

Determinants of Quality Institutions: A Comparative Analysis of Various Perspectives

Hakeem Olatunji Tijani¹

Introduction

Institutions are the products of human design and they differ from one country to another. They are the creations of the people with a minimal natural consideration such as geography of a country. So, an institution earns its prefix- weak or strong- as an outcome of human design. However, whether a country's institution is weak or strong depends on a lot of factors. Such factors include a country's geographical location, colonial origin, legal system tradition, ethno-linguistic fragmentation, natural resources endowment, income distribution, international openness, and education. The richness of these factors determines the quality of the institutions in a country. Succinctly, Alonso and Garcimartin (2004:2) state that "development level determines institutional quality: the highest the former, the highest the latter."

According to Alonso and Garcimartin (2004:1), "it is not sufficient to acknowledge that institutions do matter. It is also necessary to identify the determinants of institutional quality." These determinants of institutional quality form the basis through which institutions can be distinguished from one another across countries. More importantly, there exists a strong relationship between the quality of institutions and development, a condition that has made development a contingent outcome of quality institutions. Several scholars (Hall and Jones, 1999; Acemoglu et al., 2002; Rodrik et al., 2004; Rodrik, 2003; Alonso and Garcimartin, 2004) have established strong connection between institutional quality and development. Alonso

1. Research Fellow in Political and Governance Policy Department, Nigerian Institute of Social and Economic Research (NISER), Nigeria; tunjitijani2000@yahoo.com

and Garcimartin (2004:2) hypothetically paraphrase the symbiotic relationship between institutional quality and development when they opine that “as it was expected, development level determines institutional quality: the highest the former, the highest the latter.” Unarguably, the path to good governance is intrinsically built with some variables such as development and quality institutions. Yet again, according to Siba (2008:3), “there is also a consensus that poor institutional quality is one of the main responsible factors for economic stagnation of sub-Saharan African countries.” Poor institutional quality can be attributed to the manipulation of the elites in order to perpetrate their holding to power.

In any polity, what is central to politics at whatever realm is power. Power, which is transient in nature, flows from area of high concentration to the area of low concentration. It serves as a manipulative instrument for those who hold power at the higher end of the spectrum, the powerful, to manipulate those who are at the lower end, the powerless. In order to maximally take control of power as an instrument of manipulation by the powerful against the powerless, institutions are created. According to DFID (2003: iii), “institutions are often creatures of the rich and powerful, and commonly discriminate against the poor.” DFID adds that such areas in which institutions are used as instrument of manipulation are:

- Economic – castes that restrict access to markets, land, labour opportunities, and credit;
- Legal – systems of property rights that favour only men; corrupt practices by police and Judiciary;
- Political – democratic processes that deny poor people a political voice e.g. vote buying;
- Social – class, exploitative patron-client relations.

From the above indication that views institutions as an instrument of manipulation against the poor, institutions, which are the creatures of the powerful, need to be transformed to those that can serve the public good with a view to evolving good governance. In other words, institutions need to be reformed because without institutional reform, poverty alleviation programmes and policies that are put in place to bring good governance can be thwarted (DFID, 2003). But institutional reform cannot just occur

without considering some factors that can mar or make it. These factors determine the quality of institutions and would therefore play important roles in determining the direction that institutional reform would go.

Institutional reform can be embarked upon at any stage in the life of any country. It can be embarked upon at an early stage in the life of a country in order to stem up good governance or at an advanced stage with the intent of keeping good governance from retrogression by retrofitting hitherto missing factors. At an embryonic stage of a country's life when a country is a newly independent one, these factors play out in preparing such a country for higher responsibilities in its statehood. Thus, the quality of the institutions shape the governance of a country as the latter is able to convert policies into desired outcome that is favourable to the public good. A country that has these factors not in tune with the reality of the statehood may have the quality of institutions weakened and consequently spell doom for governance of such a country. Very sadly, governance becomes dwarfed and therefore unable to convert policies to desired goals. Expectedly, the reality of a country in its embryonic stage is that expectations are very high. If expectations are high, it is just right that responsibilities should match expectations. These factors serve as a catalyst to propel the matching of responsibilities with expectations. If these factors aid the compatibility of the two, the institutions become very strong and have the capacity to provide impetus for governance to thrive. Conversely, where there is a mismatch between expectations and responsibilities, this clearly shows that the factors are not in tune with the reality of the statehood. Hence, there exists wide gap between expectations and responsibilities and is difficult to be breached. This implies that institutions become weak with attendant consequence of breeding bad governance, a form of governance that is incapable of converting policies into desired goals for the public good.

