

New anti-corruption initiatives are needed in Nigeria and other developing nations. The management of national revenues, especially those from oil and other minerals, raising the level of economic freedom and the strengthening of the rule of law are areas where some new measures can be taken to reduce the level of corruption. Corruption by multinationals, in the form of bribing of pubic officials need to be tackled beyond voluntary codes of conduct. The developing economies themselves need efforts to imbibe moral behavior and higher ethical standards in the conduct of public affairs. These will be discussed in turn.

### *Management of national wealth*

It is difficult to find any developing nation, especially in Africa and South America that can be described as rich. Nigeria and Kenya in Africa, for instance, are among the poorest nations of the world. Nigeria's 137.3 million people in 2003 enjoyed a GDP (purchasing Power Parity) per capita of only $800. Comparable figures for Kenya are a population of 32 million and a GDP per capita of $1000. Both Nigeria and Kenya have crippling external debts of $30.9 billion and $5.9 billion respectively in 2003 (CIA, World Fact Book, 2003). Venezuela with a population of 25 million has a much higher GDP per capita of $4800. But it has a heavy debt burden of $20.8 billion and a full 47% of its population lives below poverty line (CIA Fact book 2003). Nevertheless, some of these nations generate huge annual revenues from exports especially from crude oil and other minerals. Kenya's export earnings were less than $3 billion in 2003. But both Nigeria and Venezuela earned huge revenues of $21.8 billion and $25.9 billion. These huge revenues have continued to be a source of serious mismanagement and corruption in both nations.

One is mindful of all nations' need to maintain their sovereignty and independence. And the bloodshed that accompanied the struggle for independence in places like Kenya makes a desire to avoid outside interference in the conduct of national affairs almost a national creed. But it is also clear that some nations do need outside help in the management of export revenues. Such assistance can take the form of verification of payments being made out of these export revenues, the evaluation of outside procurements and contract amounts, and prioritization of economic projects. Countries like Nigeria and Venezuela can use such outside assistance in the management of their export revenues, scruples about foreign interference notwithstanding.

In case of Nigeria, two aspects of the management of oil revenues deserve further scrutiny. Nigeria's crude oil revenues have been increasing dramatically thanks to the rapid rise in the price of the product in recent times. From $18.9 billion in 2000, Nigeria's crude exports earning are expected to approach $30 billion in 2004. This will produce a huge ''windfall' in revenues. That windfall represents the difference between the crude oil price, on which, the national budget is based, and the actual price in the international marketplace. The national budget for 2004 was based on a ''prudent'' price of only $18 per barrel in a year whereas the price so far in the year has rarely fallen below $30. The windfall is expected to be huge.

Prudence in the estimate of annual national revenues is obviously desirable. The problem is that these estimates are becoming increasingly unrealistic. More seriously, the resulting windfalls are an invitation to corruption. Nobody knows how the windfalls in previous years were spent. Ruling military authorities, for instance, never accounted for an estimated $2.2 billion windfall that occurred during the first Gulf War in 1991. The current windfall is already generating contentious arguments between federal authorities and the states on how the money should be spent. A legacy-courting President Obasanjo in his final term of office, would like the windfall used to reduce Nigeria's external indebtedness. The states would like the money shared among them ''as the constitution provides'' The matter is already before the courts. The simple solution is to make future estimates closer to market prices, avoid huge windfalls and so end this corruption-bait and the unnecessary heat it generates in the nation's political discourse.

Nigeria also needs to end the two-tier exchange rate regime it now operates. There is a wide difference the official rate, 120 naira to the dollar in March 2004, and the open market rate, 134 naira to the dollar. The difference is exploited by unscrupulous and corrupt public and bank officials whenever some oil money is converted to local currency for government services. Such corruption and misconduct by the nation's banking executives is quite common (Olaleye, 2004). A two- tier exchange rate serves no useful economic purpose. It encourages corruption and it ought to end.

