AFRICA BUSINESS ETHICS CONFERENCE (ABEC), NIGERIA 2020

CONFERENCE WHITE PAPER

CONFERENCE THEME: TACKLING CORRUPTION TO REDUCE POVERTY AND UNEMPLOYMENT IN AFRICA: A NECESSITY FOR BUILDING RESILIENCE

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LIST OF ABBREVIATIONS

SMEs	Small and Medium Enterprises
TI	Transparency International
ABEC	Africa Business Ethics Conference
FDI	Foreign Direct Investment
CIPE	Center for International Private Enterprise
LCCI	Lagos Chamber of Commerce and Industry
NACCIMA	National Chamber of Commerce Mines and Industry
ICPC	Independent Corrupt Practices Commission (Nigeria)
ISO	International Organization for Standardization
BMO	Business Membership Organization

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Executive Summary

The Africa Business Ethics Conference offered an avenue for a broad base of enterprises and stakeholders to appreciate the corrosive effects of corruption on the long-term sustainability of business, industries, and the economy in Nigeria and in Africa. Compelling speakers identified the obvious and forgotten consequences of corruption on business operations and the daily lives of citizens. The speakers came together to proffer solutions to address these consequences, summarized in the overarching themes presented in this White paper.

Through the conference deliberations, there was a convergence on 7 overarching themes that provide every reader information and direction about what the anti-corruption reform priorities are in Nigeria. An overall convergence of the deliberation developed around the need for broad, collective commitment to ethics and integrity as the new frontier for growth and sustainable development in African economies, with particular focus on supporting the Micro-, Small- and Mid-sized enterprises (MSMEs).

Parallel to direct anticorruption efforts, the consensus at the conference was that all enterprises and economic stakeholders in Nigeria have a collective responsibility to initiate, commit to and support interventions under one or more of the thematic focus areas. These interventions will facilitate positive and equitable outcomes to advance effective efforts to tackle corruption in Nigeria and in Africa.

Conference members also called for a review of the existing legal and institutional framework in Nigeria. A thorough review must ensure that the framework aligns with the ideals of a competitive market and democratic nation that deters and prevents corrupt activity through its social structures. This review would also ensure that any sanctions imposed are commensurate with the nature of corrupt activity and are fairly and justly determined.

The conference emphasized the need for proactive leadership from the business community in Africa and highlighted the current role of business leaders and captains of industry in efforts to embed ethical behavior in the Nigerian system. Research on ethics, shared values, behavior, and virtues is essential to enhance business decision-making at all levels, particularly at the leadership level. Proactive action of business membership organizations is necessary, including the development of mandatory codes of ethics for members as a way of entrenching self-regulation.

Overarching Themes for Stakeholder Action

Stakeholders across the spectrum of public to private sector and civil society have the capacity, and indeed, the responsibility to advance anti-corruption efforts. However, stakeholders may need some guidance as to the opportunities for reform, the strategy and the priorities for intervention. The overarching conference discussion themes that emerged from representatives of diverse stakeholder

groups provide thematic pointers about strategic priorities and opportunities for different stakeholders to contemplate in assessing and revaluating their respective roles in tackling corruption for the good of the nation and the continent. These themes are a roadmap to guide stakeholders from the business community, development community and public sector on what to focus on in formulating policy or strategic interventions.

1. COLLECTIVE ACTION

Collective action in this context refers to well-coordinated, planned, and deliberate actions that reinforce any effort to stamp out corruption and entrench a culture of integrity, ethics, fairness, equality, and merit through soft and hard transparent rules of cooperation among the group. To wage a sustainable war against corruption, the private sector must adhere to certain basic values that reflect integrity, ethics, fairness, equality, and merit-based decision-making among business leaders and entrepreneurs. The focus of collective action should be twofold; (1) to reframe a prevalent mindset that businesses need to be corrupt to succeed and (2) to replace it with a dogged determination to do business while adhering to clear standards of business ethics and integrity — both in word and operations. The goal should be to gain a critical mass of businesses that join this collective action mandate and influence the prevailing business culture positively.