The Quality of Institutional Determinants and Governance

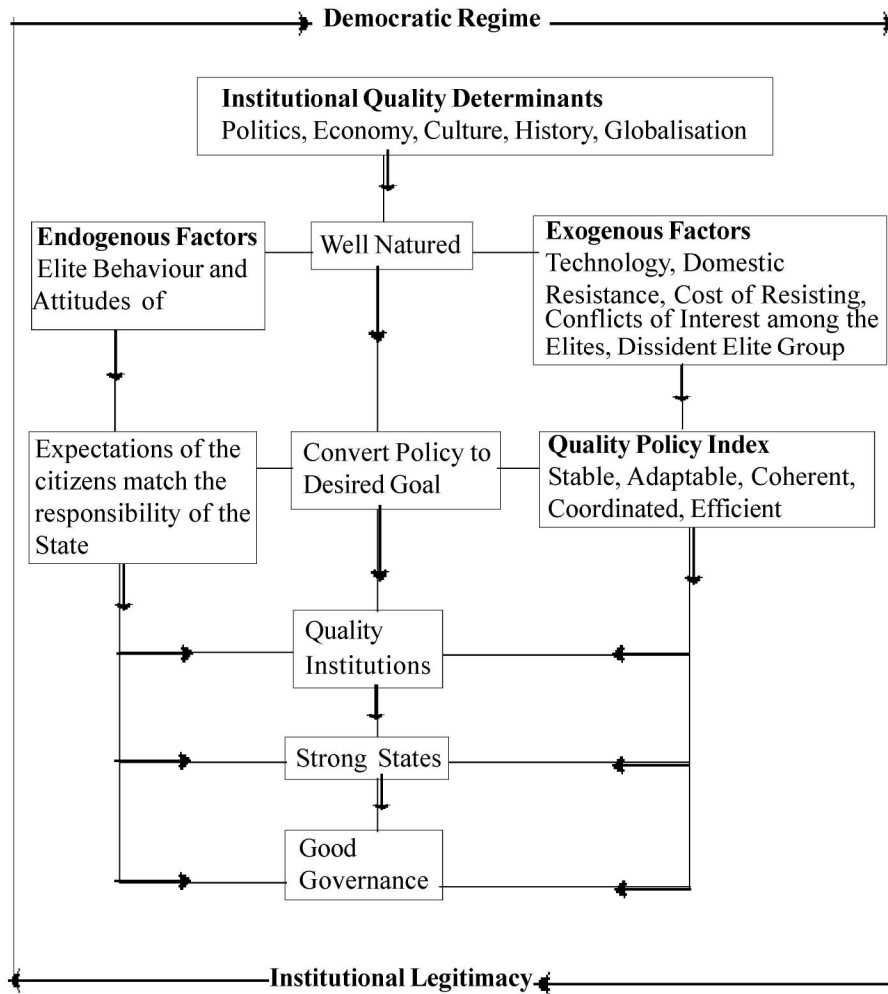
It is worthwhile to state that the quality of institutions determines the form of governance that a country possesses. In other words, institutional quality determinants are capable of positively impacting on the lives of the people as the latter plays an important role in the decision-making process. Thus, the quality of the decision-making process is as good as the institutional

determinants. Table 1 below explains the relationships between the institutional quality determinants, form of governance produced at the early stage as well as the advanced stage and the quality of the institutions. Figure 1 elaborates on what nurtures the quality of institutions.

Table 1: Institutional Quality Determinants and Forms of Governance

Institutional Quality Determinants	Form of Governance	Quality of Institutions	Impact on Policy	Impact on the Citizens/State	Stage in Statehood	
					Early Stage of Statehood	Advanced Stage of Statehood
Politics, Economics, History, Culture and Globalisation						
Well nurtured	Good Governance	Strong Institutions	Ability to convert policy into desired outcome for public good Policy becomes relevant	Responsibilities of the state match the expectations of the citizens Produces strong state	Stem up good governance Prepare a country for higher responsibilities	Keep good governance from retrogression Retrofitting the missing factors
Not well nurtured	Bad Governance	Weak Institutions	Unable to convert policy into desired goal Policy is not relevant	Responsibilities of the state are less than the expectations of the citizens Produces weak, collapsed or failed state	Unable to stem up good governance The future of the country is bleak	Bad governance thrive Regime changing possible

Source: Compiled by the Author



Source: Compiled by the Author

Very strikingly, the economic institutional determinant has a great impact on the form of governance that a state has. This is explained in the context of the economic buoyancy of citizens in the state. Citizens who are economically buoyant have chances of having a political voice, a condition necessary for sustainability of democracy (Tijani, 2013). In Nigeria, the

incidence of poverty is high with attendant consequence on the political consciousness of the people as well as their political right. National Bureau of Statistics (NBS) (2013), in its “Annual Abstracts of Statistics, 2011,” shows an abysmal records of percentage distribution of households that have access to pipe-borne water as 8.1%, 7.7% and 6.9% for 2007, 2008 and 2010 respectively. It also puts a record of households who receive monthly income/allowance of between 1-20,000 Naira as 70% and 75.2% for 2007 and 2008 respectively, while households that use wood as source of cooking stands at 74.1%, 79.6%, 70.4% and 72.2% for 2007, 2008, 2009 and 2010 respectively.

The historical aspect is important, more so in developing countries like Nigeria. In fact, what drives institutions should be viewed within the context of history (World Bank, 2002:4). World Development Report for 2002, trying to understand what drives institutional change, views the importance of history as a threshold for building effective institution. Many developing countries like Nigeria are distinctly different from the developed countries in terms of the historical background, just as many developing countries have been nation-states for a short time compared to industrial countries. Consequently, the importance of history has brought to the fore the effectiveness of institutions. This is because the evolution of nations teaches that building institutions takes time, adding that the process within each country may stall or reverse because of political conflicts or economic and social conditions.

Instinctively, these determinants of quality institutions are important in signalling the direction that a country takes in achieving its form of governance. Governance may become difficult without considering these factors as they are country specific. In other words, it is necessary that a country, especially a developing one like Nigeria, looks at these factors critically before embarking on the ways and means of achieving good governance. For example, even though theoretically it is important to adopt “best practices,” it is equally important for a country to look at the methodological sense properly. These factors, especially the cultural and historical background of institutions, play out significantly in determining the success or failure of governance.

