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## DOCTOR OF PHILOSOPHY

### Governance and Accountability Issues in Nigerian Parastatals The Case of Ajaokuta Steel

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**Governance and Accountability Issues in Nigerian Parastatals:  
The Case of Ajaokuta Steel**

**Jeremiah Ojochema Johnson Obera**

A thesis submitted in fulfilment of the requirements for the award  
of the Degree of Doctor of Philosophy in Accounting and Business Finance

July 2015

University of Dundee  
School of Business  
Dundee, Scotland, UK.

**Dedication**

*To Almighty God*

**Declaration**

This is to certify that the work herein is my work and has not been accepted for higher degree previously.

.....

OBERA J.O.J.

Signature and Date

**Certification**

We hereby certify that Jeremiah Ojochema Johnson Obara has fulfilled the conditions of the relevant ordinance and regulations of the University of Dundee, Scotland, UK for the award of PhD in Accounting and Business Finance.

.....

Professor Robin Roslender

Signature and Date

Professor Jim Haslam

Signature and Date

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## **Abstract**

The purpose of this study is to examine and understand why parastatals in Nigeria are on the face of it performing so poorly. Parastatals are criticised for being ostensibly immersed with ethnicism, corruption, nepotism, patronage, clientelism, low accountability and transparency. These issues were explored in the context of Ajaokuta Steel; an enterprise that was substantially complete two decades ago but subsequently progressed no further. Ajaokuta Steel is an industrial giant meant to take the lead of industrialising, developing, and taking Nigeria and Africa from poverty and unemployment. To pursue this study the researcher employed mixed methods of research with interpretivism combined with a critical ambition and a case study as the main research strategy. The researcher used questionnaires, observations, interviews to gather data. Theoretical framework based on neopatrimonialism was used to guide the researcher in the empirical work and in the study. The interviews from the case site and stakeholders were analysed from the voice recorder and those from the questionnaires were analysed using descriptive statistics. The use of several data collecting methods was to achieve triangulation and because of the seriousness of the problem which needed an in-depth investigation to unveil the mystery behind the non-completion of the giant moribund industry. The results of the interviews, case study and questionnaires indicated that the problems of governance and accountability of parastatals in Nigeria are that governing board members and chairmen who formulate policies are appointed to boards based on political patronage, ethnic balancing and religious considerations, thereby loading boards with unqualified people who may ultimately compromise an organisation such as Ajaokuta Steel. Interviewees and respondents also identified a lack of political will on the part of the government, suggestions of an international conspiracy, corruption, military incursions in politics, the geographical location of Ajaokuta Steel and the culture of neglecting projects, as further contributory factors. Interviewees and respondents mentioned also lack of accountability and transparency in the affairs of parastatals. These factors have greatly affected all parastatals in Nigeria. It was recommended that parastatals should appoint board members, the CEO and staff based on track records of good antecedents; publish their accounts in the national newspapers; or be privatised by Public Private Partnership (PPP) so that government will be able to concentrate on its primary duties of providing security, health services and education for its citizens.

**Key words:** Neopatrimonialism, accountability, patronage, clientelism, governance, transparency, triangulation and corruption.

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## Acronyms

<b>Abbreviation</b>	<b>Interpretation</b>
ADB	African Development Bank
AIDS	Acquired Immune Deficiency Syndrome
ANAN	Association of National Accountants of Nigeria
ANAO	Australian National Audit Office
APC	Arewa People's Congress
APRM	African Peer Review Mechanism
ASCL	Ajaokuta Steel Company Limited
AGF	Attorney General of the Federation
AU	African Union
BMPIU	Budget Monitoring and Price Intelligence Unit
BOFI	Banks and Other Financial Institutions
BOT	Build Operate Transfer
BOOT	Build Own Operate Transfer
BPE	Bureau of Public Enterprises
CAMA	Companies and Allied Matters Act
CBN	Central Bank of Nigeria
CCA	Customary Court of Appeal
CCB	Code of Conduct Bureau
CCT	Code of Conduct Tribunal
CIMA	Chartered Institute of Management Accountants
CEO	Chief Executive Officer
CJ	Chief Judge
CJN	Chief Justice of Nigeria
CMB	Commodity Marketing Boards
CPA	Certified Public Accountants
CPI	Corruption Perception Index
DFCK	Development Finance Corporation of Kenya
DFID	Department For International Development
DPO	Due Process Office
DRC	Democratic Republic of Congo
ECA	Economic Commission for Africa
ECSAFA	Eastern Central Southern African Federation of Accountants
ECOWAS	Economic Community Of West African States
EFCC	Economic and Financial Crimes Commission
EU	European Union
EY	Egbesu Youths
FCT	Federal Capital Territory
FGN	Federal Government of Nigeria
FRN	Federal Republic of Nigeria

