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COST OF GOVERNANCE IN NIGERIA

AN EVALUATIVE ANALYSIS



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Table of Contents

Table of Contents

Part I

Theoretical Perspective in Cost of Governance

1. *High Cost of Governance and its Ratification in Nigeria*
Kamar Bello 1
2. *Designing Institutions for Local Governance in Nigeria*
Akpomuvire Mukoro 12
3. *Cost of Governance in Nigeria: A Theoretical Milieu*
Ihionkhan Peter A. & Adebayo Yusuf K. 36
4. *Reduced Foreign Missions, Cost of Governance and Foreign Policy Goals Realization*
Akpotor, A. S. Anegbode, J. E. & Odion, Williams. E. 56
5. *Toward the Reduction of Cost of Governance in Nigeria*
Idialu Jeremaih Uwaifo 71
6. *The Dynamics of the Nigerian Cost of Governance: An Empirical Investigation*
Iganiga, B. O. & Frances Ngozi Obafemi 87
7. *Foreign Trips and Cost of Governance in Nigeria*
Akpotor, A. S., Anegbode, J. E. & Odion Williams 113
8. *Financial Control Techniques for Cost Effective Governance in Nigeria*
Ofanson, E. J. 130
9. *Cost of Governance and Population Census in Nigeria*
Odion M. Odaman, 143

Table of Contents

Part II Legislative Oversight, Political Appointment and Cost of Governance

10. *Staffing of the Legislature, Cost of Governance and
Legislative Performance in Nigeria*
Yahaya T. K. Baba 156
11. *The Imperative of Leadership in Governance: The Nigerian
Experience*
Agweda, T. O. 175
12. *Political Appointments and Government: Cost Implications
for Governance*
Odiagbe, O. S. & Obetoh, G. I. 188
13. *The Federal Legislature and Good Governance in Nigeria:
An Assessment*
Aghemelo, A. T. & Edoko, S. E. 196
14. *Legislative Oversight and Cost of Governance in Nigeria*
Lafenwa, S. A. & Gberevbie, Daniel E. I. 216

Part III Monetization and Cost of Governance

15. *Monetisation and Cost of Governance*
Abhulimen R. Anao 245
16. *Monetization and The Cost of Governance in Nigeria: The
Journey So Far*
Esekumemu Victor Clark 260

Table of Contents

Part IV

Electoral Exports and Cost of Governance

17. *Minimizing The Cost of Governance in Nigeria Through Civil Service Reforms: Rightsizing, Downsizing or Retrenchment*
Ogundiya, I. S. 279
18. *Party Funding, Godfatherism and Cost of Governance in Nigeria*
Odiagbe, O. Sims & Obetoh, G. I. 300
19. *Governance and Political Development in Nigeria: The Delta State Case Under The Fourth Republic (1999-2005)*
Oromareghake P. & Akpotor, J. 310

Part V

Corruption and Cost of Governance

20. *Corruption and Good Governance in the Nigeria State: The Way Forward*
Ihionkhan P. A. and Okpamen P. E. 324
21. *Governance, Corruption and Economic Development in Nigeria*
Enoma A.I. and Asemota Abel 341
22. *Perspectives on Corruption and Cost of Governance in Nigeria: Analysis of Corrupt Practices in the Public Sectors*
Orhero E. Abraham 355
23. *Corruption, Cost of Governance and Sustainable Democracy in Nigeria*
Obukohwo, E. Andrew 373

Table of Contents

24. *Corruption and Cost of Governance in Nigeria*
Gberevbie D. E. and Iyoha, Francis O. 400
25. *Corruption and Cost of Governance*
Osiobe P. O. & Isedu, M. O. 419
26. *A Corruption – Free Society as the Basis for Political
Stability and National Development in Nigeria*
Anthony O. Echekwube 438
27. *Governance and Corruption in Nigeria*
Aghayere, V. O. & Idada, Walter 461