### *The need for greater economic freedom*

There is ample evidence that the absence of economic freedom breeds corruption. The Existence of many stringent regulations and the efforts of individuals and organizations to avoid or circumvent them create a fertile ground for corrupt and sharp practices. Even where they are fully complied with, stringent regulations ''create an unpredictable environment for economic activity, attracting mostly short term and speculative investment which is often quickly moved out of the economy as opposed to allowing investments to accumulate over time (Eiras, 2003).''

Repression in an economy exists not only in stringent and a multiplicity of regulations that change very often but also in excessive state ownership of key enterprises. The removal or reduction of such restrictions and the withdrawals of government from enterprise ownership in the economy often produce growth and other benefits to such an economy. There is no doubt that making their economies freer is one of the ways that nations like Venezuela and Nigeria can reduce the scourge of corruption in their economies.

In Nigeria, the place to start is for the government to give up its ownership of many key industries. The on-going privatization program needs to be speeded up and those industries, which the government is still reserving for itself, such as the National Oil Corporation, need to be included in it. Nigeria's House of Representatives Committee On Privatization recently charged that civil service red-tapism and nonchalance was unduly delaying execution of the privatization program (This Day News, February 18, 2004). That view is widely shared by the Nigerian private sector. The government needs to reconstitute the Independent Privatization Implementation Board by injecting more private sector blood into it. The Board should also be made to pursue the program with deliberate speed.

The governments of the Nigerian Federation are, in fact, sending a mixed signal over privatization. While the Federal government is pursuing a privatization program, some states are busy setting up new enterprises in transportation, agriculture and civil construction. All the governments ought to be withdrawing from the productive sector and this ought to be harmonized through the National Economic Council Similarly, the governments should withdraw completely from the determination of prices, such as air fares and fuel pump prices, which have often led to national strikes.

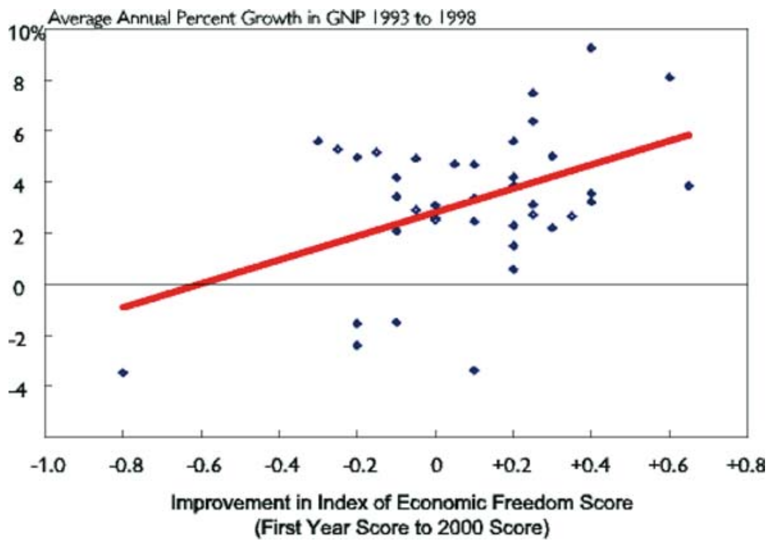
There is a dire need for greater stability in the laws and regulations that govern business activities in Nigeria. Central Bank directives, for instance, are so frequent that they vitiate any efforts by the banks to operate orderly and carry out forward planning. During the past 6 months for instance, the capital base of commercial banks in Nigeria have been raised twice. The latest, issued in July 2004, puts the base at 25 million naira, which only a handful of the nation's 98 commercial banks can meet. Excise and other duties are usually changed annually with the passage of every new annual budget. And some state governments have started to enact new frivolous taxes on businesses. The uncertainties created by these frequent changes make for a repressive operating environment for business enterprises. They need to be removed. An open and free economy is essential in the fight against corruption. Open economies help the process of creating economic freedom. It also spurs the rate of economic growth. The evidence is that those sub-Saharan African nations that have moved towards greater economic freedom over the years have also achieved greater economic growth. This is well demonstrated in Chart 5.

