

**CORRUPTION, CULTURE, AND DEVELOPMENT:  
AN INTERROGATION OF AFRICA'S EXPERIENCE**

BY

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1. Mr. Vice Chancellor, Thank you very much for that introduction. Yes, I am indeed an alumnus of this august University. I was a proud resident of Commonwealth Hall. I can also disclose that I am one of the first cohort of graduates to be issued genuine home-grown University of Ghana degrees; and was among the first to don on the rich kente-studded gowns. It marked a break in the special relationship with the University of London; it was an act of sovereignty, seen as one nail in the coffin of colonialism.
2. In the exuberance of the national mood at the time, we welcomed that decision proudly. But we were also fully aware it had taken away our rights to benefit from the reputation that goes with a degree from the University of London. Mr. Vice Chancellor. This sounds like nostalgia with a tinge of complaint. But, this is just to say I am grateful I had the opportunity to learn in this institution. I usually say, at every opportunity, that it is here at Legon that I learned economics, the gravy came from elsewhere.
3. Mr. Vice Chancellor, President of the Alumni Association, dear friends and colleagues, Distinguished Dignitaries, Ladies and Gentlemen. I have taken the liberty to make that introductory digression so that I can make a few points that, I think, are very much relevant, to start our discussions today.

4. The decision to break with the University of London gave expression to the vision of the political authorities at the time who may have thought that an independent University was needed to shape the course of high education, with ripple effects throughout the entire educational system and the nation at large. It would be fair to argue that the authorities took a transformative policy action that was motivated by the best interest of the nation and specifically intended to serve the purposes of the tertiary education system.
5. And, that line of reasoning would normally be right; but it would have to be premised on several fundamental principles: that (a) there is trust in the integrity of institutions; (b) that there is an entrenched belief that government leaders and other functionaries would act as honest agents, in good faith and in trust of citizens; and (c) that their policies and actions derive from a genuine intent to promote the interests of the nation and protect its assets – in this case tertiary education.
6. Indeed, it is the hallmark of a governance system that is working well, where citizens can accept with confidence that such decisions are made in good faith with little or no self-interest bias or corrupt intent. If on the other hand, public decisions are motivated by self-serving policy thinking and considerations shrouded in secrecy with little or no transparency, public trust gets violated. Such situations foster an environment of corruption and poor governance practices. And, they can serve to undermine the integrity and legitimacy of the State. I do not mean to suggest that there was anything inappropriate regarding that decision.

7. The nexus between growth and corruption is entwined with the decision-making processes in the society. As with the above example regarding the decision on turning the University College into a fully-fledged university, there are countless number of decisions that African policy makers must have taken in managing national affairs over several decades of independence. Be it in statecraft or in provision of public goods and services.
8. And, it is important and not pedantic, I think, to say that it is the cumulative effects of such decisions that have defined and could still alter the course of Africa's history and development. Such decisions shape the character of institutions and influence the behavior of the society. They define the politics and economics of the society, and expand or restrict the scope of opportunities and initiatives that enable citizens to work and raise their living standards. Put another way, decisions and actions of policymakers mold the trajectory of economic growth and the richness of the development experience of Africa. Good public policy decisions and actions enhance the richness of that experience; poor decisions diminish it, corruption compromises it!
9. Ladies and gentlemen, the quality of policies and decisions matter a great deal. Indeed, good policies and economic reforms are delivering much of the progress, the growth resurgence that we have seen in Africa in recent decades. But corruption has been a huge problem and a heavy drag on development.
10. Corruption is not limited to Africa. It is a matter of concern for all countries. Corruption is a flashing signal that something is wrong and that an injustice is being perpetuated. It involves the prevalent violation of the rules of the game and an affront to the norms that

govern behavior in the society. In a highly corrupt environment, it becomes standard practice that much of policy decisions and actions are taken in secrecy or withheld from public scrutiny. The true motivation and intent behind policy actions are not disclosed, and that is mainly to conceal that there is an expectation of private gain at public expense. Transparency and accountability breaks down at incalculable economic and social cost. Much of daily life activity triggers into a sort of ‘default mode’ where disregard for regulations and social values becomes standard and entrenched in the system, and it could even pervert the culture of the society.