Part VI Governance and Poverty

28. *Governance and Poverty in Nigeria*
Ikharehon, J. I. and Igudia, P. O. 479
29. *Governance and Poverty Alleviation: The Nigerian
Experience*
Omonzejie, P. I. 502
30. *Governance and Poverty in Nigeria: A Cost and Benefit
Assessment of Government's Role in Poverty Reduction
Strategies.*
Goke Olawuyi 522
31. *Governance and Poverty Alleviation Nexus: A Case for
Nigeria*
Asemota, Abel E. and Enoma A. I. 544
32. *Good Governance as a Panacea for Poverty Alleviation in
Nigeria*
Francis A. Akawu 559

Table of Contents

33. *The Effect of Governance on Poverty in Nigeria: An Analysis*
Edeko, S. E., Aghemelo, A. T., Ajagun, S. and Anegbode, J. E. 576
34. *Myths and Realities of Poverty Alleviation Programmes in Nigeria*
Omorogbe S. K. 591
35. *Good Governance and Poverty in Nigeria*
Iyoha, F. E. and Idada, Walter 608
36. *Governance and Poverty Alleviation in the Fourth Republic in Nigeria*
Richard Iyere Oghuma 627
37. *Poverty and Cost of Governance in Nigeria: The Way Forward*
Okpamen P. E., Ihionkhan, P. A. and Aghemelo .A.. T. 648
38. *Governance and Poverty Reduction: A Panacea for Economic Development in Nigeria.*
Isedu, M. O. & Iganiga B. O. 666
39. *Federal Cost of Governance and Standard of Living in Nigeria*
Aigbokhaevbolo, O. and Osamwonyi, I. O. 682
40. *Cost of Governance and Poverty in Nigeria*
Eregha, E. E., Enabunene S. and Ainabor E. A. 697

24 CORRUPTION AND COST OF GOVERNANCE IN NIGERIA

BY

Gberevbie Daniel, E. I. & Iyoha, Francis O.*

Abstract

Nigeria is a country with great potentials. However, these potentials have been punctuated by a myriad of problems. The problems are not necessarily that of lack of resources, but of corruption and hence high cost of governance. The past and present leadership of the country recognized the ugly situation this has put the country and had devised mechanisms to stem the tide for good. The mechanisms put in place by governments in the past have not achieved the desired results. On the basis of the analysis of the political economy of the country, the paper suggested ways to solving the problem – reinforcing the current anti-corruption drive of the government by making the structures/institutions put in place to fight corruption to be truly independent of the executive arm of government and promptly bringing culprits to book, and reduction in governmental units both at the state and local levels to economically manageable size. These the paper argues would reduce corruption in the country and hence lower the cost of governance.

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1. Introduction

Nigeria has constantly faced the challenge of corruption and high cost of governance, which has hindered her developmental drive (Aliyu, 2003:7). The current level of corrupt practices has continued to hinder development in the country and hence affected negatively the hope and aspirations of Nigerians since independence. Nigeria is blessed with abundance of natural resources including oil and gas, which are vital to her economy and the world at large. Oil accounts for about 40 percent of the Gross Domestic Product (GDP), 70 percent of the government revenues and 90 percent of government receipts. In 2003 alone, the federal government earned about N998.4 billion or (US\$ 8.183 billion) from external crude oil sales. Oil and gas alone accounted for 80.6 percent of the total federal government receipts in 2003 (Ikelegbe, 2004:1).