Politics as a Determinant of Quality Institution

The dynamics of institutions is determined by a combinations of forces including the political forces, economic forces, cultural forces and external forces (globalisation). Political forces are variables that have impact on government institutional reform efforts. These political forces determine institutional stability. Political forces and social pressures can either accelerate or retard the development of new institutions (World Bank, 2002:21). Institutions are either retarded or promoted through the effects of political elites and what drives the stability of institutions is the support that some elements of the state provide. This driving force is hinged on the benefits that this element- political elites- derive from the existence of the institution. Consequently, they strive to support by offering their influence and incentives. With the diminutive membership of the political elites in the composition of the state but, who are in most cases, the most influential, institutions benefit a small group. The costs of collective action are low and benefits are large. This is at the expense of the less influential majority.

Bourguignon (2005:19) stresses that many of the institutional dynamics are associated with the key role played by the elites. This is because they control political power. As such, it is impossible for them not to have ability to promote reforms or stymie them. According to Bourguignon, in both directions, the elites act in their own interest or according to their own perception about some superior principle of social justice. As a result, the dynamics of institutions, either in the political or economic realm depends crucially on the way these elites think and behave. Yet again, the dynamics of institutions depends on the elites by means of the control they have on the public decision-making process. An instance is the civil litigation issue when the elites tend to protect their interests. Brinks and Gauri (2012:8), quoting Galanter (1974) and Hirschl (2000:1063), observe that the haves in the society tend to protect their interests in the area of civil litigation.

According to Brinks and Gauri,

The haves always come out ahead, when it comes to litigating their interests. Hirschl agrees, on the subject of judicial review, contending that courts and constitutions represent conservative elite interests, and that, in interpreting constitutional rights, they advance- a predominantly neoliberal

conception of rights that reflects and promotes the ideological premises of the new global economic order– “social atomism, anti-unionism, formal equality, and minimal state” policies.

The above statement is made possible because both democratisation and the equalisation of political rights depend on the power of the elites. More peculiarly, in developing countries like Nigeria where democracy has not totally translated into equalisation of political rights, attitudes and behaviour of the elites still determine the dynamics of institutions. Garcia (2005:10) discloses that in Latin America, between 1996 and 2004, the support for democracy waned which was attributable to the perception the population held that the worst problems of democracy were poverty and inequality. It was also disclosed that the population also held the belief that “governments were run by the wealthy and powerful.” However, the preponderance influence of the elites does not foreclose the propensity of the institution to change. Exogenous changes in the economic environment (technology, international trade, etc.), perceived threats of domestic collective action against the elites and the costs of resisting it can in fact propel changes in the institution. Yet again, conflicts of interest among the elites may be a powerful factor in bringing change in economic and political institutions (Bourguignon, 2005:19). Correspondingly, institutional constraints on the state in form of rules, norms, laws and practices can also have effect on the support and influence of the minority. This is done by placing checks and balances on powers of the political elites, which consequently pay off for the less influential majority (World Bank, 2002:21).

Sequel to the impulse of the political elites in the determination of the strength and effectiveness of the institutions is their impact on the political parties. One of the important political institutions that drive governance is the political party. Political parties are very important in governance because it determines the nature of a regime. They serve as the permanent feature of democracy for the goal of aggregating interests, educating the electorates through political rallies and presenting candidates for elections, which is aimed at controlling the government. According to Schattschneider (1942), political party is important in governance in that:

political parties created democracy and that modern democracy is unthinkable save in terms of parties. As a matter of fact, the condition of parties is the best evidence of the nature of any regime. The most important distinction between democracy and dictatorship can be made in terms of party politics. The parties are not therefore merely appendages of modern government; they are in the centre of it and can play a determinative and creative role in it (Schattschneider (1942:1).

Babawale and Ashiru (2006) explain that political parties are saddled with the responsibility of recruiting competent individuals for political leadership through periodic elections, educating the electorate through political rallies and dissemination of information about government policies as well as serving as a vehicle for the articulation and aggregation of the interests of people. Agbaje (1998) holds that the engine that drives democracy is the political party. For him, there can be no meaningful democracy without a properly functioning political party system. In the same vein, Cheng (2003:6) opines that the party system is as important as the form of government in determining the functioning of a democracy. This means that well established, not too fragmented and rules guided party system can bring about functioning presidential system. The presidential system is not a threat to governance even when government is divided. According to Cheng, even if the party system is fragmented and party discipline is loose, a parliamentary system is not better than a presidential system. This is because coordination among weak parties in a parliamentary system can be intractable and this failure of coordination can be very significant.

In shallow and inchoate party system, legislative elections do not translate into a majority party. Some of the isolated cases majority legislative elections witnessed in some parts of the world can be traced to either the support a particular candidate received from the people as the case of results of legislative elections in Corazon Aquino's (1986–1992) majority in the Filipino Congress or the not-so-well party coalition. Writing on *Political Institutions and the Malaise of East Asian New Democracies*, Cheng reports that the fragile political parties in the four countries he studied South Korea, Taiwan, Thailand, and Philippine – impacted on the political institutions of

these countries. He further cites the examples of Philippine and Thailand where divergence was observed as exceptional cases. In his words, Cheng states that the Philippine's saga was a notable exception, which was traced to the epochal event of People's Power Revolution in Philippine. He added that majority votes witnessed in the state was based on a loose coalition in support of her rather than a political party. In another related anecdote of weak political party, Auerback (2001) reports the case of the landslide victory for the Thai Rak Thai Party under the leadership of the billionaire Thaksin Shinawatra in Thailand's 2001 election. The victory was traced to the national hostile response against the International Monetary Fund's policy prescriptions during the Asian financial crisis.