Deliberations from day 1 breakout sessions of ABEC Lagos 2020 noted that *"the private sector needs to eradicate supply side corruption through entrenching ethics and morals in business. Further, embracing collective action in advocating for ethics and integrity in business can play a critical role in winning the war against corruption. Collective action initiated by business membership organizations can play a leading role in amplifying their voice and speaking against corruption as a business and social vice. Collective action from the private, political and government sectors is necessary in curbing its consequential menace on the welfare of businesses. Success lies in working with business associations like chambers of commerce and other private sector business alliances. Proper regulatory and institutional frameworks against bribery and corruption are key. Collective action through public-private initiatives can play a leading role in eradicating corruption. Business associations should undertake education of members of the society on the adverse effects of corruption and the need to entrench ethics and integrity in business. Behavioral reform in terms of norms, values, virtues, and morals was recommended as important in doing ethical business. Through collective action, the private sector can speak in one voice in fighting against bribery and fraud as forms of corruption. Collective action from a societal perspective is the solution to corruption. Investment in nurturing good morals, values, and virtues in business is key. The academia needs to partner with the public and private sectors in coming up with policy, legal and institutional frameworks that can help eradicate corruption. Strengthening collective action through inter-agency cooperation and partnerships could further boost the fight against corruption. Partnerships with churches, civil society organizations, government agencies and business associations can foster emancipation and civic education on why corruption is both a social and an economic vice."*

2. INSTITUTIONS AND INSTITUTIONALISM

According to North (1991), institutions are "humanely devised constraints that structure political, economic and social interactions." Institutions comprise both unwritten and written constraints. Unwritten constraints include ethics, values, morals, customs, traditions and socially acceptable codes of conduct. Written constraints include formal rules such as constitutions, laws, policies, and property rights. Throughout the history of humankind, institutions have been created with the aim to create order and reduce uncertainty, including in business dealings. With effective institutions, the benefits of cooperating in and undertaking ethical business practices increases as costs of non-conformity to ethical business practices becomes prohibitive. Another fundamental outcome of effective institutions in all sectors is that it reduces the cost of production and doing business in a country. These cost reductions translate to economic growth and advantages for businesses and citizens. Hence, strengthening institutions is key in the fight against corruption.

On day 1 at the ABEC 2020, the deliberations summarized this theme as follows:

"Proper policies, regulatory frameworks and efficiency of implementation and enforcement of laws and regulations that govern business dealings are part of the solution to the crisis of corruption in Nigeria's private sector."

On informal institutions, the conference noted that corruption is not a crisis in Nigeria because there are no laws, but because of a mismatch between the existing formal laws and the popular informal culture.

Conversely, therefore, overly punitive regulatory policies and poorly implemented regulatory regimes enable an informal system that is often not regulated and prone to unethical practices. A thriving informal culture designed to avoid compliance enables social norms that encourage noncompliance and often corruption. If a country's informal culture nurtures corruption and does not reflect the written laws and regulations of the country, implementation and enforcement of the formal laws and regulations with the aim of curbing corruption is unlikely to succeed.

The day 3 plenary of the conference noted that *"corruption is not a crisis in Nigeria because of a lack of a constitution or formal institutions—it is rather a failure of the spirit of the constitution, constitutional institutions and laws to become entrenched among citizens. This is what amounts to a lack of constitutionalism and institutionalism. It is not a lack of laws, rules, and regulations—it is rather a lack of the spirit to enforce existing laws and regulations by government agencies and a lack of incentive by businesses to abide the same."* Sentiments from the conference indicated that organizations need to create organizational culture—embodying ethics, morals, values, and virtues—that fosters the willingness of employees to participate in taming corruption.

Ensuring inclusion and fairness in policy development, public and civic education, effective implementation of regulatory standards, and assured independence of the press are necessary in strengthening institutional frameworks.

3. PRESS FREEDOM TO SUPPORT DEMOCRACY AND GOOD GOVERNANCE

According to the World Bank (1999), the key characteristics of good governance are "transparency and accountability, efficiency in the functioning of the public sector, rule of law, participation, effectiveness, equity and ordered interactions in politics." Grindle (2010) further states that businesses in countries like Nigeria would be much better off if public life was conducted within institutions that are "fair, judicious, transparent, accountable, participatory, well-managed, responsive, and efficient." Good governance, which encompasses accountability and transparency in public and private service, is a solution to the epidemic of corruption.

The day 1 breakout sessions of the conference, in support of this important tenet, observed that *"promoting access to information as a right of citizens, entrenching democracy and rule of law in the country, and promoting free media, entrenches dialogue on ethics and integrity in business. Promoting political accountability and bureaucratic efficiency equally aid the fight against corruption." Further, the conference noted that the degree of freedom of media is "inversely related to prevalence of corruption cases" and that "entrenching democracy and good governance in the country was vital in fighting the vice". Klitgaard (1998) holds that corruption amounts to monopoly of public and private institutions, plus excessive government discretion, minus accountability. The conference supported this sentiment in stating that "excessive regulation of the private sector by the government raises costs of compliance, creating leeway for unethical behavior which amounts to corruption. Discretionary powers in government, judiciary and legislature should thus be controlled to prevent abuse of authority."*