11. How many have not heard of “*Aban sika na yeedzi bie*” — *meaning “it is just government money we are profiting from”*. Or “*Aden, wo sika na wo de be tua ka*”? — *to wit “Why do you care about the price; are you paying with your own money?”*
  
12. Corruption can destroy the very fabric of society through various channels of decision making and social interactions. It has several rather cryptic definitions, but all can be interpreted very flexibly in practice. The most commonly cited definition is “*the abuse of public office for private gain*”. Transparency International uses “*the abuse of entrusted power for private gain*.” Each of these two definitions can capture some of the many forms in which corruption could manifest itself in practice and corrode the transmission channels in the economic system. For example: as an authority accepting some favor to award a contract to build a major infrastructure project, or awarding a procurement contract of a state-owned enterprise to a private company with favored political connections, or securing the approval of a bank loan for personal favor.

13. Corruption could also be in the management of public expenditure with fraudulent releases of resources to cover payments to ghost workers and other unauthorized spending. Revenues from extractive industries that should go to the Treasury could be diverted for private use. These exacerbate budgetary problems. They can cause fiscal and monetary instability of the sort that has been characteristic of many African countries. Indeed, corruption could be part of the conception and thinking of public policy, using the budget as a tool. For instance, an announced policy may be ostensibly intended to achieve a specific goal but with an underlying intent to channel public resources into self-serving enterprises.
14. We are all aware of some of the other manifestations of corruption that very much irritate the public: the official expecting to be paid some undefined consideration before processing an application for a business license or the registration of a title to a property; the police or soldiers setting up a road toll in the middle of nowhere; the judge repeatedly postponing court hearings to tilt the arch of justice. Or, more generally, as a World Bank Study puts it, **“the arbitrariness of the behavior of government officials with regard to the interpretation and application of laws and regulations.”** Such manifestations of corruption act as a capricious toll on doing business and economic competitiveness, and contribute to low productivity and slow growth.
15. On the policy front, corruption creates policy uncertainty. Self-interest bias could rule out policies that might have the best economic and social outcomes. The authorities, and the political leaders, could set aside public interest and refuse to act on a critical policy commitment because of fear that it would not be without some loss of private advantage.

16. In fact, corruption could be the reason why leaders may very well be unwilling to implement some policies that could transform their economies for the better. Some analysts take such behavior charitably as lack of political will or policy-risk aversion. Supporters take it approvingly as prudence and political savvy. I think it could be the manifestation of corrupt behavior. Private sector operators come to accept this and other corrupt practices as the normal way of doing business; they test the integrity of the system and exert pressure on the guardians of the public purse.
17. Mr. Chairman, corruption by its nature is concealed and difficult to detect, and hence its full economic and social cost is not known. But an unimpeded free market system is capable of unveiling corrupt practices. Corrupt policy motivations and actions eventually find their way into the public domain. Corruption has a foul smell; the public can sense it when it is there. The private gains from corruption activities often are reflected in opulent lifestyles, large acquisitions of wealth, personal influence and power, and in outsized behavior and practices that are out of norm with the values the society, often in a generally difficult economic environment.
18. I recall a very interesting policy discussion I had with a negotiating team of an African country some years ago. I was then much younger and quite an enthusiastic economist at the Fund (IMF). Our counterparts insisted on their view that we could work with data that we found highly suspect and unacceptable. For a moment there was unease around the table. To defuse a tense situation we appealed to the old saying: "if you wash dirty clothes secretly in a river, you should be aware that the dirt can be seen downstream." And believe me, there was a good amount of dirt for all to see: the

collapse of the currency, high and rising inflation and rapidly deteriorating economic conditions. Surely, plenty of dirty clothes (unrecorded budgetary outlays) had been washed out of the glare of the public, and the foul smell of corruption had escaped into the daily murmurings of the ordinary citizen. Not surprisingly, that country ranks at the bottom end of the corruption perceptions scale; it is also mired in political instability; and its economic performance has been one of the major disappointments. It is poor despite it being one of the richest in the world in terms of resource endowment.