In Nigeria, another peculiarly anecdotic pattern of weak political party, even under the presidential system, was witnessed in the election of the former president, Chief Olusegun Obasanjo at his first term (1999-2003). The majority election did not signify strong party system; rather, it was simply a form of a pact to pacify a particular geo-political zone (Southwest zone). This is for the reason that the assumed winner of annulled June 12 1993 presidential election, Late Chief M.K.O. Abiola came from the zone. The long political logjam brought about by the annulment assumed an ethnic dimension and there was a need to appease to the political zone, hence the presidency was intentionally zoned to the geo-political zone to produce the first president for the Fourth Republic. From this account, it is inevitable that party system needs to be strengthened. In Nigeria, the importance of political party in democratic institutions has been stressed.

The report by the International Democracy and Electoral Assistance (IDEA, 2000) on democracy assessment reinforces the argument for political parties as an instrument for the strengthening of democratic institutions. Yet again, the leaders of political parties have been found to be attitudinally incoherent in the management of the country's affairs. Noticeably, during the second term of the former President Olusegun Obasanjo (2003-2007), there was an intense face-off between the president and his vice, Alhaji Abubakar Atiku. It was the judiciary that came to the rescue of the former Vice-President. For example, the Supreme Court ruled on 22 April, 2007 that the former president, Chief Olusegun Obasanjo could not remove the vice-president over loyalty crisis. The apex court

ruled that the former Vice-President was responsible to the Constitution but not the President nor even the political party, the People's Democratic Party (PDP), on whose ticket the duo rose to power. So, it was wrong for the former President to initiate removal of the Vice-President.

The ruling political party, People's Democratic Party which produced the president and his vice was handicapped in finding amicable resolution to the seemingly endless face-off. There were series of court cases against each other and the continuation of the crisis even after the expiration of the tenure of the two in office. The needed party discipline to call the two political leaders to order was conspicuously deficient. This is inimical to democratic institutional strengthening. A Nigerian daily, *The Vanguard*, stresses the importance of political parties in strengthening democracy by holding that:

one of the issues that featured prominently in the democracy assessment... conducted all over Nigeria beginning June 1999, was the important place of political parties as democratic institutions. Weak political parties cannot support democracy. They facilitate the growth of autocracy. And weak parties are those where internal democracy is absent. Parties lacking democracy get dictated to by one powerful man, who may be the largest donor or one who wields power of reward and sanctions, or get dictated to by the party hierarchy above (*The Vanguard*, 20 February, 2007).

Furthermore, political parties should serve as a mechanism for protecting democratic institutions by guiding political contests. Democratic rules, laws, norms and practices are meant to shape the direction of democratic systems by not only guiding them against retardation to undemocratic systems but also making them assimilate the rules of democratic tenets. This the rules do with a view to consolidating democracy. Again, democratic rules are meant to sharpen the focus of the political leaders to the necessity of democratic systems. Cheng (2003:2) states that "disputes over the rules contribute to political uncertainty, affect confidence in the marketplace, and threaten to discredit democratic institutions." Numerous evidences provided by Cheng in his study of the four East Asian countries really show

the depth of political factors in the determination of institution building. He states that in Philippine, the Cha-Cha (Change Charter) movement attempted to exceed the one-term limit to clear the way for Fidel Ramos' (1992–1998) re-election. In South Korea, rules were broken at ease as procedure for electing prime minister was not followed. President Kim Dae-Jung (1998–2003) appointed Kim Jong-Pil as acting prime minister to bypass the confirmation battle. In Thailand, Cheng recalls that the qualifications of the prime minister were intensely contested.

In Africa, the tenure elongation by the Senegalese 85-year-old leader, Abdoulaye Wade is gradually turning into a conflict that may engulf the hitherto peaceful country. The old man who came to power in 2000 promised the Senegalese people the limitation of the tenure of the president to a maximum of two terms. Prior to the constitutional amendments in his favour for the third term, Abdoulaye Wade was loved by the citizens for his stern condemnation for African leaders who tended to stay in power for too long. In order to assert his readiness for democratic consolidation in his country, he embarked on constitutional amendments, which limited the tenure of a term from seven (7) years to five (5) years and invoking the two-term rule. According to a United Kingdom newspaper, *The Guardian*, President Abdoulaye Wade said at a 2007 press conference after he won a second term that, “in the 2001 constitution I set a limit of two terms. I therefore cannot run for president again in 2012 because the constitution forbids me.” Surprisingly, the Senegalese leader overturned his previous position and announced a bid for a third term, adding that “the people hunger for democratic continuity and general satisfaction” over his leadership (The United Kingdom Guardian, 24 February, 2012, www.guardian.co.uk).

Akin to the political determinant of institutions in Nigeria (as in other African countries) is the ethnic fractionalisation with its attendant consequences for institutional quality. Such consequences have implications for policies as they are often based on satisfying ethnic tribes in the country rather than taking into consideration the impulse of such policy on institutions in Nigeria. Such policies as the quota system in education and Federal Character in appointment to sensitive institutions in Nigeria have impacted so negatively by tending to uplift ethnic consideration and downplay merit. This scenario has continually played out in admitting students to Nigerian

federally owned universities, a policy that has tended to polarise the country as witnessed in the term given to some sections of the country: Less Advantaged States. This has had serious implication for the quality of educational institutions in Nigeria because the policy may not have favoured the most brilliant but supported the average students. So, ethnic consideration has therefore led to the adoption of poor policies. According to Siba (2008:9), quoting Easterly and Levine (1997), the adoption of poor policies and the incidence of weak institutions witnessed in most of African countries are the consequences of ethnic fractionalisation:

African countries have weak institutions and adopt poor policies because of their ethnic fractionalisation. Easterly and Levine (1997) argue that ethnic diversity has led to social polarisation and entrenched interest groups in Africa and has thereby increased the likelihood of selecting socially sub-optimal policies. They find ethnic diversity, as measured by ethno-linguistic fractionalisation index, to be a significant determinant of poor policies, weak institutions and low growth both in Africa and in worldwide cross sectional regressions (Siba, 2008: 9).

