



UNODC

United Nations Office on Drugs and Crime

BUSINESS SURVEY ON CRIME AND CORRUPTION

Executive summary

NIGERIA

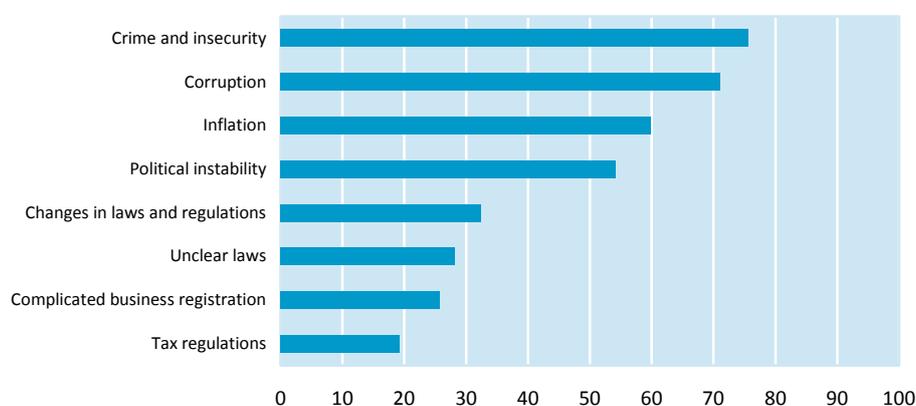
October 2009

EXECUTIVE SUMMARY

1. Background: crime and corruption affecting business sector

An important finding of this survey is that crime and corruption represent a major concern for business executives in Nigeria. When asked about the most serious impediments to their economic activity, business representatives indicate crime and corruption as the most important ones. More precisely, 75% and 71% of interviewed respectively expressed that crime and corruption represent very serious obstacles to doing business. Quite remarkably, issues pertaining to the economic governance of the country are perceived as being less problematic: less than 30% of respondents flagged changes in laws, lack of clarity in procedures and taxes regulations as major obstacles to economic activity¹.

Figure 1: Percentage of enterprises that consider selected issues as 'very strong obstacles' to doing business in Nigeria (2007)

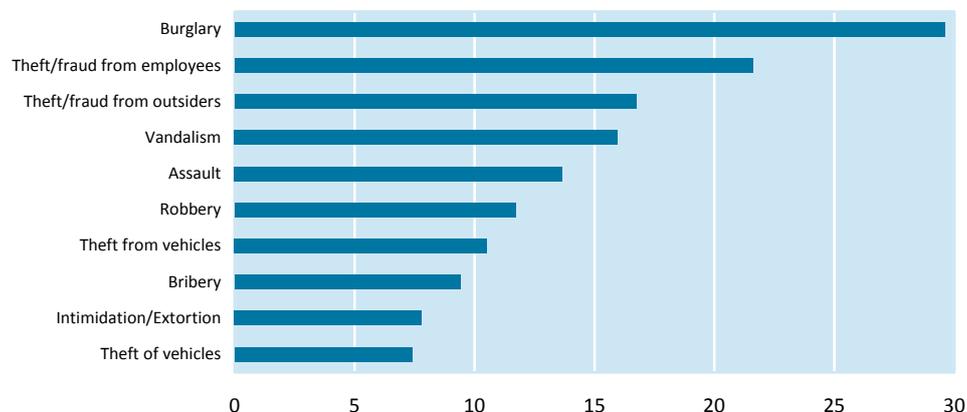


Survey data show that such perception of the urgency of addressing crime and insecurity often derives from actual experience of crime as victims: 50% of interviewed businesses experienced at least a crime during the 12 months before the survey². The high prevalence of crime against business is accompanied in Nigeria by a high level of violence: in almost 40% of cases, crime episodes were perpetrated with the use of a weapon, thus increasing emotional and psychological impact on victims. Figure 2 shows the distribution of most common crimes according to the experience of interviewed businesses: almost 30% of them were victims of a burglary during the last 12 months, while theft/fraud from employees was the second most popular crime (more than 20%).

¹ In a similar survey conducted in 9 countries of Eastern Europe in 2000, 60% of businesses indicated tax regulations as a very serious obstacle to doing business, followed by corruption (56%) and variability in laws (54%). Crime and insecurity were indicated as a serious obstacle by 46% of respondents.