It is interesting to note that between 1970 and 1990, the country received receipts of about US\$ 300 billion from oil (Ibid: 1). In spite of this huge revenue, which accrued to the nation, the standard of living of the people had not meaningfully improved. The challenge of corruption and resulting in high cost of governance cannot be attributed to a particular regime; neither can it be attributed to a regime type – military or civil. It is on record that since 1960, thirteen different governments have ruled Nigeria. One thing that is common to these governments is *corruption*, which has inflated the cost of governance to the detriment of the overall development of the nation and her people (Aliyu, 2003:8). Cost of governance in Nigeria is not a direct effect of positive policies of government for the enhancement of the living standard of the people, but basically as a result of inflated contracts and other vices by government officials for their personal enrichment. In Nigeria like any other country facing the challenge of corrupt practices in governance, access to political office becomes a 'do or die affair.' The Nigerian nation-state serves as a source of acquiring personal wealth by public office holders. No matter the

amount of revenue generated by the government, the living standard of the people is worse – off.

The paper is an attempt to proffering solutions to the endemic problem of corruption and hence high cost of governance in Nigeria. And it is divided into four sections. In section two, we examined the conceptual framework / literature review. Section three examines some causes of high cost of governance in Nigeria and in section four we examined the way forward.

2. Conceptual Framework / Literature Review

2.1 *What is corruption?*

According to the Advanced Learners Dictionary (7th edition, 2004), see corruption as a “dishonest or illegal behaviour, especially of people in authority” Hope (2000:18) sees corruption as an act or acts undertaken with the deliberate intent of deriving or extracting personal and/or private rewards against the interest of the state. Werlin (1994:547-548) on his own part, sees corruption as partnership that challenges statesmanship. Corruption is an evil that affects both the poor and the rich in the society. Corruption impedes sustainable development and visits poverty and deprivation on its victims.

As Lawis (1994:330) has observed, “corruption has long been endemic to Nigerian politics but the levels of malfeasance in the waning years of the Babangida’s regime eclipsed those of preceding government” (Erero and Oladoyin, 2000:283). According to the World Bank (1996:38), Nigeria presents a paradox; the paradox of poverty in the midst of plenty. The country is rich and the people are poor. “Per capita income today is around the same level as in 1970. And in between, over \$200 billion has been earned from exploitation of the country’s oil resources” The observation made by the World Bank was confirmed by the report of Transparency International (2002: 4) that rated Nigeria as one of the most corrupt countries in the universe. Of a maximum score of 10 on the Corruption Perception

Corruption and Cost of Governance in Nigeria

Index (CPI) for the least corrupt nation on earth (Table 1), Nigeria scored 1.6 as the second most corrupt country in the world after Bangladesh. The table also shows the CPI for other countries in the world:

Table 1: Countries and their CPI Rating

S/N	Country	CPI Rating (score)	Remark on Corruption
1	Finland	9.7	Very low
2	Denmark	9.5	Very low
3	New Zealand	9.5	Very low
4	Iceland	9.4	Very low
5	Singapore	9.3	Very low
6	Mexico	3.6	High
7	South Korea	4.5	High
8	Malaysia	4.9	High
9	Thailand	3.2	High
10	Indonesia	1.9	Very High
11	Russia	2.7	Very High
12	Brazil	4.0	High
13	Turkey	3.2	High
14	Argentina	2.8	Very High
15	Nigeria	1.6	Very High
16	Sweden	9.3	Very low
17	Chile	7.5	Very low
18	Taiwan	5.6	Low
19	Canada	9.0	Very low
20	India	2.7	Very high
21	USA	7.7	Low
22	China	3.5	High

Source: (Adapted from Transparency International, 2002)

Corruption and Cost of Governance in Nigeria

Transparency International Opined that in the countries that scored less than 5 points, political elites and their cronies continue to take kickback at every opportunity, and working hand in hand with greedy business people and unscrupulous investors, putting private gains before the welfare of citizens and the economic development of their countries.

A closer look at the table 1 suggests that the most corrupt nations under the Transparency International Corruption Perception Index (CPI) are from Africa, Asia, Eastern Europe and South America. This suggests that corruption though very bad cannot be associated with a particular region or country alone. A further look at the table shows that the more corrupt nations are less developed than the less corrupt nations. What this means is that corruption hinders development in any nation.