*Tightening the rule of law*

An appropriate rule of law exists when a nation's laws enforcement mechanisms and agencies are reliable and efficient, where there is respect for property rights and where the judiciary is dependable and incorruptible. Corruption in some developing nations is a consequence of weak law enforcement agencies and of judiciary systems that are not always dependable.

In Nigeria, serious efforts have been made since 1998 to upgrade the staffing and management of the nation's law enforcement agencies. In absolute numbers, the size of the Nigerian Police Force rose from about 137,000 in 1999 to almost 258,000 in 2002. An average annual increase of 40,000 is

Chart 5. As index of economic of freedom score improves, average annual GNP growth increase.




Sources: The World Bank Group, *World Development Indicators 2000* on CD-ROM; *2000 Index of Economy Freedom*. The Heritage Foundation and Dow Jones & Company, Inc.

planned beyond 2002. Efforts have also been made to professionalize the Force. Officers have been sent to training courses within and outside Nigeria and the academic entry qualifications for the Force have been raised (Chikwuemeka Madu, 2004). None of that, unfortunately, seems to have made much difference. The Nigerian Police Force remains notoriously corrupt and inefficient. Serious crimes, such as frequent assassinations, go unsolved as government appears quite incapable of checking the trend. The general view of the Police is that of an organization dedicated to extorting money from a helpless public, not to fighting crime. Reforming the Police is a battle the government needs to re-launch and win. It may be necessary to purge the Force of its many rotten eggs and to appoint a new cadre of top cops who can start on clean slate.

The Nigerian judiciary won accolades as one of the best in Africa in a recent survey by the US government (The Guardian, June 16, 2004). Nevertheless, the independence of that judiciary needs to be strengthened. Judicial annual operating funds should be objectively set using historical cost information and any other planned and costed judicial improvements. These funds should not involve too much parliamentary debate and once approved, ought to be released to the judiciary promptly and in full. Recent allegations of corruption by the nation's highest judges should be viewed most seriously. It is reassuring that the justices involved are now being investigated.

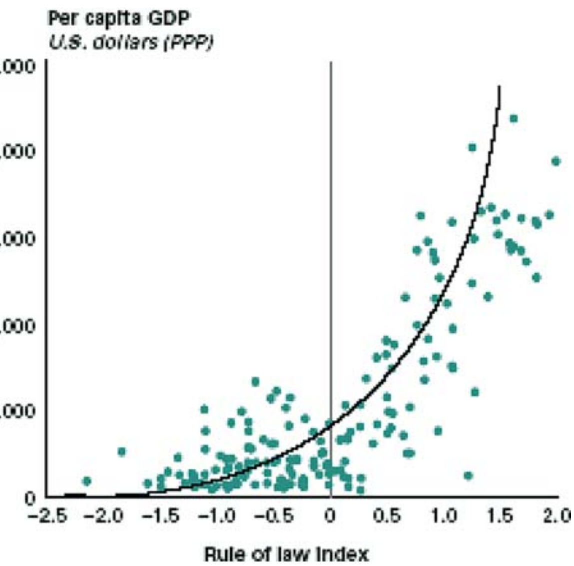
Nigeria has ample provisions in her statute books that guarantee property rights. There was a temporary "nationalization" of some British oil interests in the late 1970s to force the British Government's hand over Zimbabwe. Those assets have been long returned to their owners and Nigeria has since had a good record in protecting the investments of foreigners. If the government can regain control over a lawless and corrupt Police force, significant progress shall have been made towards strengthening the rule of law in Nigeria. And we know that such a progress will further reduce corruption in Nigeria because "there is a strong tendency for corruption to decrease as the rule of law strengthens (Eiras, 2003)." There are even greater benefits of a strengthened rule of law, such as the enhanced per capita income that reforms will bring (Chart 6).