GCGF	Global Corporate Governance Forum
GDP	Gross Domestic Product
GIHL	Global Infrastructure Holdings Limited
GOEs	Government Owned Enterprises
GOPAC	Global Organisation of Parliamentarians Against Corruption
HIV	Human Immunodeficiency Virus
HSGIC	Heads of State and Government Implementation Committee
HKSA	Hong Kong Society of Accountants
ICAN	Institute of Chartered Accountants of Nigeria
ICAS	Institute of Chartered Accountants of Scotland
ICDC	Industrial and Commercial Development Corporation
ICPC	Independent Corrupt Practices and other related offences Commission
IDB	Industrial Development Bank
IFAC	International Federation of Accountants
IMC	Interim Management Committee
IMF	International Monetary Fund
INC	Ijaw National Council
ING	Interim National Government
IS	Investment and Securities
IPSASs	International Public Sector Accounting Standards
INTOSAI	International Organisation of Supreme Audit Institutions
KIEP	Kenya Industrial Estate Programme
MASSOB	Movement for Actualization of Sovereign State of Biafra
MBO	Management Buy Out
MDGs	Millennium Development Goals
MEND	Movement for the Emancipation of Niger Delta
MOSIEN	Movement for the Survival of Ijaw Ethnic Nationality
MOSOP	Movement for the Survival of Ogoni People
NACA	National Agency for the Control of AIDS
NATE	Nigerian Association of Technologists in Engineering
NATO	North Atlantic Treaty Organisation
NASB	Nigeria Accounting Standard Board
NBS	Nigeria Broadcasting Service
NCP	National Council on Privatisation
NDI	Nigeria Deposit Insurance
NEEDS	National Economic Empowerment and Development Strategy
NEPA	National Electric Power Authority
NEPAD	New Partnership for African Development
NEPD	Nigerian Enterprises Promotion Decree
NGOs	Non-Governmental Organisations
NI	Nigeria Insurance
NIOMCO	National Iron Ore Mining Company
NJC	National Judicial Council

NPA	Nigeria Ports Authority
NPN	National Party of Nigeria
NPP	Nigerian People's Party
NPS	Nigeria Postal Service
NRC	Nigeria Railway Corporation
NSE	Nigeria Stock Exchange
NSDA	Nigeria Steel Development Authority
OAU	Organisation of African Unity
OECD	Organisation of Economic Co-operation and Development
OPC	Oodua People's Congress
OPEC	Organisation of Petroleum Exporting Countries
PAC	Public Accounts Committee
PHCN	Power Holding Company of Nigeria
POSCO	Pohang Steel Company Limited
PPAC	Presidential Projects Assessment Committee
PPP	Public Private Partnership
RDPT	Resident Due Process Team
RIDC	Rural Industrial Development Centres
RNC	Royal Niger Company
SAN	Senior Advocate of Nigeria
SCA	Sharia Court Appeal
SEC	Securities and Exchange Commission
SOEs	State Owned Enterprises
TAC	Technical Aid Corps
TCPC	Technical Committee on Privatisation and Commercialisation
TI	Transparency International
TPE	Tyazhpromexport
UN	United Nations
UNDP	United Nations Development Programme
UNESCO	United Nations Economic and Social Council
UPN	Unity Party Nigeria
USAID	United States Agency for International Development
WAI	War Against Indiscipline
WTO	World Trade Organisation

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**Chapter One**  
**Introduction**

# Chapter One

## Introduction

### 1.0 Background

The government of a country is charged with delivering good governance and creating a sustainable and enabling environment for the development, welfare and protection of her citizens (UNDP, 1997). Pursuant to some of these duties, several African governments established parastatals<sup>1</sup> immediately after they obtained independence - largely in the name of or for the public interest (Etukudo, 1997). Parastatals in Africa were established to provide goods and services to the citizens of their countries; while some were established essentially to make profits, others were not; and they were separated from the regular bureaucratic ministry to enable them to enjoy autonomy, take quick decisions and compete with their counterparts in the private sector (Babaita, 2001; Mwaura, 2007).