In a more economically analytical influence of political factor, Knack and Keefer (1995:209) highlight the preponderance of political factor on the quality of economic institutions in the country. They conjecture that in an event of political instability, especially when instability is caused by unconstitutional means such as revolution, coups, and assassinations, property rights and contractual rights become fragile. This portends a negative implication for the economy of the country as investment either from within or outside is grossly undermined. The key implication for economic institution here is that maintenance of property rights and contracts rights cannot be guaranteed. But, even when instability is caused by constitutional means such as the declaration of state of emergency in a highly troubled part of a country such as the declaration of state of emergency by the Nigerian President, Goodluck Jonathan, in some parts of the North, citizens who live in these states had their rights infringed upon. Again, their properties are not secured and cannot claim legal rights on them. Intuitively, the economic activities in a country suffer as a result of weak political determinant.

Economy as a Determinant of Quality of Institution

The importance of economic factor as a determinant of quality institution is denied through the manipulation of the economy by the political elites. The political elites see economy as a factor that can enhance the quality of institutions hence they make the development of the economy unachievable. Public office holders see economy as an instrument to be captured for them to hold the key to the control of institutions. In Nigeria, the political elites tend to be malevolent by disavouring the promotion of private property.

Even when hitherto publicly owned enterprises such as the telecommunication and electricity corporations are privatised, there are allegations of collusion between the public officials and their stooges. A human rights lawyer in Nigeria, Femi Falana alleges that public officers are involved in serious economic and financial crimes of buying public assets in Nigeria. According to him,

apart from the embarrassing fact that retired public officers who committed serious economic and financial crimes have become so audaciously daring to the extent of openly engaging in money laundering by buying public assets, it is the height of shameful impunity on the part of the National Council of Privatisation to sell the PHCN to the unpatriotic individuals who have diverted and cornered the public funds earmarked for the uninterrupted supply of electricity in the country. Giving details, Mr. Falana accused the Council of selling PHCN assets below what they are worth. To add insult to injury, the assets of PHCN including over 400 buildings and undeveloped properties in Lagos, Abuja and other cities in the country, thousands of plants, turbines, transformers, vehicles and millions of electric poles worth over N5 trillion are being undersold to corrupt “investors” at a paltry sum of N200 billion. (*PM NEWS*, 26 September 2012).

Siba (2008:4), citing Straub (2000), conceives that it is argued that public officials are likely to deviate from benevolent behaviour, which in the long run makes development of institutions of private property more difficult. In other words, whenever there is existence of rents, such are likely to be

captured by them (Siba, 2008). This has implication for investment, as observed by Weinger (1993) and Olsen (1982), dearth of property and contractual rights are obstacles to investment and specialisation. It is therefore necessary that for quality institutions to thrive in a country, it should be derived from the rich economy. This relationship has been established by Islam and Montenegro (2002:14) as they confirm that more open economies have better institutions. Confirming this relationship, the scholars weave their argument on four precincts:

- Economic agents are more competitive internationally if their domestic environment is characterised by better institutions, and thus, countries will try to improve their institutions, in order to attract economic agents and ultimately increase overall economic welfare.
- Openness brings more competition among agents, which will make rent seeking and corruption more difficult.
- Better institutions are demanded to manage the risks that are associated with trading with unknown partners.
- There is a learning process based on the institutional conditions under which foreign agents work.

The corollary of the above preposition therefore points to the fact that absence of quality institutions in developing countries is responsible for underdevelopment in the developing countries. Investors are more willing to invest in an economy that guarantees protection in transactions. This is further hinged on the ability of the institution to provide enforcement of contracts. North (1990:54), as cited by Knack and Keefer (1995:207), supports this argument that “the inability of societies to develop effective, low-cost enforcement of contracts is the most important source of both historical stagnation and contemporary underdevelopment in the Third World.”

History/Culture as a Determinant of Quality of an Institution *Historical Factor*

In order to understand the place of history in the development of a country, what drives the economy should be analytically looked into. Tabellini (2005) argues that history shapes current economic performance through

“institutions.” This position is maintained by Acemoglu, Johnson and Robinson (2001) as they argue that colonial origin is correlated with indicators of the quality of current institutions. According to Tabellini (2005), quoting Acemoglu, Johnson and Robinson (2001), institutions provide opportunities for the citizens to exercise their property rights from the abuse of governments. He posits further that based on instrumental variable estimation, it has been shown that exogenous variation in current institutions due to history explains current economic development. Correspondingly, Siba (2008:3) sees the current weak institution in Africa as an outcome of extractive institutions created by the long history of colonialism in African countries. According to Siba,

Arguments, based on the persistence of historical institutions, advocate that historical accidents have major role in explaining the current quality of institutions in the region. It is often argued that colonialists introduced extractive institutions in their colonies depending on the identity of the coloniser and whether European themselves settled in their colonies. These colonial institutions are believed to persist and determine the quality of current institutions former colonies have (Siba, 2008: 3).