² In the survey of the 9 countries of Eastern Europe in 2000 a similar victimization rate was equal to 27%.

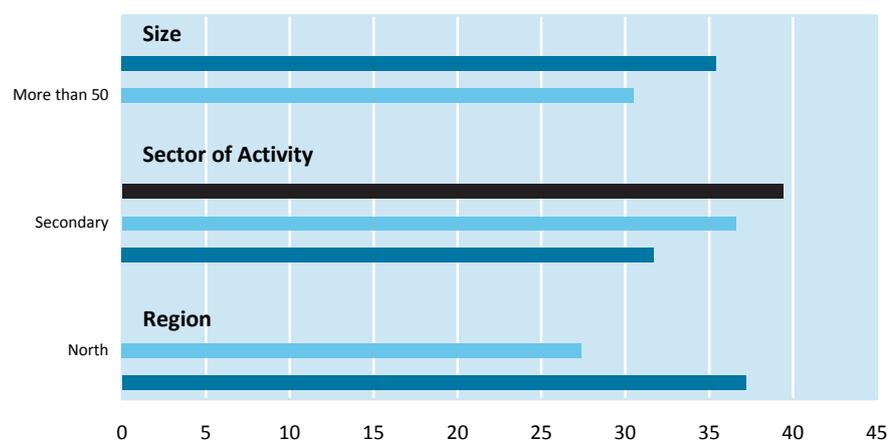
Figure 2: Percentage of enterprises victims of selected crimes during 2006 in Nigeria



2. Corruption

Businesses are often requested to pay bribes by public officials: overall almost 10% admitted having paid a bribe in the year before the survey, while more than 14% didn't remember or preferred not to answer this question. These values refer to the prevalence of corruption in the entire sample of interviewed businesses. In order to provide a better estimate of the 'risk' of being victim of bribery, only respondents who had a contact with public officials should be considered. When restricting to businesses which had at least one contact with public officials in the year before the survey, the proportion of those who had to give money increases to 34%. On average, one out of three enterprises had to pay a bribe to public officials when carrying out certain administrative procedures. Figure 3 shows that the prevalence of corruption is not homogeneous and certain businesses are at higher risk than others. In particular, bribery appears to be more frequent for enterprises of smaller size and for those located in the South of the country.

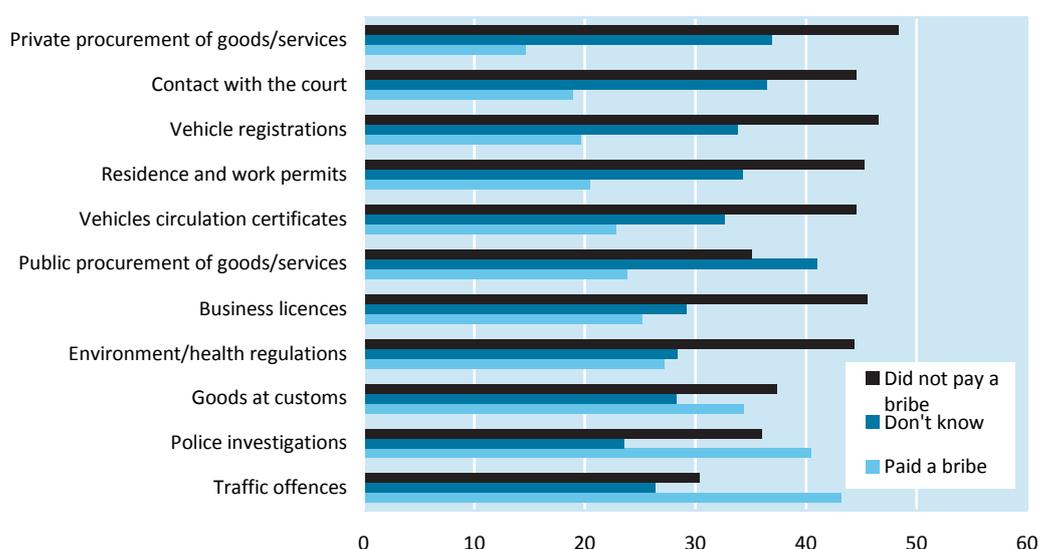
Figure 3: Percentage of businesses who had to pay bribes, among those who had contacts with public administration, by selected characteristics



