AFRICA'S WAR ON CORRUPTION

MWANGI S. KIMENYI & JOHN MUKUM MBAKU*

It is now widely recognized that a crucial determinant of a country's economic performance is the quality of its institutions of governance. Although there have been significant improvements in governance in some African countries during the last two decades, most African countries have not succeeded in reforming their governance systems into instruments of peaceful coexistence, wealth creation and economic growth, and social development. Unfortunately the prevalence of corruption still remains one of the continent's most difficult obstacles for development. The ability of Africa to sustain high rates of economic growth in 2011 will depend, to a great extent, on how well its countries are able to transform their governance systems, especially as it pertains to fighting corruption.

For Africa, the cost of poor governance is enormous. Household and business surveys by various reputable organizations, such as the World Bank's *Governance Indicators*, rank virtually all African countries among the worst performers in terms of governance. According to Transparency International's 2010 *Corruption Perceptions Index*, Africa is the most corrupt region of the world. Poor governance, especially the prevalence of extremely high levels of corruption, will undoubtedly continue to have negative impacts on Africa's wealth creation and economic growth in 2011.

Poor governance can manifest itself in many ways. Corruption, rent seeking, public financial malfeasance, and the arbitrary and capricious allocation of public goods and services are just some of the ways in which poor governance manifests itself in African economies. For the poor, corruption is an insidious institution that strips poor people of their human dignity and deprives them of access to public goods and services that could enhance their ability to dig themselves out of poverty. In many Africa countries, civil servants often allocate public goods and services capriciously, favoring those who are willing and able to pay bribes. This process of service allocation not only increases inefficiency and discourages productive activities in the economy, but it also subjects a large part of the population to cruel and unnecessary suffering; the poor end up deprived of welfare-enhancing, life-saving public goods and services, such as clean water, prenatal care for pregnant women, primary education, police protection, shelter and basic health care.

In addition, poor governance creates uncertainties in the economy, which discourages investment in productive capacity. Market participants are not likely to willingly invest in such economies for fear that they would not be able to have access to the fruits of their investments. Thus, poor governance can drive away foreign investors and force domestic investors to seek refuge in economies with more efficient and stable institutional arrangements. In addition to capital flight, poor governance has also been instrumental in forcing many of Africa's scarce human capital resources to flee.

Estimates of the cost of corruption to African economies are mind-boggling. The African Union has estimated that during the 1990s corruption was costing African economies about $148 billion per year, or about 25 percent of Africa's total output. Other reports show that in one year corrupt African politicians and civil servants diverted amounts in excess of $30 billion in development aid to foreign bank accounts. But the impact of corruption is especially costly to the poor with estimates showing that low-income households in Africa spend as much as 2-3 percent of their income on bribes. Lack of accountability is also prevalent in service delivery as evidenced by high rates of absenteeism by frontline providers (nurses, doctors, teachers, etc.). Estimates show that up to 25 percent of teachers are absent from schools at any given time, which has detrimental impact on learning outcomes. Other consequences of poor governance include underinvestment in public goods such as roads, electricity and telecommunications infrastructure. There is no question that poor governance remains a very serious challenge to the long-term development of Africa in 2011 and beyond.

DEEPENING AND SUSTAINING GOVERNANCE REFORMS

The quest for economic growth and development in Africa must focus on *good governance* in its broadest sense—a concept that includes good corporate, economic and political governance. Specifically, good governance, at the very least, entails: (1) transparency and accountability in both the public and private spheres; (2) maintenance of the rule of law; (3) provision of *all* market participants with incentive systems that enhance their involvement in productive activities; (4) protection of the person and property of individuals; (5) enforcement of property rights and freely negotiated contracts; and (6) the maintenance of an institutional environment conducive to mutually beneficial free exchange and peaceful coexistence.

One of the most important policies to ensure the continent's economic growth is to fast track Africa's war on corruption. Although most African countries have set up elaborate anticorruption units, these bodies are largely ineffective and some have even been compromised by the appointing authorities. In some African countries, the war on corruption has been derailed by selective allegations and prosecutions largely influenced by ethnicity, while in others the judiciaries have been overly compromised and become ineffective in the adjudication of corruption cases.

There is a pressing need for national governments and development partners to prioritize the strengthening of autonomous anticorruption bodies and the reforming of national judiciaries. Those countries in Africa that succeed in the war on corruption will win handsome returns by way of economic growth in 2011 and beyond.

SELECTED REFERENCES

Kimenyi, Mwangi S. (1997). *Ethnic Diversity and Liberty: The African Dilemma*, Aldershot, UK and Northampton, MA: Edward Elgar.

Kimenyi, Mwangi S. and John M. Mbaku (1999). *Institutions and Collective Choice in Developing Countries: Applications of the Theory of Public Choice*, Aldershot, UK: Ashgate.

Mbaku, John M. (2004). "NEPAD and Prospects for Development in Africa," *International Studies*, Vol. 41(4): 387-409.

Mbaku, John M. (2004). *Institutions and Development in Africa,* Trenton, NJ: Africa World Press.

Olson, Mancur, Jr. (1996). "Distinguished Lecture on Economics in Government: Big Bills Left on The Sidewalk: Why Some Countries are Rich, and Others Poor," *Journal of Economic Perspective*, Vol. 10(2): 3-24.

Transparency International (2004). *Corruption Perceptions Index 2010,* Berlin: Transparency International Press.

** John Mukum Mbaku is professor of economics and the John S. Hinkley fellow at Weber State University in Utah.*