4. PUBLIC EDUCATION AND AWARENESS

Dudley and Gitelson (2003) define public education and awareness as coming up with information about issues that are of interest to members of the public, which in this case include enterprises that prove to not only be accessible, but also comprehensible and utilizable in sustainable decision making. Corruption is an issue of great interest to enterprises because it has an impact on their long-term sustainability. Knowledge about the adverse effects of corruption therefore needs to be disseminated to enterprises so that they can be aware that, despite corruption's appeal as a way to obtain "quick" or "speedy" money, it is unsustainable for businesses in the long-term. This threat to business sustainability exists for reasons such as the fact that corruption increases the cost of doing business and harms goodwill as a crucial asset to enterprises.

Speakers throughout the conference agreed that undertaking public education and awareness through compliance and corruption-risk assessment could promote awareness of the adverse effects of corruption and thus provide a rationale for embracing ethics in business for long-term sustainability. Further, the day 2 plenary fronted business associations *as "better-placed to undertake emancipation and education of businesses—both members and non-members, on the adverse effects of corruption*

on sustainability of their businesses and thus the need to entrench ethics in business." Public education and awareness on corruption through partnerships between *"business associations, the media, the office of director of public prosecutions, churches, academia and civil society organizations"* was encouraged.

5. RESEARCH FOR DEVELOPMENT AND INTEGRITY

Greenlaw (2006) defines research quite simply as "the creation of knowledge." In addition to building up knowledge, research often aims to gather facts about issues considered to be of interest to a certain target population. Research on an issue like corruption results in the generation of knowledge that ignites debate directed at how to best take appropriate actions in response to the findings. Undertaking research on corruption is important in revealing the behavioral traits that nudge enterprises to engage in the vice, and consequently enables the development of suitable strategies to curb corruption and embrace ethics and integrity in business.

From the day 3 breakout sessions, it was observed that research "*on targeted technological and behavioral aspects such as digitization of systems, ethics, shared values, behaviors, and virtues"* was necessary. From the day 1 breakout session on *"The Supply Side of Corruption,"* it was noted that inculcating good morals, virtues, and values in children is important in creating an ethical business community in the long term. Moreover, it was recommended that undertaking research on governance, democracy, and institutions can aid in the war against corruption through creating well-informed indicators that can be deployed efficiently.

Research on bribery and fraud as behavioral issues was pointed out as important in promoting better investigation into and prosecution of corruption cases in Nigeria, as well as developing appropriate nudges to incentivize enterprises to voluntarily embrace ethics in business. Through evidence-supported research, better understanding of corruption can be obtained and thus suitable civic education and awareness programs can be created to enhance public emancipation against corruption as a business and social vice.

6. JUDICIAL INDEPENDENCE

An elaborate court and judicial system and structure in any given country is an integral part of the political structure (Kaufman, 1979). Rosenberg (1992) similarly identifies judicial independence as the ability of the court system to hear and determine cases presented before it without regard to the social, economic, or political status of the accused persons—whether natural or artificial.

An independent judiciary can be described as one that is void of political control either from the executive or legislative arm of government. This state of independence requires political goodwill, in addition to constitutional safeguards for judges such as security of tenure and remuneration. Additionally, an independent judiciary should be free from the influence of powerful interest groups, monopoly corporations and dark money.

The day 2 special address of the conference asserted the importance of *"making the judiciary more independent, transparent, accountable, fair and impartial in hearing and determining corruption cases."* Further, noting that the judiciary is part of a political structure where competing interest are common, *"entrenching political goodwill and eliminating discretionary powers of the executive arm of the government"* was promoted as imperative as well.

7. SELF-REGULATION

Bagozzi (1992) argues that good understanding of the intention-behavior relationship is important in creating self-regulation among enterprises as a channel for curbing wanton corruption. An in-depth understanding of the motives and intentions of the individual enterprise is important in understanding why entities engage in corruption, and how self-regulation can be guaranteed.

After clearly establishing the intentions of a business, a business ought to decide on the most cost-effective method of obtaining the desired goal of profitability and endeavor to institute internal controls, processes, policies, and procedures to mitigate the risk of corruption.