Such parastatals, according to Ugorji (1995) and Etukudo (1997), cover fields for which the large sums involved usually discourage private companies from committing such mammoth resources into them and also help sustain and develop African countries in terms of more economic independence in the future. Governments of Ghana, Kenya, Uganda, Zimbabwe as well as Nigeria in this regard decided to fill the entrepreneurship gap, promote economic development and participate in industrial development (Etukudo, 1997). However, such parastatals have, on the face of it, been badly managed over the years with serious financial maleficence and misappropriation of assets and funds (Ugorji, 1995). The failings of commercial parastatals ostensibly include, according to Ugorji

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<sup>1</sup>Parastatals (also known as Public Enterprises or State Owned Enterprises (SOEs) – Mwaura, 2007) are defined as “institutions or organisations which are owned by the state or which the state holds a majority interest, whose activities are of a business in nature and which provide services or produce goods and have their own distinct management” (Adeyemo and Salami, 2008 p.402).

(1995) and Needle (2004): (i) not making profits while continuing to draw resources from the government; (ii) for some, government having to get involved in too many things, diverting its attention from more relevant tasks; (iii) a lack or ineffectiveness in public enterprise in practice; (iv) a blatant disregard of the interests and views of relevant stakeholders including customers; (v) the dictating by government of pricing policies to control inflation distorting the market; (vi) the impact of conflicting demands and expectations of many stakeholders including politicians at the National Assembly and governing boards; (vii) lack of management independence; (viii) inappropriate performance measurement and reward systems making parastatals unattractive to ambitious professionals; and (ix) that decision-making follows bureaucratic procedures which are slow and complex. Especially given the perception of sabotage and mischief, African governments advised by the World Bank (Ariyo and Jerome, 1999) subsequently followed a trend in the developed world by “hollowing out”<sup>2</sup> parastatals (Rhodes, 1997 p.53).

It has been argued that a major problem is that successive governments rarely continue with the projects initiated by their predecessors but would rather start their own plans for development (Okafor, 2007). In March, 2011, the Nigerian President, Goodluck Jonathan, set up a Presidential Projects Assessment Committee (PPAC) to look into the issues of abandoned Federal Government projects. The PPAC discovered that about 11,886 parastatals had been abandoned by successive governments in Nigeria since independence (El-Rufai, 2012). According to El-Rufai (2012), Olalusi and Otunola (2012), and Ubani and Ononuju, (2013), the reasons for neglecting projects in Nigeria include: (a) non-continuation of policies as occupiers of political offices change; (b) nepotism; (c)

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<sup>2</sup> Introducing private sector management principles into the public sector or privatising parastatals (Rhodes, 1997).

corruption and impunity<sup>3</sup>; (d) re-awarding of projects at inflated prices to political supporters; (e) lack of accountability and transparency; (f) incompetent contractors; (g) wrong location of the parastatal; and (h) lack of skilled personnel and technical experts. These problems of parastatals are linked to weaknesses of governance, transparency and accountability (Fagbadebo, 2007).

It is also the apparent lack of good governance and accountability in the public sector that has prompted the World Bank to encourage countries to privatize parastatals, introduce budgetary discipline, decentralise administration, encourage market competition and make greater use of non-governmental organisations to achieve efficiency in the public service (Rhodes, 1997). Rhodes (1997) maintains that segregation of politics from administration may actually help the government to have effective control with privatisation being accompanied by a tightening of the regulatory capacity of the state. The “hollowing out”, according to Rhodes (1997), started in developed countries like Britain in the 1980s and the 1990s under Margaret Thatcher, who introduced private sector management principles into the public sector. Most developing countries are beginning to follow this step, especially as it is required by the World Bank and other lending agencies as a condition for loans and aids (Uddin and Hopper, 2003). Nigeria promulgated the Nigerian Privatisation and Commercialisation decree No. 25 of 1988 and subscribed to the view that business should be left in the hands of professional people (Ahunwan, 2002).

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<sup>3</sup> This is manifested in insufficient planning for such projects, deliberately delaying funding, collusion between government officials and contractors or absconding after the collection of mobilisation fees almost equal to the full contract sum without prosecution (Public and Private Development Centre, 2011).