*Dealing with corruption by multinationals*

Multinationals are heavily implicated in some of the more celebrated cases of corruption in developing nations. The allegation is that some multinationals bribe government officials to win contracts and other patronage; some connive with government officials to overcharge governments for the supply of goods and services; still others induce government officials with money to give them undue favorable operating conditions over competition such as in the interpretation of tax laws, licenses and fees. There have been instances where multinationals are alleged to have corruptly induced the award to them of contracts they have no capacity to perform and to have obtained payments for work not done (Okwe, 2004). Indeed, in the case of Nigeria, foreign company executives are said to be equal partners in the continuing criminal conduct of bribery. The nation's Minister of Finance recently declared:

> "I do not wish to condone bribery or any form of cheating by Nigerians. But it takes two to tango. Those foreign companies that engage in corrupt

Chart 6. Strengthened rule of law enhances GDP per capita growth.




Note: The figures shows the relationship between an Indicator of rule of law and per capita GDP for 166 countries In 1997-99. Source: Kautmann, Kraay, and Zoldo-Lobation 1999.

practices here do not wish us well. They know better and their executives who come here to give bribes must be treated as the criminals they are (The Guardian, February, 2004)."

Some international tools exist fro dealing with corruption by multinational enterprises. The World Bank, for instance, blacklist firms that are found to engage in public procurement kickbacks (http://www.worldbank.org/html/opr/procure/denarr.html). During the 1990s, there was a lot of hope that the use of international anti-corruption tools would in fact turn the tide against corruption. Thus, Alejandro Posadas noted in 2000 that the world was changing and that anti-corruption initiatives were flourishing (Posadas, 2000) Unfortunately, these instruments do not appear to be used often enough as the World Bank officials exercise due caution to protect the innocent. But no firm would like to be on World Bank's blacklist. The need is for the World Bank to strengthen the use of the blacklist and other similar initiatives.

Most capital exporting nations also have anti corruption laws. The United Kingdom, for instance, has had a Corrupt Practices Act which covers the activities of their multinationals since 1889. It was reinforced in the Prevention of Corruption Act of 1906 Both Laws were recently strengthened with the Anti-Terrorism, Crime and Security Act of 2001 in which Chapter 12 Nos. 108 and 109 are specifically directed at British citizens and foreigners working for British firms overseas. The USA has had a Foreign Corrupt Practices Act since 1977. Unfortunately, these laws are not vigorously enforced because, one suspects, no country wants to show off its multinationals as the most corrupt in the world. And evidence in these crimes is often difficult to develop to the point of proof beyond reasonable doubt. The result is that these laws continue to be flouted by multinationals around the world. In a recent study, for instance, it was established that between 15% (for British multinationals) and 60% (for Greek multinationals) of all firms participating in public procurement contracts in Eastern Europe engaged in the payment of kickbacks. (Hellman et al., 2000). The need is for a more vigurous application of the anti-corruption laws which capital exporting nations already have on their books. Developing nations can help that process by reporting and publicizing all cases of corruption by executives of multinationals to the home governments of their head offices.

Obviously, not all multinational are corrupt. And indeed there have been noble attempts by multinationals themselves to evolve ethical methods of operating and to device voluntary codes encompassing them. The problem has been that these codes are only voluntary; degrees of adoption vary and it is difficult to measure their effectiveness. In some specific cases, such as in the finance and energy sectors of Africa and south Asia, pressures of high stakes and short term preference have militated against successful application of voluntary codes (Harris, 2004). There is, however, an on-going effort to design more enforceable codes of conduct and to monitor multinational corporations' overseas operations compliance with such codes (Veral, 2004).

A recent proposal has been to have multinational corporations make a full disclosure on an annual basis of all payments they make to foreign governments, individuals and any other organizations and agencies overseas. A central office somewhere will be created where anyone interested can examine such disclosures. A variation of this proposal would have multinationals set up escrow funds from which come central organization will make payments for genuine foreign obligations on their behalf. These suggestions have appeared in one form or the other in the working papers that formed the basis for the United Nations Convention on Corruption of December 2003. The disclosure suggestion seems to be the more promising of the two. It is likely to enjoy greater acceptance than the one requiring escrow funds. It will also not require the creation of a new organization because there are already two existing ones that are quite capable of performing the functions of receiving disclosures and holding then for public scrutiny. They are Transparency International, which has been cited many times in this paper, and the International Chamber of Commerce.