Thus, understanding the present condition of the Nigerian state with regard to its level of underdevelopment readily brings into play the historical developmental journey of the country since independence. This historical background will explain the institutional context of the present economic development. The historical economic background has continued to reflect a country with institutions that are ingrained into mono-economic traditions. According to Abdul Raheem (2003), Nigerian economy has been monocultural since independence and has so much depended on the Western countries for its survival. Again, buttressing the views of Bayo (2000), Abdul Raheem posits further that in the 1960s, agriculture was the mainstay of Nigeria’s economy. Little wonder when petroleum was discovered in Nigeria in 1958 the country jettisoned agriculture for oil exploration and production. Yet again, in another dimension of historical determinant of quality of institution, it is pertinent to view this factor differently from the whims of the colonisation trajectory of Nigeria. This path is necessary as some scholars have argued that we need to look inward when considering causes

of historical institutional decay in African countries. These scholars have argued against the persistence and continuity of colonial institutions in determining quality of institutions in Africa. In its stead, they favour the necessity of exploring the innuendos of post-colonial period such as the implication that the wrong policies have in marring and redirecting the goals of institutions and thereby impacting on its quality.

The effect of colonisation in Nigeria is not a sufficient cause for historical institutional decay. What happened after the demise of colonisation has also become another failed path to a form of governance that can bring development. In other words, the history of Nigeria's institutional decay should also be traced to its form of economy. This has crippled the potentiality of the country to attain governance that is capable of involving the generality of people through their economic participation. The form of economic system such as the monoculture economy does not maximally utilise the potentials of the people. Rather, the monoculture economy in form of oil exploration and production (E&P) favours the elites (including the rulers) and government that collect rents on the products but leaves the people at the receiving end as sources of engaging in productive activities such as manufacturing, industries, farming etc. have been pathologically destroyed.

Invariably, people are disengaged from activities that are capable of making them realise their potentials thereby destroying their sense of creativity and innovation. This historically economic lacuna has been another causative factor of Nigeria's economic woe and has been responsible for institutional decay in the country. This is because, according to Tabellini (2005), institutions are a fundamental determinant of the incentives of private individuals to innovate and invest. The mono-cultural nature of Nigeria since its independence in 1960 has tended to portray the country as one that is lacking in capacity to create innovations. This has been responsible for the developmental failure of the country because there has been no attempt to create innovations since there have been no institutional incentives for innovation and investment.

Historically, the country has relied on one product as its main source of revenue. It was either agriculture or nothing as its mainstay in the past whereas after the sudden collapse of the agricultural sector in Nigeria, it has remained either oil or nothing as its main source of income. Ironically,

the revenue often accrued from these sources has been made, as some scholars would call it, a resource curse through corruption to destroy the capacity to generate quality institutions that can promote good governance and development. When such trajectory is observed in the history of a country, it is obvious that institutions in such a country become weak. They therefore explain the developmental path of Nigeria, a path that has made the country perpetually underdeveloped through the absence of institutional innovation. Creativity and innovation are lacking in Nigeria because institutions that should propel them are too weak to coordinate the components of creativity and innovations.

Cultural Factor

Tabellini (2005) argues that difference in cultural environments has implication for the quality of institutions. He states that the same formal institutions can function very differently in different cultural environments. Ichino and Maggi (1999) claims that the judicial system works very differently in Southern and Northern Italy, adding that judges in the South of Italy take much longer time to complete investigations and to rule on civil cases than their counterparts in the North. Yet, the legal system, availability of human resources and the career path for judges have been the same for 150 years. They add that similar evidence applies to regional differences in the functioning of the public administration. Writing on culture and its effect on economic development of a country, Tabellini propound two sets of cultural traits that emerge to be complimentary to economic development. As a contingent to development of economy, Tabellini puts the first trait as social capital which is captured by two variables: trust and respect. Trust, according to him, denotes having trust in other people while respect signifies being respectful of others. These two cultural traits promote smooth interaction and consequently transaction, which are needed for economic development. He adds that the second trait is confidence in individuals. Confidence, according to him, is captured by two variables: control and obedience. Control as a variable is the feeling in control of one's life while its seemingly negative variable, obedience is complementing control. Tabellini opines that these cultural traits strongly correlate with the economic development of European regions.

Correspondingly, the cultural traits which are favourable to economic development are also complimentary to democracy. The variables- trust, respect, control and respects- are also important in observing the principles guiding the operation of democratic system. Control and respect are associated with freedom because the variable, freedom, connotes both positive and negative terms. There is freedom from, which is associated with control and freedom to, which is connected with obedience. These variables make interactions possible and enhance integration and cohesion among the citizens, among groups and between the citizens and the state. According to Idowu (2008), the culture of obedience to laws is equally important for the inner life and survival of the institution of democracy.

The culture of obedience to laws including lawful orders of our various courts and obedience to the unwritten laws, the conventions of the democratic process are equally important for the inner life and survival of the institution of democracy. Experience over the ages has shown that the activities of the City State can only be successfully carried on with the voluntary cooperation of the citizens, and the main instrumentality of this cooperation lies in the free and full discussion of government policies in all their aspects by the people (Idowu, 2008:27).

External Factor (Globalisation) as a Determinant of Quality Institution

Globalisation has been described as being neither a devil nor a panacea, but a reality, gradually spreading throughout the world. What developing countries like Nigeria should do is to reflect on the concept. It may indeed be rightly argued that globalisation is neither a devil nor a panacea, but a reality, gradually spreading throughout the world. Policymakers had the problem of needing to reflect on globalisation challenges while being at the same time under pressure to act.” (OECD Observer, 2000). Globalisation is often defined within the context of the international economic and political regime. This, therefore, attributes the adoption of the concept to all governments of the world, developing countries included. Chesnais (2004) claims that globalisation can be regarded as a concept emanating from all the governments and political elites in the world, adding that, “the international economic and political regime, which follows from the adoption by practically all the governments and political elites in the world, of the policies of

liberalisation, regulation and privatisation as well as of the ideology and domestic politics of laissez faire and enrichissez-vous (enrich yourself)” (Chesnais, 2004).