The survey found that some operations more frequently involve the request of payment of bribes: interviewed businesses reported that, when dealing with police investigations or

traffic offenses, they were requested the payment of extra money in more than 40% of cases (see figure 4). Also in the case of clearance of goods through customs, the percentage of business who were requested to pay a bribe is considerable (almost 35%), while the lowest percentage has been recorded for the courts (19%). For all surveyed operations,, a high proportion of respondents (between 25% and 40%) did not remember or did not say whether a bribe was requested, thus suggesting that actual incidence of bribery could be higher. Data also show that, among those who admitted the payment of bribes in the year before the survey, almost two thirds paid public officials at least twice in the course of the year and almost half of this group paid bribes 4 times or more in the same period. This suggests that bribe paying is quite a widespread practice, even though not every respondent would disclose that experience in a survey.

Figure 4: Percentage of businesses who had to pay bribes, among those who performed selected operations



The survey also provides information on the nature of bribes and actors involved. Bribes are often paid without a precise goal: among businesses that had to pay a bribe in the year before the survey, some 30% declared they simply could not avoid paying the bribe and another 13% did not know the reason of the payment. In other cases, bribery is used to speed up the procedure (31%) or to have a better treatment (18%). Among public officials, police personnel were most frequently alleged by respondents (58%) to request the payment of bribes followed by employees of NEPA, PHCN and the Water board (39%), Revenue Officials (26%) as well as Customs (25%).

Information on amounts paid by respondents also provides useful insight on bribery nature. Approximately two thirds of respondents who admitted the payment of at least one bribe indicated the amount paid. A great variability of amounts was reported: on average, around 400 USD were paid for each bribe, but this value reflects the impact of a small number of extremely high bribes. In fact, the median bribe paid was around 40 USD: this value reflects the fact that some 54% of bribes were lower than 50 USD, while 32% of them were higher

than 100 USD³. Contacts with courts were the operations where the highest bribes were reported (median bribe was 87 USD), which suggests that bribery in the judiciary is less frequent but it requires bigger transactions. Somewhat smaller amounts were indicated for customs clearance, clearance of environment/health regulations, residence and work permits, vehicle registrations and police investigations (median bribe around 80 USD). Smaller bribes were given for traffic offences (median around 40 USD)⁴.

Businesses victim of corruption in most cases do not report their experience to the police or to any other official authority: only 11% of firms that had to pay a bribe in 2006 reported the event to competent authorities. Such a low reporting rate could be interpreted in various ways: as an acceptance of an unfortunate but normal experience, as a sign of fear for reprisals, or as an indication of little trust in anti-corruption authorities. According to survey results, it appears that many respondents did not report to authorities for they believed no action would be taken (30%), while almost 19% considered the issue not serious enough to be worth reporting. Interestingly, a certain number of business representatives indicated the lack of evidence or witnesses as the main reason for not reporting, thus suggesting that specific provisions to encourage and protect whistleblowers would be useful.

Experience of interviewed business shows that bribery remains a widespread phenomenon in Nigeria, though overall situation might have changed or improved after the survey was carried out. In any case, the negative attitude of businesses towards corruption – more than 70% consider it as a serious obstacle to doing business - is an important factor in the fight against corruption. Corruption is perceived as being sand in the wheels, rather than grease, and this attitude of business sector can greatly advance ongoing anti-corruption efforts and policies. Moreover, surveyed businesses express a general level of satisfaction about anti-corruption measures: 77% of them indicated that the country has the necessary anti-corruption laws in place and 70% expressed the opinion that the country also has the capacity to implement them.

The overall negative attitude of the privates sector towards corruption is an encouraging factor which should be taken into account when designing the national anti-corruption strategy and when mobilizing non-state actors in the support of its implementation. Business could play a lead role in advocating anti-corruption reforms and in holding Government accountable for the implementation of its policies and programmes.