Transparency International has been in the forefront of the campaign against corruption for over a decade. Its annual publication, Corruption Perceptions Index, is widely accepted as an objective source of information on the level or corruption in each of the world's nations. Transparency International, however, insists that it is not in the business of exposing individual cases of corruption, "which is the work of journalists". Its focus is on an "effort to make long term gains against corruption by concentrating on prevention and reforms systems (Elgin, 2004)." Serving as a repository for disclosures of foreign payments by multinationals would thus seem to fit in well with Transparency International's mission.

The International Chamber of Commerce, ICC, prides itself as the "voice of international business" and the "the defender of multinational trade" (ICC, 2004). It has equally has been involved in a vigorous campaign against corruption for years. In 1977 it set up a committee chaired by a retired United Kingdom judge, Lord Showcross, to study the problem of corruption in global business. The committee's recommendations formed the basis for the OECD Convention to Combat Corruption of Foreign Public Officials in 1997. The ICC itself continues to maintain an anti-corruption committee whose stated objectives are:

> "To encourage self regulation by business in confronting issues of extortion and bribery and to influence international organizations that have developed international conventions to fight corruption" (ICC, 2004).

The ICC appears well suited to perform the function of serving as a repository of annual declarations by multinational of the payments they make to foreign governments, organizations and individuals. From there they can be inspected by interested members of the public. The fact that most multinationals are themselves members of the ICC would indicate that acceptance of, and compliance with, the scheme will be widespread. All that remains is for one of those many multinationals, which are serious about fighting corruption, to bring up the issue at an ICC Annual Congress and to persuade members to adopt it.

Self regulation or the use of voluntary codes by multinationals is not a substitute for governmental action. It is a responsibility of government to prevent and stop corruption. Ones hope is that the knowledge by multinational executives and their public officials counterparts that their bribes can be easily traced and exposed to the whole world should provide a powerful deterrent to corruption.

A few other simple measures can be taken by governments of developing nations in their efforts to combat corruption. The first is to write into the performance bond of major contracts anti-corruption clauses. Such clauses should provide for heavy fines against erring multinationals and for their exclusion from future government patronage. The clause should be made enforceable in local courts with a provision for heavy jail terms for public official who derive undue enrichment form such contracts. The second, as has already been indicated, is to have cases of corruption by multinationals widely publicized in the world press and to have such offending multinationals reported to their home governments. Governments of the advanced countries where such multinationals have their headquarters are increasingly unwilling to tolerate acts of corruption by their companies overseas. At a minimum, they will seriously rebuke any of their companies proven to have engaged in corrupt practice overseas. That should help reduce the problem.

Finally, the developing nations have their own internal cleansing to do with regard to societal morals and attitude towards ethical behavior. Teachings on how to uphold a standard of morals and how to be a good citizen belong mainly to religious bodies and other NGOs. The governments should encourage their activities.

## References

Adeoye, S.: 2004, '70 million Poor People In Nigeria Says UN', www.Guardiannewsng.com, February 16.

Akande, L.: 2004, 'Powell Speaks On Nigerian, African Issues In Special Interview At UN', www.naijanet.com/news, February 9.

Agande, B.: 2004, 'Representative To Probe Bribery Allegation', www.vanguardngr.com, Lagos, Nigeria, February 4.

Agnes, M.: 1999, (General Editor), *Webster's New World College Dictionary*, 4th edition, (Cleveland, Ohio, McMillan, USA), p. 488.

Aluko, M.: 2004, 'Nigeria and Her Membership of OPEC', www.africaeconomicanalysis.org/articles, Lagos, Nigeria, February, 10.