Hope (2000:23) observed that corruption has negative consequences, which includes increase in the cost of African governments doing business. He argued that kickbacks and illegal commissions, which have to be paid to public officials, are simply added to the final costs of contracts and equipment supplies. According to him, corrupt practices not only increases government expenditures and siphons off scarce funds, but eventually leads to the need to increase revenue either through higher taxes, or by borrowing or by reducing development programmes of great importance to the citizens.

According to Wells (1977:4) corruption falls into two basic categories: (a) Internal corruption, which is committed by employees and officers of an organization, and (b) External corruption, which is committed by individuals against organizations, organizations against the individuals, and organizations against organizations. He argued further that in the United States of America, corruption is equal to about 6 percent of the USA Gross Domestic Product (GDP) – more than \$ 400 billion. If the USA with a CPI of 7.7, one of the least corrupt nations of the world loses 6 percent of her GDP to corruption, then

Nigeria with a rating of 1.6 would have lost a very substantial part of her GDP to corrupt practices.

2.2 What is Governance?

The term governance is a difficult concept to define. It has been a contested area of political science. In its simplest form, governance can be seen as the "existence of a multiplicity of agencies, which extend across conventional public and private sector boundaries, and which are collectively important for the development and delivery of public policy" (Rhodes, 1996:652). Following from this definition, governance means the activity of governing a country or controlling a company or an organization. In the context of this paper, 'governance' is defined within the framework of the three tiers of government – federal, state and the local governments as "the efficient, effective and accountable exercise of political, economic and administrative authority to achieve a society's objectives, including the welfare of the whole population, sustainable development and personal freedom" (Olowo-Okereke, 2005:2).

At independence in 1960, Nigeria inherited the federal structure of governance from its colonial masters, which was organized around the parliamentary system of government and patterned after the British system. This lasted between 1960 and 1966. However, the period of 1966 and 1979 witnessed the military coming into politics. The military ruled the country under a unitary structure even though Nigeria is known in practical terms as a federal state. The reason for this can be attributed to the command structure of the military that corresponds with unitary structure of governance. And this unitary structure of governance of the country under the military continued between 1984 and 1999 when political power was handed over to the present democratic government.

Between 1979 and 1983; 1999 and now, Nigeria reverted to the federal structure of governance under civilian administration

Corruption and Cost of Governance in Nigeria

headed by Alhaji Shehu Shagari and Chief Olusegun Obasanjo respectively. The civilian administration that took over political power from the military was organized around the presidential system of government patterned after that of United States of America.

The re-adjustment of the structure of governance in Nigeria by the military, from federal to unitary structure has affected negatively the way the business of government is organized between the federal and the state governments and between the state and the local governments in the country

3. Some Causes of High Cost of Governance in Nigeria (1999 – 2003)

Cost of governance referred to the sum total of recurrent and capital expenditure of the government, whether at the federal, state or local level per year. And this has continued to rise over the years without a corresponding meaningful development in the society and high standard of living for the people. Table 3 shows the cost of governance (in financial terms) of the federal government of Nigeria between 1999 and the year 2003.

Table 3: Cost of Governance of the Federal Government, 1999 – 2003 (Billion Naira).

Year	Recurrent Expenditure	Capital Expenditure	Total
1999	449,662.4	498,027.6	947,690
2000	461,608.5	239,450.9	701,059.4
2001	579,329.1	438,696.5	1,018,025.6
2002	867,336.5	321,398.1	1,188,734.6
2003	984,268	241,688.6	1,225,956.6

Source: CBN (2003:125-126).

Corruption and Cost of Governance in Nigeria

Table 3 above shows that the cost of governance continued to rise from about N947, 690 billion in 1999, to N1, 225,956.6 billion in the year 2003. In addition, the recurrent expenditure of the federal government has continued to assume a larger proportion of the cost of governance over the years to the detriment of capital expenditure from N498, 027.6 billion or 52.55 percent of the total expenditure in 1999 down to N241, 699.6 billion or 19.71 percent of the total expenditure in the year 2003.