19. Africa is a well-endowed continent, yet is arguably the poorest continent on Earth. It is difficult to understand this developmental antithesis: poverty in the midst of plenty. Indeed, it is quite difficult to understand why countries in the African region have seen little success than desired in developing the capacity to function effectively as developmental states. Several theories have been propounded to explain away Africa's slow development but have not been decisive or convincing. These range from weak policy implementation, geography, culture, through poor governance and weak institutions. But, surely a major factor has to be corruption.

20. African countries are clustered predominantly at the bottom range of corruption perceptions rankings and poor governance indicators. a consistent finding in Transparency International, World Bank Doing Business, and AfroBarometer surveys, All public institutions are perceived to be highly corrupt or somewhat corrupt, including Parliament, the Presidency, the Judiciary, the Police and Business leaders. That is an excoriating judgment. Thankfully, Traditional rulers and Religious leaders do much better. Power to them.

21. Africa's development experience and position at the bottom of the global corruption-perceptions scale after decades of nation building inevitably raises several pertinent and rather provocative questions: Could it be that Africa had a false start in nation building; is it that the fierce competition for the control and consolidation of political and economic power and redistributive policies gave rise to predatory politics and a pattern of abuse of public trust with regard to public funds. And to rent-seeking. Was corruption not rooted in the political competition for control over distribution of resources and rents in the efforts of leaders to consolidate executive power and national sovereignty in the early years of independent states?
22. Did the centralization of authority and power to the exclusion of others interested in the running of the affairs of the state sow the seeds of predatory politics paternalism, autocracy, limited accountability, and non-transparency, and the potential for civil conflict? In short did the leaders capture the state and fostered corrupt practices of the sort that are prevalent today? This is evident especially in countries where leaders act as kings, institutions are weak and inadequately functional, freedom and civic participation are restricted, and the playing field and the rules of the game tilt in favor of those well-connected politically? And, the wider society is left to think that bending the rules is the means to success. Is it a surprise that corruption seems to be institutionalized and endemic in African states and remains a major challenge to development?
23. Mr. Chairman, Power corrupts and a corrupt guardian of the public purse or public services is a potent force for economic destruction.

24. For several decades corruption was a taboo that was out of place in the dialogue on economic reform. Everyone knew it was a canker but no one dared mention it for reasons of political correctness. Remarkably, a seminal publication by the World Bank in 1989 euphemistically entitled “Sub-Saharan Africa: From Crisis to Sustainable Development” was one of the few research work to throw a hint at corruption as a major problem holding back development in Africa. The study observed that there is “widespread perception that the machinery of government in Africa is appropriated by the elite to serve their own interest, and consequently there was crisis of governance”. Subsequently James Wolfensohn, then President of the World Bank, (who, Mr. Vice Chancellor, you may recall, has delivered an Aggrey -Frazier -Guggisberg Memorial lecture here at this University) was frank enough to say call a spade a spade: the crisis in Africa is Corruption.

25. Good governance in public service should be no different from good governance in the private sector. Much like corporate Board members, politicians and public officials should serve as agents employed by the people and paid with tax contributions for the sole obligation to protect national assets and invest prudently in the well-being of the people. After all the real stakeholders of the society are the people. But corrupt public authorities seem to have other interests different from that of the society and often interpreted their contract in rather expansive terms, giving rise to corrupt behavior with little or no accountability to shareholders.

26. Corruption in government thrives where there is not a well-established norm of strong discipline, no effective system of checks and balances or countervailing surveillance over the use of power. It flourishes where there is little pressure from civil society to constrain

the actions of public authorities, let alone compel them to be faithful to their oath of office. A good corporate governance model is strict in enforcing accountability protecting the assets of shareholders. It works well mostly because of the integrity of the participants in the principal agency relationship. Why should the governing principles of the model not serve the state well in its relationship as guardian of the Rule of Law and custodian of public assets?