Banfield, E.: 1998, *The Moral Basis of A Backward Society*, (Chicago, Illinois, The Free Press), p. 113.

Barro, R.: 2000, 'Rule of Law, Democracy and Economic Performance', in G. O'Driscoll, K. Holmes and

M. Kirkpatrick, (eds.), *2000 Index of Economic Freedom* (Washington, DC, The Heritage Foundation/Dow Jones Company Inc.), pp. 31–51.

Bartlett, B.: 2002, 'Foreign Aid Is A Problem, Not A Solution', *Daily Policy Digest* (National Center For Policy Analysis, Washington, DC), March 18.

Bowman, J.: 1991, 'Introduction: Ethical Theory and Practice In Public Management' in J. Bowman (ed.) *Ethical Frontier In Public Management: Setting New Strategies For Resolving Ethical Dilemmas* (Jossey Base, San Francisco, California) pp. 33–51.

Central Intelligence Agency: 2003, *World Factbook*, Country Profiles for Nigeria, Kenya and Venezuela, Washington, DC.

Clay, E.: 2004, 'UK Envy's Speech on Kenyan Corruption', BBC, London, http:/news.bbc.co.uk/2/hi/Africa/3893625.stm, July 14.

Djebah, O.: 2004, 'I'll Sack Corrupt Ministers-Obasanjo', Lagos, Nigeria, www.odili.net/news, February 5.

Eiras, A. L.: 2003a, 'The Poverty of Nations', (Washington DC), www.heritage.org/press/commentary/ed091803b.cfm, September 18.

Eiras, A. L.: 2003b, *Make The Rule of Law A Necessary Condition For The Millennium Challenge Account* (Washington DC), www.heritage.org/research/tradeandforeignaid/BG1634.cfm, Backgrounder # 1634, March 7.

Fourcault, H.: 2004, *The Organization Integrity Initiative: A Novel Value-Added Approach For Multinationals*. International Conference on Codes of Conduct For Multinational Corporations: Promises and Challenges, Baruch College, City University of New York, New York, New York May 12–15.

Harris, H.: 2004, *Performance Measurement for Voluntary Codes: An Opportunity and A Challenge*, International Conference on Voluntary Codes of Conduct for Multinational Corporations, Baruch College, City University of New York, New York, NY, May 12–15.

Heiman, F.: 2003, 'Presentation By The International Chamber of Commerce At The Signing Conference of United Nations Convention Against Corruption', www.iccbwo.org/home/menu_extortion_bribery.asp, Mexico, December 11.

Hellman, J., J. Geraint and D. Kufmann: 2000, 'Procurement Kickbacks In Eastern Europe', Transition, The World Bank Group, Development Economics Group, Washington DC, August.

Hoskins, L. and A. Eiras: 2003, 'Property Rights: The Key To Economic Growth' in G. O'Driscoll, K. Holmes and M. O'Grady, (eds.), *2002 Index of Economic Freedom* (Washington DC, The Heritage Foundation/Dow Jones Company Inc.).

International Center For Corporate Accountability: 2004, International Conference on Voluntary Codes of Conduct For Multinational Corporations: Promises and Challenges, Bernard Baruch College, City University of New York, New York, New York, May 12–15.

International Chamber of Commerce: 2004, Statement of Mission, Paris, France, January.

Lipset, S. and G. Lenz: 2000, 'Competition, Culture and Markets', in Lawrence Hanson and Samuel Huntington, (eds.), *Cultural Matters,* (Basic Books, New York, NY), p. 112.

Lovitt, J.: 2004, Transparency International Urges African Leaders To Sign And Ratify AU And UN Anti-Corruption Conventions, Berlin, Germany and Addis Ababa, Ethiopia, July 6.

Merton, R.: 1987, *Social Theory and Social Structure*, (The Free Press, New York, New York), p. 212.

Murungi K.: 2004, 'Kenya Finds $1 billion Stashed Abroad', http://news.bbc.co.uk/2/hi/africa/3728729.stm, London, UK, May 19.