## **1.1 Ajaokuta Steel Company Limited (ASCL), Ajaokuta: an introductory overview of the case**

Ajaokuta Steel Company Limited (ASCL) was established in 1979 as a parastatal under the Ministry of Mines and Steel Development (Mohammed, 2002b). It was established to provide a base for the industrial development of Nigeria (Agbu, 2007). However, the completion stage of this moribund giant steel project in Africa was deemed 98% in the 1990s (see table 1.1; ASCL Website) and has remained uncompleted to date (NATE, 2009).

ASCL is located at Ajaokuta town in Kogi State, the middle-belt region of Nigeria. Kogi State is popularly known as the “Confluence State” because the rivers Niger and Benue meet in Lokoja, the former capital of Nigeria (see fig. 2.1, Map of Nigeria, p.25). Kogi State was created on the 27th of August 1991. Ajaokuta town is situated on the west bank of the River Niger, about 564 kilometres north of the Atlantic Ocean, and covers an area of approximately 800 hectares (Diary, 1983).

Apart from Decree No. 60 of 1979 that established ASCL, it was also incorporated by Companies Decree No. 51 of 1968 with its own Memorandum and Articles of Association (MEMART) dated 16 August 1979. The Memorandum of Association states that the name of the Company shall be called “Ajaokuta Steel Company Limited”. The memorandum further states that the objects for establishing the company are to carry on the business of manufacturing, producing and dealing in steel products and to do all such other things that are incidental to, or the company may think conducive to, the attainment of the objects. Similarly, the Articles of Association of ASCL state in section 4 that the company is a private company owned by the Federal Government of Nigeria (FGN) and restricts the rights to transfer its shares; thus it cannot invite the public to subscribe for

any shares or debentures of the company and shall not have power to issue share warrants. Section 26 states that the Chairman of the Company shall be appointed by the FGN. Section 27 states that the General Manager of the Company shall also be appointed by the FGN.

ASCL was established to actualise the construction, erection and operation of an Integrated Steel Plant at Ajaokuta based on the Blast Furnace-Basic Oxygen Furnace Steel Making Process and to serve as a base for Nigerian industrialisation (Miachi, 1998). Before the concessions, the management of ASCL was headed by a Managing Director/Chief Executive, supported by eight General Managers and one Company Secretary/Legal Adviser (Miachi, 1998).

ASCL has 17 major units in accordance with its design (NATE, 2009). Table 1.1 below shows the annual capacities and state of readiness of each unit.

**Table 1.1 The state of readiness of each unit of ASCL**

S/N	UNIT/PLANT	MAIN PRODUCT/ANNUAL CAPACITY	STATUS OF EACH UNIT/PLANT
1	Sinter Plant	2,610,000 tonnes of Sinter	100% completed
2	Coke Oven & By-Product Plant	880,000 tonnes of Coke 12,000 tonnes of Fertilizer 48,000 tonnes of Tar 350,000 tonnes of Steam 210,240,000 m <sup>3</sup> CO of Gas	89.91% completed
3	Iron Making Plant (Blast furnace)	1.35 million tonnes of liquid metal 155,000 tons of Pig casting 675,000 tons of BF Slag	99% completed
4	Steel Making Plant	1.3million tons of liquid steel	99% completed
5	Billet Mill	795,000 tonnes of billets	100% completed
6	Light Section Mill	400,000 tonnes of rods and light sections	100% completed
7	Wire Rod Mill	130,000 tonnes of wire coils	100% completed
8	Medium Section & Structural Mill	560,000 tonnes of structural steel	100% completed
9	Thermal Power Plant	110 MW of electrical energy	100% completed
10	Forge & Fabrication Shop	4,200 tonnes of forging 4600 tonnes of fabricated structures	100% completed
11	Machines and Tools Shop	19,000 tonnes of machined products	100% completed
12	Foundry Shop	7,000 tonnes of Ferrous & non-ferrous casting	100% completed
13	Power Equipment Repair Shop	Repair of electrical Motors, Transformers etc.	100% completed
14	Rubberising Shop	Repair of Conveyor Belts, manufacture of seals and adhesives	100% completed
15	Lime Plant	91,000 tonnes of Calcinated Lime	98% completed
16	Refractory Plant	Alumino-Silicate Refractory Bricks 43,400 tonnes Dolomite bricks 8,800 tonnes	98% completed
17	Oxygen Plant	426,000 tons of Oxygen 127,800,000m <sup>3</sup> of Nitrogen 2,130,000m <sup>3</sup> of Argon 1,020,000m <sup>3</sup> of Hydrogen	98% completed