A situation whereby only about 19.71 percent of the year 2003 total expenditure of the federal government was devoted to capital expenditure while 82.29 percent was on recurrent expenditure cannot give rise to adequate development of the nation. It is important to note that even the 19.71 percent devoted for capital expenditure in the 2003 total expenditure could hardly to have been judiciously spent for developmental purposes. According to Aliyu (2003:6):

Nigeria is ranked among the most corrupt countries in the world. The corrupt practices in Nigeria range from extortion by public functionaries to advance fee fraud. At the national level, there is hardly any form of service that would be rendered without giving or receiving undue favours and /or gratification.

Table 4 shows the cost of governance (in financial terms) of the states and the federal capital territory of Nigeria between 1999 and the year 2003.

Corruption and Cost of Governance in Nigeria

Table 4: Cost of Governance at State Level and Federal Capital Territory, 1999 – 2003 (Billion Naira)

Year	Recurrent Expenditure ₦	Capital Expenditure ₦	Extra Budgetary Expenditure ₦	Total ₦
1999	102,690.1	60,430.9	4,775.1	167,896.1
2000	196,784.1	158,895.6	3,990.9	359,670.6
2001	294,709.5	235,241.7	67,005.2	596,956.4
2002	424,195.4	283,473.8	16,868.0	724,537.2
2003	545,308.7	324,019.9	51,831.1	921,159.7

Source: CBN (2003:127).

From the table 4 above, it is clear that the cost of governance has equally risen at the state levels. The states total expenditure or cost of governance rose from N167, 896.1 billion in 1999 to N921, 159.7 billion in the year 2003. In addition, recurrent expenditure of the states rose from N102, 690.1 billion of the total cost of governance in 1999 to N545, 308.7 of the total expenditure in the year 2003. In spite of the above huge cost of governance at the state level, unemployment has continued to rise, while standard of living of the people continues to fall.

Table 5 shows the cost of governance (in financial terms) of the local governments in Nigeria between 1999 and the year 2003.

Corruption and Cost of Governance in Nigeria

Table 5: Cost of Governance at the local Government level, 1999 – 2003 (Billion Naira)

Year	Recurrent Expenditure N	Capital Expenditure N	Total N
1999	41,613.9	18,287.3	60,441.2
2000	93,899.9	59,964.9	153,864.8
2001	122,712.7	48,661.8	171,374.5
2002	124,701.6	45,118.6	169,820.2
2003	211,633.1	150,130.1	361,763.2

Source: CBN (2003:129).

From Table 5 above, the cost of governance at the local government level rose from N60, 441.2 billion in 1999 to a huge sum of N361, 763.2 billion in the year 2003. With the above increases in the cost of governance at the federal, state and local government levels since 1999, social services cannot be said to have improved in 2003 than in 1999, even though the cost of governance in financial terms has risen higher in 2003 than in 1999. Aliyu (2003:7) while emphasizing the evils of corruption and cost of governance posits “through corrupt practices, the bulk of the nations wealth have been distributed in favour of the few privileged to the detriment of the majority of Nigerians who are now wallowing in abject poverty”

3.1 *Corruption and Cost of Governance in Nigeria.*

We refer to cost of governance as the sum total of recurrent and capital expenditure of the government, whether at the federal, state or local level per year. Where cost of governance continues to rise without a corresponding development in terms of the enhancement of the living standard of the people can lead to economic, social and political crises in a country. Evidence has

Corruption and Cost of Governance in Nigeria

shown that the high cost of governance in Nigeria could be attributed to corrupt practices in all sphere of the nation's political, economic and social life. Amadasu (2003:76) is of the view that where a contract sums is inflated by corrupt public officials; the result is that funds that would have gone into other areas for developmental purposes is diverted into personal accounts. And this leads to high cost of governance in the country because of bloated expenditure of government. In the words of Kolade (1999:5):

We really do not need to go searching on the Internet for further evidence of the state of corruption in Nigeria, when the nation itself has found it necessary to enact laws purportedly designed to deal with widespread financial malpractices in our public and private systems.