Newton, L. and M. Ford: 2004, *Taking Sides: Clashing Views On Controversial Issues In Business Ethics and Society,* 8th (McGraw-Hill/Dushkin Guilford, Connecticut) pp. 114–119.

Nwabuzor, A.: 2004, 'Dealing With Corruption In Developing Economies: A Nigerian Test Case', International Conference On Voluntary Codes of Conduct For Multinational Corporations: Promises and Challenges, Baruch College, City University of New York, New York, New York, May 12–15.

O'Driscoll G., K. Holmes, and M. O'Grady: 2003, *2002 Index of Economic Freedom,* (The Heritage Foundation/Dow Jones Company Inc., Washington DC).

Okeke, C.: 2004, 'ICPC Holds Governor, 63 Others Over Corruption', www.dailyindependentng.com, Lagos, Nigeria, February 18.

Okwe, M.: 2004, 'Minister Alleges N100 million Bribe By Contractor' www.guardiannewsngr.com, Lagos, Nigeria, February 20.

Olaleye, Y.: 2004, 'Banks' Recapitalization: First Bank Boss Predicts Consolidation' www.odili.net/news, Lagos, Nigeria, February 9.

Onalaja, T. and K. Onalaja: 1991, *How Polygamy Wrecks Nigeria, Africa,* (Capwona Books, London, UK) p. 29.

Organization For Economic Cooperation and Development: 1999, Development Assistance Committee, 'Aid Activities In Least Developed Countries', www.oecd.org/scripts/cde/viewbase.asp.

Osagie, C.: 2004, 'Nigeria Records N261 million Import Duty Shortfall', www.thisdayonline.com/news, Lagos, Nigeria, February 16.

Phombeah, G.: 1999, 'Profile: Kenya's anti-graft czar', http://news.bbc.co.uk/2/hi/africa/2670075.stm, Nairobi, KenyaSen Armatya, *Development AS Freedom,* (Alfred Knopf, New York, NY) p. 42.

Posadas, A.: 2000, 'Conbating Corruption Under International Law: The World Changes and International Anti-Corruption Initiatives Flourish 1989–199', *Duke Journal of Comparative and International Law* **10**(4).

Rogriguez, C.: 2001, *International Management: A Cultural Approach*, 2nd edition (Southwestern College Publishing, Thomson Learning Cincinnati, Ohio) p. 213.

Schleifer, A. and R. Vishny: 1993, 'Corruption', *Quarterly Journal of Economics*, **103**(3), pp. 599–617.

Todaro, M. and S. Smith: 2003, *Economic Development,* 8th edition (Addison Wesley, New York, NY) p. 711.

Sticka, J.: 2004, 'New EU Members Join Campaign Against Public Sector Corruption', Transparency International, Berlin, Germany, July 14.

Transparency International: 1995–2003, *The Corruption Perceptions Index*.

The Financial Times: 2004, 'The New 419 Scam In Nigeria', London, UK, February 6.

The Guardian: 2004, 'Minister Frowns At Corruption By Foreign Company Executives', Guardian Newspapers, Lagos Nigeria, February 13.

ThisDay: 2004, 'Representatives Unhappy With Privatization Pace', ThisDay Newspapers, Lagos Nigeria, February 18.

The White House: 2002, 'The Millennium Challenge Account', www.whitehouse.gov/infocus/developingnations/millennium.html, Washington DC, March 11.

The World Bank Group: 2004, Development Data Group, 'ICT At A Glance: Nigeria, Kenya and Venezuela', Washington DC.

Veral E.: 2004, 'Voluntary Codes of Conduct: Challenge of Performance Measurement and Evaluation', International Conference on Voluntary Codes of Conduct For Multinational Corporations, Baruch College, City University of New York, New York, NY, May 12–15.

*Florida A and M University,*
*Tallahassee,*
*FL 32307,*
*U.S.A*
*E-mail: nwaburzor@earthlmlc.net*