Ironically, what is international is not national in the case of the developing countries. This is because, as argued by Tijani (2010), contesting the definition by Chesnais, globalisation is international in perspective; its adoption could not be traced to the developing countries but developed ones:

Chesnais’ definition cannot be totally accepted because globalisation is an economic and political regime brought by the developed states of the North and forced on the developing states of the South; hence globalisation has brought different outcomes. While the North has benefited from globalisation, the story of the South is pathetic for the reason that globalisation has created two unequal partners in the same voyage with one heavily empowered by globalisation and the other left to the whims of this power. The impact of globalisation has meant that the South, including African countries, is at the receiving end of the spectrum (Tijani, 2010:41).

The globalisation pendulum has continually swung wildly at the African countries with per capita income levels decreasing at an alarming rate compared with 1960s. It is no gainsaying the fact that globalisation has brought lots of riches, but in addition to the fortune it has also bred poverty among the people particularly the developing countries and Africa has been hard hit because foreign countries pillage the unfortunate continent. More dishearteningly, wars are financed by foreign companies in order to achieve their business aims in the continent (OECD Observer, 2000).

The contest against the conceptualisation of globalisation is borne out of its impact in determining the quality of institutions in a country. Globalisation has impact on the quality of the institutions in a country, especially by affecting the business of those who engage in international trade, demanding for trade policies that make them key participants in international trade rather than nominal participants in the world economy. So, globalisation, which has bred the integration of the countries of the world into an amalgamated economic microcosm, has direct impact on the domestic economic activities

of the countries. According to Faber and Gerritse (2009:1), integration in the world economy may affect domestic structures with exporters putting demands on their governments to introduce institutions that support their competitiveness and foreign investors such as adequate protection of their physical and intellectual property. Again, the geography of institutions has influence on the quality of institutions that is available in a country. This is because there is a tendency for significant spillovers of the institutional characteristics of neighbouring countries. Faber and Gerritse (2009), quoting Bosker and Garretsen (2008), argues for the independent role of neighbouring countries' institutions on domestic income level; they argue for significant spillovers from one neighbouring country to another neighbouring country.

Either way, this line of reasoning views the partner country as specific: the characteristics of this country matter for its effect on the domestic country. These arguments suggest a different role of location in domestic institutional change. In the first view, it is the presence of nearby and large economies or a natural propensity to trade, i.e. it is the market potential that affects the local institutions. The second view stresses the characteristics of nearby countries: local institutions would start to resemble the institutions of nearby countries. Institutional developments could be said to spill over between countries (Faber and Gerritse, 2009: 2).

It is on the premise of the externally induced factor as globalisation affecting the institutions in developing countries that Tijani (2010) further argues for institutional strengthening. This is so if the very sharp differences between the states in the North (developed countries) and the states in the South (developing countries) are taken into consideration. He posits that "in terms of globalisation as it operates today, the Northern and Southern states are institutionally different." The differences, according to him, should therefore make developmental approaches, interventions and initiatives different. Thus, in a developing country such as Nigeria, these approaches should be indigenously focused and guided.

Conclusion

From the foregoing, it is imperative that developing countries especially in Africa should ensure that these determinants are given considerations when addressing challenges that are confronting them. It is ironical that in Africa

these determinants have contributed to the underdevelopment of the countries with little or no effort to address the challenges. This debacle will continue to hunt the developing countries in their trajectory to good governance and development.

References

- Abdul Raheem, Y. (2003). "Globalisation and Nigerian Economic Development" Being the Text of a Paper Presented at the 4th Annual National Conference of the Social Studies Association of Nigeria (SOSAN), Faculty of Education, University of Ibadan, Ibadan.
- Acemoglu, D, S. Johnson and J. Robinson (2001). "The Colonial Origins of Comparative Development: An Empirical Investigation." *American Economic Review*. December 91(5): 1369–1401.
- Acemoglu, D., S. Johnson, J., Robinson and Y. Thaicharoen (2002). "Institutional Causes, Macroeconomic Symptoms: Volatility, Crises and Growth," *National Bureau of Economic Research (NBER) Working Paper*, No. 9124, Issued in August.
- Agbaje, A. (1998). "Parties of the Electoral Process in a Democracy." In Ayoade, J.A.A. (ed.) *Democracy: its Meaning & Value*, (Ibadan: Vantage).
- Alonso, J.A. and C. Garcinmartin (2004). "The Determinants of Institutional Quality: More on the Debate," *Centre for Research in Economic Development and International Trade, University of Nottingham (CREDIT), CREDIT Research Paper*, No. 09/4, retrieved from www.nottingham.ac.uk/economics/credit, accessed 10 April 2013.
- Auerback, M. (2001). "Thailand's Election: More Signs of Backlash against the West" *Japan Policy Research Institute*, Paper No. 21.
- Babawale T. and D. Ashiru (2006). "Funding Political Parties in Nigeria." In *Money, Politics and Corruption in Nigeria*, IFES "Nigeria Election Support 2007" Programme, Abuja, pp. 68-77.
- Bayo, A. (2002) "Globalisation and Nigeria Economy," *The Economist* 4, 36-37.
- Bosker, M. and H. Garretsen (2008). "Economic Development and the Geography of Institutions," *Journal of Economic Geography*, retrieved from www.joeg.oxfordjournals.org/cgi/content/abstract/lbn047, accessed 20 February 2009.
- Bourguignon, F. (2005). "The Dynamics of Institutions, Development, and Elites" *Beyond Transition*, October-December, Volume 16, No. 4.
- Brinks, D.M. and V. Gauri (2012). "The Law's Majestic Equality? The Distributive Impact of litigating Social and Economic Rights," *Policy Research Working Paper*, 5999, The World Bank.