Rational enterprises ought to make choices that self-regulate their operations through the establishment of appropriate structures, systems, and procedures that ensure long-term sustainability. From the day 3 plenary, Fatma Elmaawy keenly observed that *"enterprises need to embrace free will, rationality and moral responsibility when making business choices."* Moreover, the plenary noted, enterprises need to undertake *"internal and external risk assessment measures, put proper governance mechanisms in place for monitoring and evaluating adherence to ethical business standards, undertake employee training, nurture an ethical organizational culture, create and implement organizational code of conduct, policies and regulations around bribery, and undertake system automation for enhanced organizational efficiency, transparency and accountability."*

A Call to Action

Since corruption is a major hindrance to poverty and unemployment reduction efforts in Africa, the private, public and development sectors are called upon to collaborate in entrenching ethics and integrity in their operations. Business membership organizations are called upon to advocate for ethics and integrity in business, adopt codes of ethics and integrity, support whistleblowing policies and procedures, and create SME training programs. Public-private partnerships on ethics and integrity should be embraced to create awareness on the pitfalls of corruption on societal welfare. Particularly, the partnerships are called upon to prioritize adoption of technology in procurement systems.

State and federal governments are called upon to entrench public participation on the corruption debate for enhanced public participation in taming the menace. Religious institutions, the media, and the academia are called upon to endeavor to inculcate socially acceptable morals, values, virtues, and ethics in society. Enterprises are called upon to create organizational policies and culture that entrenches ethics and integrity in business practices. Particularly, SMEs should be nudged to join business associations for collection action in advocacy.

CONFERENCE BACKGROUND

The 2nd Africa Business Ethics Conference (ABEC) was held on December 7th-9th, 2020 in Lagos, Nigeria. The theme for the conference was *Tackling Corruption to Reduce Poverty and Unemployment in Africa; A Necessity for Building Resilience*.

The conference happened at a time when the economic outlook for Sub-Saharan Africa remained positive, with the Gross Domestic Product (GDP) of the continent at $1.755 trillion and a population of 1.1 billion people, the majority (60 percent) under 25 years. However, if Africa is to fully harness the demographic dividend imbibed in the continent's youthful population and the vast endowment of economic opportunity, there is an urgent need to tackle corruption as an important channel for poverty reduction and unemployment alleviation in the public, private, and development sectors.

Charge to Private Sector and Public Sector

Keeping with the ABEC principle that the private sector through Business Membership Organizations (BMOs) should embrace a proactive posture to solve corruption problems, the conference was hosted by the Lagos Chamber of Commerce and Industry (LCCI), a recognition of the private sector's capacity to enhance anti-corruption efforts in the broader society.

Through collective action, advocacy, and corporate ethics and integrity, the business community can individually and collectively advance the efforts to minimize corruption in Africa. BMOs can require members to sign a code of ethics and integrity as a requirement for membership, while individual businesses can maintain organizational policies, systems and cultures that encourage employees to embrace ethics and integrity in the execution of their duties in all operations and departments.

Players in both private and public sectors should recognize that sound whistleblower policy is critical to an ethical culture, and these organizations should put policies and procedures in place to protect and encourage responsible whistleblowers.

An imperative for curbing corruption in the Nigerian context is the need for stronger gift policies in the public and private sector organizations, clearly stipulating the ceiling for gifts and ensuring that all gifts are declared.

The public, private and development sectors should forge cooperation to increase transparency and accountability and ensure participation of the members of the public in an annual ethics conference for awareness creation and capacity development about corruption, its effects and trends, and methods of corruption mitigation. The partnerships should further underscore appropriate deployment of technology as a channel for taming corruption. BMOs could roll out SME training programs on ethical organizational culture, creation of procurement policies, and moral and ethical codes of conduct for their employees. Formal and informal institutions such as religious institutions, the media, and educational institutions should actively participate in the fight against corruption by exposing bribery and corruption cases and advocating against corruption in all its forms.

Theoretical framework on corruption

Understanding the full scope and meaning of corruption remains incomplete without examination of its various forms that include bribery, nepotism, graft, extortion, misappropriation, and embezzlement of resources. Since corruption is characterized as the *abuse of entrusted authority for private gain*, it is pertinent to note that it takes various forms but the damage to the broader society is consistent.

The conferences observed that "corruption is an ethical and integrity issue" as much as it is one of convenience or necessity under certain circumstances. However, the damage in both circumstances is consistent and far-reaching.

For the ethos and integrity of private businesses and government representatives to be checked, there must be a set of rules and regulations that govern business interactions and transactions between entrepreneurs and government officials. Moreover, these rules must be enforced transparently and consistently. Corruption is a manifestation of disregard of societal values, virtues, morals, ethics, integrity, formal rules, regulations, policies, and laws that are set out to guide all sectors of society. The corrupt abuse normally runs counter to set rules and regulations that govern behavioral conduct, exploits trust and confidence, and/or deprives rightful beneficiaries of a necessary good.