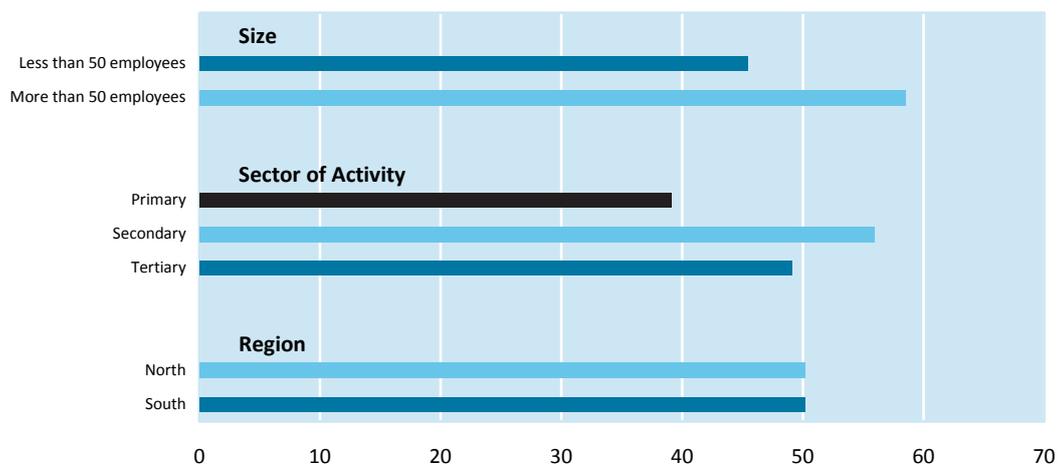
3. Other types of victimization

One out of two businesses experienced an offence in the year before the survey. When excluding corruption from list of the offences, the total victimization rate remains almost unchanged (48%) but different types of businesses are exposed to various kinds of offences. As shown in figure 5, large enterprises are more at risk than smaller size firms and companies of secondary sector record higher rates of crimes. However, there is no clear geographical pattern in experiencing offences and the regions of the country show very similar levels of crime.

³ The median value is the number separating the higher half of the sample from the lower part, i.e. 50% of the cases have a lower value and 50% of a higher value than the median. This indicator is less sensitive than the average to extremely high values.

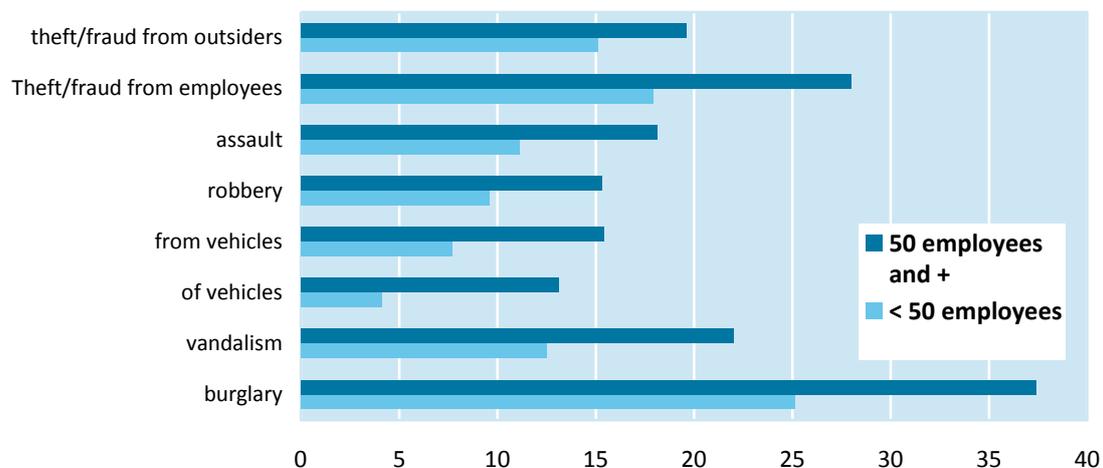
⁴ Special care should be taken when interpreting data on bribe amounts, since respondents may tend to under-report bribes where higher amounts were paid. In any case, information on amounts can be valuable for comparative purposes.

Figure 5: Percentage of businesses who were victim of a crime in the year before the survey, by selected characteristics



The size of companies is strongly associated with different incidence of various types of offences. In particular, large enterprises have registered higher incidence of burglaries, thefts/frauds from their own employees and thefts of and from vehicles. (see figure 6).