- Cheng, T. (2003). "Political Institution and the Malaise of East Asian New Democracies," *Journal of East Asian Studies* 3, 1-41.
- Chesnais, F. (2004). "Globalisation against Development", *International Socialism Journal*, 102, Spring, 2004. Retrieved from <http://pubs.socialistreviewindex.org.uk/isj102/chesnais.ht>. Accessed 01 February 2010.
- Department for International Development (DFID) (2003). *Promoting Institutional and Organisational Development*. London: DFID.
- Easterly, W. and R. Levine (1997). "Africa's Growth Tragedy: Policies and Ethnic Divisions," *The Quarterly Journal of Economics*, Vol. 112, No.4, pp 1203-1250.
- Faber, G. and M. Gerritse (2009). "External influences on Local Institutions: Spatial Dependence and Openness, Utrecht School of Economics, *Tjalling C. Koopmans Research Institute, Discussion Paper Series* 09-11, May.
- Falana, F. *Corrupt Public Officers Buying Up PHCN*, PM News, 26 September 2012, www.pmnewsnigeria.com/2012/09/26/those-who-acquired-phcn
- Galanter, M. (1974). "Why the 'Haves' Come out Ahead: Speculations on the Limits of Legal Change." *Law & Society Review* 9(1): 95-160.
- Garcia, A. (2005). "Latin America 1980-2005: Institutions, Growth and Poverty." *Beyond Transition*, April – June, Volume 16, No. 2.
- Hall, R. & C. Jones. (1999). "Why Do Some Countries Produce So Much More Output Per Worker Than Others?," *Quarterly Journal of Economics*, Volume 114, No. 1:83-116, February.
- Hirschl, R. (2000). "The Political Origins of Judicial Empowerment through constitutionalisation: Lessons from Four Constitutional Revolutions." *Law and Social Inquiry, Journal of the American Bar Foundation* 25(1): 91-149.
- Ichino, A., and G. Maggi (1999). "Work Environment and Individual Background: Explaining Regional Shirking Differentials in a Large Italian Firm." *NBER Working Paper*, No. W7415.
- Idowu, A.A. (2008). Human Rights, Democracy and Development: The Nigerian Experience, *Research Journal of International Studies*, Issue 8, November.
- Islam, R. and C. Montenegro (2002). *What Determines the Quality of Institutions?* Background Paper for the World Development Report 2002.
- Knack, S. and P. Keefer (1995) "Institutions and Economic Performance: CrossCountry Tests using Alternative Institutional Measures." *Economics and Politics*, Vol. 7, No.3, (Oxford: Blackwell Publishers Ltd), November.
- National Bureau of Statistics (2013) *Annual Abstracts of Statistics, 2011*, Federal Republic of Nigeria, Abuja.
- North, Douglas C. (1990) *Institutions, Institutional Change and Economic Performance* (New York: Cambridge University Press).

- OECD Observer (2000) Globalisation: *Neither a Devil nor a Panacea*, www.oecdobserver.org/news/fullstory.php/aid/288/Globalisation:_neither_adevilnor_a_panacea.html. Accessed September 17, 2011
- Olson, M. (1982) *The Rise and Decline of Nations* (New Haven: Yale University Press).
- Rodrik, D. (2003): “What do We Learn from Country Narratives?” in D. Rodrik (ed.), *In Search of Prosperity: Analytic Narratives on Economic Growth*. Princeton: Princeton University Press.
- Rodrik, D., A. Subramanian and F. Trebbi (2004). “Institutions Rule: The Primacy of Institutions over Geography and Integration in Economic Development.” *Journal of Economic Growth*, V9 (2, June), 131-165.
- Schattschneider, E.E. (1942). *Party Government*. New York: Holt, Rinehart and Winston.
- Siba, E.G. (2008). “Determinants of Institutional Quality in Sub-Saharan African Countries,” School of Business, Economics and Law, University of Gothenburg,” *Working Papers in Economics*, No 310, June.
- Tabellini, G. (2005). “Culture and Institutions: Economic Development in the Regions of Europe.” *Cesifo Working Paper No. 1492, Category 5: Fiscal Policy, Macroeconomics and Growth*, July.
- The Guardian*, United Kingdom at www.guardian.co.uk, 24 February, 2012.
- The Vanguard*, Nigeria: *Weak Political Parties and Democracy*, 20 February 2007.
- Tijani, H.O. (2010). “New Partnership for Africa’s Development (NEPAD) as the Strategic Response to the Globalisation Challenge.” In *Global South*, SouthSouth Exchange Programme for Research on the History of Development (SEPHIS), Netherlands, Volume 6, No.2, April, www.sephisemagazine.org.
- Tijani, H.O. (2013) “President Obama’s Upcoming Africa Trip: Good Governance, Economic Development and Institutional Strengthening as High Priorities.” Washington, D.C.: Brookings Institution. Available at: <http://www.brookings.edu/blogs/up-front/posts/2013/06/28-obama-trip-africanperspectives-kamau>.
- Weingast, B. (1993). “The Political Foundations of Democracy and the Rule of Law,” *IRIS Working Paper* No. 54.
- World Bank (2002). *World Development Report 2002: Building Institutions for Markets* (New York: Oxford University Press, 2002).