Cost of governance becomes very high in a country where corrupt practices become the order of the day. In a society of this setting, development is hindered and the standard of living of the people is at its lowest ebb.

Aijede (2001:14) points out:

The massive corruption that took place in the last three decades of Nigeria's independence can be attributed to the greedy and selfish nature of political leaders. The effect of this on the economy is structural imbalances and massive waste in public investments. While foreign debt stands at over \$ 30 billion, the income per capita remained at less than \$350 as against \$1,230 at the threshold of economic crisis.

Corruption and Cost of Governance in Nigeria

The selfish personal interest of the average public official in the country, results in corrupt practices in their dealings. Loans obtained by the government from foreign financial institutions ends up in the private bank account of these corrupt public officials. The lack of both infrastructures and human development in a country can further impoverish the people.

Corruption robs the children of today of the resources they will need to survive and enhance their standard of living in the future. In the developed societies like the USA, France and Britain where corruption is confronted with vigour because of its negative consequences on the people, cost of governance could be high, not as a result of corrupt practices, but on account of social welfare programmes embarked upon by these nations to enhance the living standard of the people. This cannot be said of African nations, particularly Nigeria. Aziz (2002:2) posits that:

Corruption continues to deny the poor, the marginalized and the least educated members of the society, the social, economic and political benefits that should accrue to them, benefits that are taken for granted in societies that have managed to shake off the yoke of corruption.

In developing nations like Nigeria, policies of government appear to be formulated and implemented for the purpose of satisfying the interest of the few – the elites in the society to the detriment of the people. Since the 1980s when Nigeria started facing serious economic, social and political crises, public policy makers are yet to realize the need to formulate sound policies devoid of selfish interest.

By early 1981, the nation's foreign reserve stood at US\$8.5 billion, but by December of the same year, it fell to US\$2.85 billion (Eze, 2002:137). The fall is due to the reckless spending of the government of the day in the area of frivolous importation of

Corruption and Cost of Governance in Nigeria

foreign goods into the country. The elites are the importers of these foreign goods and its beneficiaries. Due to bad policies of government, the nation spent N1 billion in 1979 and N1.9 billion in 1983 on food importation alone (Njoku, 2001:218). The result of the above was the total neglect of agriculture by the government and the people and the outcome is that of poverty amongst the Nigerian citizenry. The effect of rising cost of governance without corresponding development in the society arising from corrupt practices of public officials includes deprivation of basic needs of life, poverty and unemployment.

In Nigeria for instance, the funds that would have gone into the successful establishment of industries, which would have given employment to people is kept away in foreign bank accounts. Masari as cited in Gberevbie (2004:229) was of great concern to learn that Nigerians have over US\$170 billion kept abroad in foreign banks from illegal acquisition, yet the nation is yearning daily for investable funds. This figure, he asserts represented about five times Nigeria's foreign debt and this is associated with public sector corruption in Nigeria.

Eze (2002:14) observed that unemployment started rising by 1980 to 4.4 percent of the labour force, and rose to 10 percent in 1986 and 12.2 percent in 1987. He pointed out that graduate unemployment rose from 4 percent in 1981 to 6.4 percent in 1985 and by this, it was estimated that between 55,000 and 60,000 graduates were unemployed in 1986. In the industrial sector, capacity utilization fell from 43.6 percent in 1984 to 37.5 percent in 1998. Adesina (1997:313) argues that due to mismanagement of the economy arising from corrupt practices by public officials, Nigeria suffered from an exchange rate devaluation of more than 1,800 percent, a foreign debt of about US\$30 billion, a balance of payment deficit of about US\$6 billion, a domestic debt of over N160 billion and a budget deficit of about N98.4 billion in 1993 alone.