Figure 6: Victimization rate of businesses for selected crimes, by size of the company



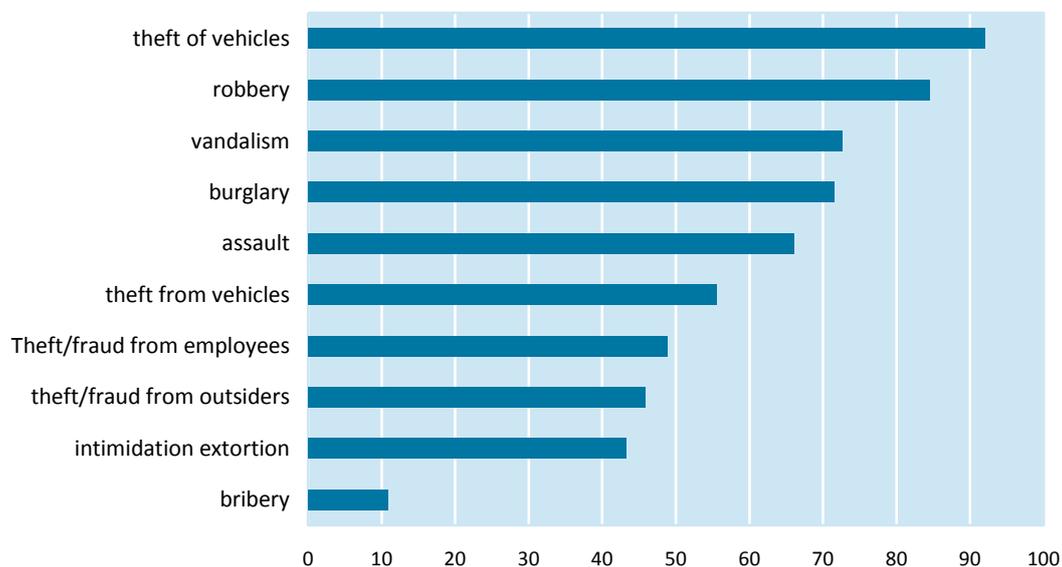
A significant number of cases of intimidation and extortion has been reported by interviewed businesses: some 8% experienced this offences in the year before the survey, while a similar portion of firm representatives did not remember or did not answer this question. In most cases offenders intimidate businesses to extort money, threatening them directly in the premises of the company.

Impact of offences is heightened by frequent use of weapons: on average almost 40% of offences were perpetrated with the use of a weapon, but such percentage is much higher for crimes like robberies and thefts of vehicles (70-80%).

In a context of crime and insecurity for businesses, data suggest that entrepreneurs strive to react. When they are victims of a crime in most cases they report the event to the police,

which represents a sign of reaction to crime. Higher reporting rates are associated with theft of vehicles and more violent crimes such as robbery, vandalism, burglary and assault. Reporting levels decrease for softer crimes and, in this framework, low reporting of bribery can be better evaluated.

Figure 7: Percentage of businesses reporting selected crimes to police



When a crime had been reported to the Police, only 29 per cent of the companies were satisfied with the Police action. The main reasons for not being satisfied with the Police were that they did not do enough (28 per cent), did not recover the property (20 per cent) and did not apprehend the offender (19 per cent)

The use of private security services is a frequent coping mechanism adopted by businesses to prevent crime: a large portion of firms make regular use of private security companies (40%), while in almost 34% of cases security is self-organised and paid personnel is directly hired by companies. More than half of interviewed companies (55%) make use of insurances to cover the risk of crimes such as burglary or vandalism.

4. Access to justice

Around 20% of interviewed businesses had experiences with the justice system in the year before the survey: the large majority of them (84%) declared they were ready to use it again in the future, which suggests a certain degree of satisfaction with the system. Regarding the number of months required to conclude a court case, the duration was less than 12 months for almost 60% of respondents whose cases were concluded in 2006. In terms of accessibility to information, courts were evaluated positively by 38% of respondents, while 27% of them indicated access to information was somewhat or very difficult.