Source: NATE (2009, pp.10-11)



The above evidence (Table 1.1) shows that the project is 98% complete in terms of equipment installed. NATE (2009) posits that ASCL has been 98% complete since the 1990s (see also ASCL website). The information in table 1.1 and the analysis provided in NATE (2009) indicate that ASCL is all but 98% complete. However, the steel manufacturing process/technology cannot be launched until all units and element of infrastructure have been put in place (Okoroanyanwu, 2008). This means that although it may appear that only a little bit of additional work and installations are required, the missing infrastructure has delayed the take-off of production at the complex. The missing infrastructure includes: completion of a rail line from Ajaokuta to Warri; necessary dredging of the River Niger; linking the Dolomite (Osara) and Limestone (Jakura) mines by rail; dredging and lowering of the Escravos bar (Warri); and the completion of the super-concentrate plant and other auxiliary units (Madueke, 2010).

In 2000 the technical audit of the plant, which was carried out by Tyazhpromexport (TPE) of Russia, the original builder of the plant, estimated “about US \$460 million to complete, rehabilitate, and commission the first phase of the steel plant” and “that the plant was in a commendable state of preservation” (Agbu, 2007, p.49).

ASCL was scheduled to be completed in three phases. The first phase was intended to produce 1.3 million tonnes annually of long products meant for construction. The second phase, producing 2.6 million tonnes per annum, would yield flat products meant for manufacturing. The third phase of 5.2 million tonnes per annum would produce both long and flat products of steel (Mohammed, 2002b; Agbu, 2007). The first phase was to be completed in 1986 but the new protocol agreement signed in 1986 with Tyazhpromexport (TPE), rescheduled the completion date to 1989 because of lack of funds (Miachi, 1998; Mohammed, 2002b; Agbu, 2007; Okafor, 2007; Inabo, 2010). ASCL almost stopped

completely in the mid-90s, according to Mohammed (2002a, b) due to political instability, interference by the government and poor public services. The Nigerian government decided to involve the private sector in the completion and administering of ASCL. This led to the concession of ASCL to Solgas Energy Limited (SEL) on 13th of October 2003 in order to rehabilitate, complete, commission and operate the Steel Plant and recoup their investment within a period of 10 years, with the concession renewable for another 10 years (Agbu, 2007). Unfortunately, SEL could not secure the funds required for the reactivation and completion of the ASCL plant as provided for in the agreement, resulting in the termination of the contract in August 2004 (Agbu, 2007).

On the 13<sup>th</sup> of August 2004 the FGN entered into another agreement with Global Infrastructure Holdings Limited (GIHL) for the reactivation, completion and operation of ASCL (Agbu, 2007; Mohammed, 2008). According to Mohammed (2008), the concession agreement was terminated by the FGN in April 2008 due to poor performance and failure by GIHL to comply with the major provisions of the agreement. Following this termination, the FGN approved the constitution of an Interim Management Committee (IMC) with the following terms of reference: (i) oversee the day to day management of the company pending the approval of a substantive management for the company; (ii) ensure the safety, security and proper maintenance of the plant to avoid rust, deterioration and waste; (iii) prepare the plant for a comprehensive technical audit; (iv) foster industrial harmony and also good neighbourliness with the host communities; and (v) take inventory of all outstanding liabilities including staff salaries and allowances (Gusau, 2008).

Subsequently, the IMC was dissolved and a sole administrator was appointed for ASCL on the 14<sup>th</sup> of November 2012 (Ugeh, 2012). According to Ugeh (2012), the sole administrator was to inject new ideas to make the company operational and conserve the

assets; appoint the management team on the basis of seniority, experience and competence; and carry the labour union along in the discharge of his responsibilities for optimal performance. The sole administrator was also expected, per Ugeh (2012), to come up with ideas that will move the company forward as it occupies the strategic position for the economic and industrial development of Nigeria. GIHL dragged the Nigerian government to the International Chamber of Commerce in London to arbitrate on the termination of the concession in April 2008, claiming \$1 billion damages for the cost incurred in running ASCL and National Iron Ore Mining Company (NIOMCO). In a meeting held from 29th April to May 1st, 2013 in Dubai, GIHL agreed to forfeit the \$1 billion (Umoru, 2013). This settlement with GIHL meant the FGN then had full control of ASCL once more.