Corruption and Cost of Governance in Nigeria

At the local government level the story of corrupt practices is the same all over the country. People see their appointment or election into public office as an opportunity to acquire illegal wealth. The result of illegal wealth acquisition by public officials is that of increase in cost of governance. This is so because budgets of governments, whether at the federal, state or local levels are inflated to accommodate the personal interest of corrupt public officials. In a research carried out by Ojofeitimi (2000:62) on the assessment of the performance of an out-gone local government chairman in Lagos State, a question was put forward to a respondent on how he would assess the performance of the local government chairman, he answered thus:

The chairman had neither a vehicle nor a house when he assumed office. Less than two years in office, he has three vehicles and two houses. I do not believe that the salary he earned during the period was sufficient to cover the acquisition of these items. I leave you to draw your conclusion.

3.2 Fragmentation of Nigeria into Smaller Units.

Apart from corrupt practices of government officials, another notable issue that has brought about the rise of cost of governance over the years is the fragmentation of Nigeria into smaller units, from a nation of three regions in 1960, to four regions in 1964, 12 states in 1967, 19 states in 1976, 21 states in 1987, 30 states in 1991 and 36 states in 1997 and the recognition of 774 local governments in the 1999 constitution as the third tier of government in Nigeria (Asia, 2000). The result of the fragmentation is that more funds are required to successfully run the affairs of government at all levels. These are funds that would have gone into developmental purposes for the enhancement of the living standard of the people. Though the fragmentation could have led to a rise in employment at the various levels of

Corruption and Cost of Governance in Nigeria

government, but balance of advantage did not lie in favour of the majority in terms of economic development. The result of the fragmentation of the nation into smaller units is that of rising cost of governance and the outcome on the people is that of poverty, lack and deprivation of the basic necessities of life for a meaningful living.

4. The Way Forward

There is no doubt that Nigeria has been immersed in corrupt practices since independence in 1960. This has resulted in the implosion of economic, social and political crises that has trapped most Nigerians today in the prison of poverty. It is generally agreed that fighting corruption has become the most difficult challenge facing Nigeria and its people and the greatest obstacle to sustainable socio-economic development. It therefore becomes imperative that the war on corruption should continue to be fought until it is won.

The government is not resting on its oars in this regard and is currently implementing a broad and systemic anti-corruption strategy as a flagship of our economic, political and social reform. The anti-corruption programme of the government is both preventive and punitive and will be more effective if legislation is put in place to make anti-corruption structures / institutions truly independent of the executive arm of government, this will enable them perform excellently well in the fight against corruption in Nigeria. The centerpiece of the anti-corruption crusade includes accountability, transparency and efficiency by fundamentally tackling the problems of our economic, institutional, political and social structures. It is a worthy cause, which should be supported by all.

There is also the need to revisit the quest of some Nigerians for the creation of more states and local government areas, to avoid further fragmentation of the country into smaller uneconomically viable units. In this regard, the paper submits the following as

Corruption and Cost of Governance in Nigeria

possible ways out of the problem of corruption and cost of governance in Nigeria: The size of government at all levels should be cut down to an economically prudent and manageable size. This in effect means that political offices and holders of such offices should be reduced to the size the available funds could accommodate. Besides, prospective political office holders should have their background thoroughly screened as a way of bringing about possible reduction of corruption in government. The public sector institutions are vital to any developmental efforts. They should therefore be strengthened so that public resources could be properly channeled to appropriate public services. In order for the anti-corruption drive of the government to be effective, through legislation of the national assembly, structures / institutions put in place to fight corruption should be given independent status from the executive arm of government control. All perpetrators of corrupt practices once caught should be promptly brought to justice. Penalties for all convicted persons and organizations should be severe enough to serve as deterrent. At present, penalties are too mild in Nigeria and justice has too long a gestation period

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