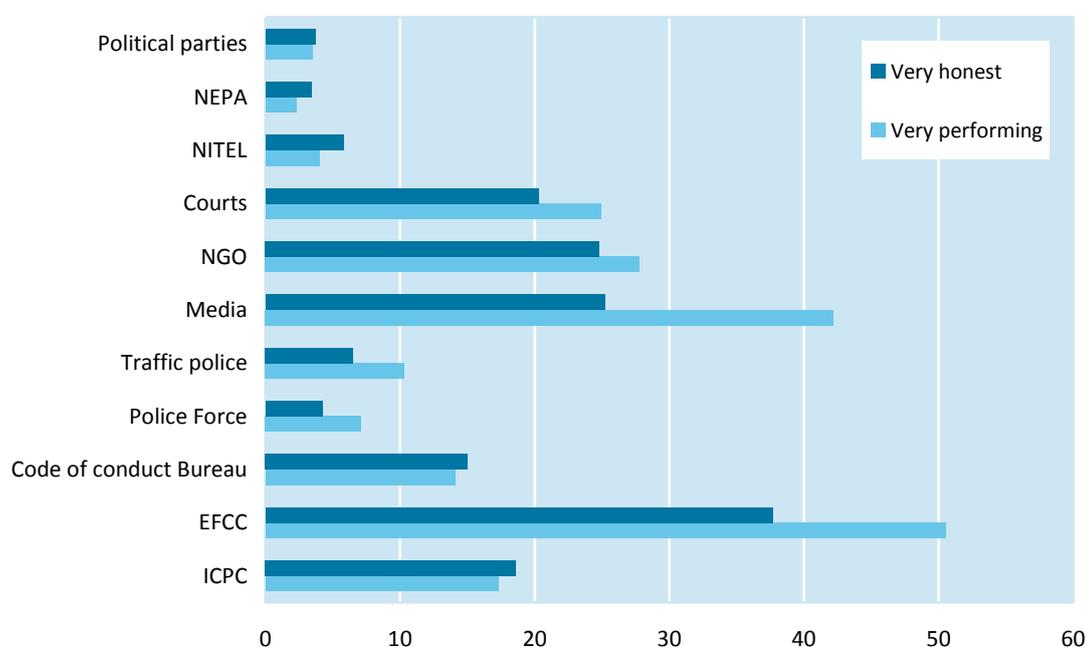
The survey also found that 5% of interviewed business declared they should have filed a claim to courts in 2006, but they preferred not to do so. In most cases they did not use courts because procedures are considered as being too lengthy or expensive.

5. Attitudes towards selected institutions and EFCC

In the fight against crime and corruption the cooperation between economic actors and institutions is essential to achieve positive results. On the contrary, lack of cooperation or mistrust between victims of crime/corruption and public authorities will produce little changes.

For this reason it is important to examine the opinion that businesses have on a number of institutions. Such organizations are, or should be, their primary partners in combating crime and improving economic performance of the country. As shown in figure 8, interviewed businesses express quite diverging views on performance and integrity of selected institutions. Lowest ratings are attributed to Environment Agency, political parties and Nigerian Telecommunications Ltd.. Also police forces receive very low scores, both on their efficiency and honesty, which is not a positive sign when trying to strengthen the fight against crime and corruption. Businesses have better opinions on the capacity of courts, NGO's, the media and especially on the Economic and Financial Crimes Commission.

Figure 8: Opinion of businesses on performance and integrity of selected institutions



The EFCC appears to be well known by the business community: virtually all companies (99%) had heard about the work of the EFCC. Most companies reported knowing about the EFCC through newspapers (43 per cent) or television (23 per cent). Business representatives perceive the EFCC is particularly efficient in fighting various kinds of frauds, such as advance fee fraud and unsolicited business contract.

This survey showed that businesses have to face a high level of crime and they have put in place various strategies to defend themselves. In many cases they strengthen their security or reduce the effect of crime by utilizing private services. It appears that not all state institutions and public organizations are well perceived as per their efficiency and integrity. This certainly represents a major challenge in the process to strengthen state response to crime.

6. Methodology and sample composition

This sample survey was conducted in 2007 on a sample of 2775 enterprises which were randomly selected to represent businesses active in Nigeria in 2007. A two stage sample design was used, by economic sector and enterprise size. A response rate of 79.4% was recorded at national level, which corresponds to 2203 interviews. Survey questionnaires were filled in through face-to-face interviews with business executives. A high degree of collaboration of survey respondents was recorded.