27. Mr. Chairman, Looking closely at Africa's development experience, it would appear that a weak governance system leading to high incidence of corruption has been a major factor. It tilted the balance of politics and economics and other factors towards a slow growth trajectory and prolonged the record of poor economic performance. Corruption remains the fundamental and existential threat to rapid and sustainable growth on the continent.

28. Mr. Chairman, ladies and gentlemen, all is not gloom. It is fair to state that the narrative on Africa's development experience has changed dramatically in recent times. There is a general consensus that Africa's growth prospects have become optimistic. It is an assessment that is shared by development policy analysts and practitioners, the development partners and the financial markets. Africa is regarded as a destination for business and no longer principally as the poster child for charity and the Dark Continent. That is good news. And there are good reasons for it.

29. Over the last decade African countries have seen significant improvements in economic performance and in the record of policy reforms across the region. The economic fundamentals are better. Growth rates have risen. They have averaged some 3 percentage points faster than that recorded in advanced countries, and per

capita incomes are rising as well after decades of stagnation. Economies are more open to trade; foreign direct and portfolio investment inflows and remittances are increasing and are at levels that are quite significant, very much exceeding aid flows.

30. Government policies are being open to sovereign ratings and capital market scrutiny. Information and communication technology is transforming the business landscape, especially in the financial sector; and a growing middle-class and young entrepreneurial populations are a driving force for change, in greater economic and democratic freedom. Governments have grown increasingly responsive to the demands of the public for accountability. Above all, civil society and a new generation of policy think tanks are taking up advocacy and surveillance roles to restrain the abuse of power.
31. Africa has been truly rising and this is a justifiable cause for optimism. It offers some encouragement and relief especially for those who nearly fell into despair and fatigue with structural adjustment and aid dependency. It also justifies the constructive optimism of those who, for many years, drew professional energy from their belief in the potential of the African region. Yes you are right to count me in.
32. But others also have reason to share a lingering skepticism, call it Afro-pessimism. This is because for many years, the results that came in were clearly disappointing, and these new results may well be not as robust, and they fall far short from meeting the promise and the exuberant expectations aroused by populist leaders at the time of independence. And of course, there remains the specter of widespread corruption that could retard progress.

33. True, the current performance of African States and their trajectory on the development path raises the question of whether the glass is half full or half empty. But, I think, the more fundamental question to ask is whether the glass is being filled with the right cocktail of the catalysts needed for sustained growth and whether the glass is robust enough to withstand vibrations in the environment.
34. Clearly a good cocktail must exclude any trace of corruption and include a heavy dose of good governance. Good governance is a defining attribute of strong nation states and a catalyst for growth; it has been somewhat missing for decades in Africa's nation building process. Corruption is a toxin and it has been ever present and a disruptive factor in Africa's economic performance.
35. So Africa needs leaders who have the genuine intent to fight corruption. Leaders to make strong anti-corruption policies one of the central pillars of a comprehensive development strategy, and to implement them vigorously; policies that are well embedded in the laws and values of the society.
36. Mr. Chairman, Ladies and gentlemen, going back to what I said. Earlier. Decisions and actions shape the course of history. Good decisions in the interest of the public enrich the experience; and corruption compromises it. Africa needs sustained development and growth to lift the wellbeing of its people. So Corruption must be uprooted. It must not be entertained in any form. Good governance must become an imperative objective of public policy. It is up to citizens to insist on their rights as principals in the game and ensure that good governance practices are followed by their agents, the political leaders and public decision makers. It must be the sacred right of citizens to be alert, to ensure that no one appropriates

the public good for personal gain. That is truly the essence of surveillance by the citizenry.

37.If the current growth resurgence in Africa is to be sustained, the clarion call to public office holders and all participants in the economic system should be:

**Thou shall not take corrupt decisions. Thou Shall Uphold Honesty and Integrity. Leaders shall be faithful to their oath of office.**

**The voice of the citizenry is a powerful force for change.**

**Thank You all for Your Attention.**