Particularly, the day 2 breakout session of ABEC 2020 on *"the menace of corruption on the engine of growth in Africa"* noted that *"corruption is untenable in the long-term as it increases the cost of doing business and increases the chances and incidents of businesses failing"*. Effectively, the conference resolved that there is urgent need for *"deliberate actions by the government, in addition to entrenching accountability, political goodwill, collective action, transparency, and democracy to roll out policy measures that nudge the private sector in Nigeria to voluntarily desist from corruption."*

Forms of Corruption in the Nigerian Private Sector

The impact of corruption on Nigeria today is readily apparent among all enterprises, especially the small enterprises. According to Page and Okeke (2019), even though MSMEs represent more than 90 percent of businesses, employ more than 84 percent of the Nigerian workforce and contribute more than half of the country's GDP, they bear the brunt of corruption which is unsustainable in the long-term. Between 2014-2018, for instance, the cost of corruption on MSMEs in Nigeria was US$1 billion. The most rampant and prevalent forms of corruption include bribery, fraud, tax evasion, embezzlement, money laundering, collusion, misappropriation of funds, facilitation payments, patronage, extortion, abuse of office, breach of trust, favoritism, and procurement-related misconduct.

Corruption in the private sector is particularly pervasive in the procurement, finance and accounting, sales and marketing, and imports and exports departments in business operations. Within these departments, corruption is often evident in cases of unfair hiring practices, unjust compensation, improper cash payments, petty cash handling, or invoice processing, falsification of financial books,

concealing irregularities in the internal control systems, illegitimate fees, commissions, or discounts, provisions of free products, collusion with suppliers and abnormal pricing of work.

An observation was therefore made from the day 1 breakout sessions of the conference that we *"can stop supply side corruption by entrenching ethics and integrity in business operations."* Solutions such as self-regulation, embracing collective action in advocating for ethics and integrity in business, and encouraging businesses to join business associations that advance anti-corruption interventions, were proposed as vital in amplifying the voice of the private sector against corruption.

Impact of corruption on private enterprise in Nigeria

Transparency International estimates that 60% of the world's most corrupt countries are in Africa. Corruption has a broad impact on the financial and economic status of any country and is often inversely related to levels of transparency, accountability, and institutional capacity in the country. In Nigeria, approximately a quarter of low-income Nigerians pay bribes to access basic public services such as healthcare services, according a 2019 survey by the Nigeria National Bureau of Statistics (NBS). Findings like these affirm the proposition that corruption is essentially an illegal and unfair diversion of public resources from the poor to the rich.

Some other far-reaching impacts of corruption include an increase in the cost of doing business, the distortion of public expenditures, and the hampering of foreign direct investment in Nigeria. As was noted at the conference, companies continue to quit the Nigerian market due to the high cost of doing business, and many investors refrain from operating in Nigeria in the first place due to the instability caused by weak institutions and corruption.

Further, corruption erodes the meaning and real purpose for aid programs and humanitarian relief. Indeed, corruption is a barrier to sound and equitable development.

Given the ongoing health pandemic, it is especially important to recognize that corruption can contribute to health and safety problems, along with environmental damage, human rights violations, and economic instability. Corruption deprives Nigerian citizens of capital that is highly needed for the growth of the economy, and further diminishes civil confidence in public institutions. If efforts to curb corruption are to gain traction, they must be seen by the "most deprived victims of corruption and led by leaders in business and society who are adopting business ethics and promoting them in the society."

An observation was therefore made that while corruption is a transnational crime, the fight against corruption needs to be domesticated by each country to be effective. The day 3 plenary of the conference noted that *"national leaders need to take a stand and entrench political goodwill on the fight against corruption. Business associations and civil society organizations have a role to play on the war against corruption. State and federal governments need to roll out programs that discourage corrupt practices. Corporations, investors, and individual citizens should establish voluntary standards of ethical behavior. Moreover, the development world should promote high standards of probity for their programs."*

The day 2 breakout sessions of the conference noted that *"the adverse effects of corruption are felt through poor service delivery and disincentives to provide quality goods and services. When corruption is rising, delivery of public services gets compromised, poverty levels increase, unemployment grows, the quality of health and education deteriorate, and democracy gets stunted."* From the day 1 breakout sessions of the conference, Dr. Olusegun particularly noted that democracy thrives in environments where *"corruption is low, ethics and integrity are high, constitutional institutions are independent and freedom of speech and media is guaranteed."*

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CENTER FOR INTERNATIONAL PRIVATE ENTERPRISE

1211 Connecticut Avenue NW, Suite 700 | Washington, DC 20036

P: 202.721.9200 | F: 202.721.9250