The main thrust of this thesis is to empirically examine in-depth the ASCL case. The aim is to assess the developments, considered contextually and in detail and informed by access to ASCL and interviews and surveys, against the theoretical discourses of effective public sector management (see section 1.3 – research aims and objectives). And in particular the role, or non-role, actual and potential, of governance and accountability, is focused upon.

## **1.2 Governance and Accountability**

In relation to a government and its people, according to Hope (2005), governance means discharging responsibility which may be conferred by election or appointment. Governance here, according to UNDP (1997), comprises three players in the typical modern state: The first, the state creates a politically and legally conducive environment to ensure that people go about their businesses without being molested; the second, the private sector creates jobs and income; the third, the civil society encourages citizens to

participate in the economic, social and political affairs of their country. Good political, economic and corporate governance is important for sustainable development, ensuring people enjoy political freedom, protecting people from economic and political risk, and helping in the reduction of poverty. Good governance involves being transparent and accountable in discharging one's responsibilities (United Nations, 1998; Hope, 2005).

The Organisation of African Unity (OAU) was established in 1963 by African leaders to promote unity and development, including in relation to issues of governance in Africa (Akokpatri, 2004). For Akokpatri (2004), the OAU could not meet its objectives and was replaced in 2002 by the African Union (AU) with the New Partnership for African Development (NEPAD) to oversee African development and the African Peer Review Mechanism (APRM) to be responsible for the assessment of African governance. In addition to the APRM, the Ibrahim Index of African Governance (IIAG) was established in 2007 to assess the governance of every African country. It aims "to assess the delivery of public goods and services, and policy outcomes, across Africa" (MO Ibrahim Foundation, 2013 p.3). Despite these measures, many African leaders continue to be understood to be corrupt and to have "transformed into personal rulers and run their countries as their private estates" (Akokpatri, 2004 p.245).

Regarding parastatals, Hope (2005) has argued that parastatals in Africa are often used by African leaders to serve their personal purposes. Uργοji (1995) argues that parastatals in Africa were established to "provide jobs for constituents, political allies, and friends" (p.540). For these reasons, according to Uneke (2010), appointments into parastatals and other public services are not based on honesty, merit and integrity but on "patronage and ethnic balancing" (p.118), a patron-client relationship. For Hope (2001), such governance problems have led to the collapse and privatisation of many parastatals in Africa. For

instance, countries like Cameroon, Cote d'Ivoire, Gabon and Senegal have privatised their electricity, telecoms, water, and banking sectors while others like Uganda, South Africa, and Botswana have privatised their telecommunications enterprises (Hope, 2001). In Nigeria, Mozambique, Togo, Guinea, Kenya and South Africa airways, ports and airports have been privatised (Hope, 2001). Privatisation is a controversial policy, not obviously the best one (Josiah et al., 2010): Uddin and Hopper (2003) argue against privatisation because of its effects on the citizens. In contrast to much African experience, parastatals have been successful in Singapore, even providing useful lessons for sectors establishments (Anwar and Sam, 2006).

Further, governance problems are not confined to the public sector. In the private sector, many corporate organisations including Enron, Worldcom, Parmalat, Maxwell Communications Group, and three indigenous banks in Uganda have failed as a result of failure in their corporate governance (Wanyama, 2006). In Nigeria, the private Savannah Bank's license was withdrawn in 2002 by the Central Bank of Nigeria (CBN) for governance failure (Nworji et al., 2011).

An accountability expectation in relation to a government and the people is created by the principal/agent relationship when decision making is transferred from the citizens (the principal) to the government (the agent) and there must be a mechanism in place to hold the agent responsible for their decisions and impose sanctions by removing the agent from power (Lindberg, 2009). In Africa, it has been argued that accountability is made difficult because of the culture of respect for elders (Wanyama, 2006; Bondamakara, 2010; Iyoha and Oyerinde, 2010). It has been suggested that African governments have a degree of accountability to aid donors but rarely give an account directly to African people (Therkildsen, 2001; Akokpari, 2004; Dowden, 2011). Iyoha and Oyerinde (2010) cite the

case of Gambia where records were deliberately made chaotic to make it difficult to follow audit trail as evidence of failure of accountability and lack of transparency in Africa. Namibia's Prime Minister refused to join the APRM claiming that his country does not have a problem with governance (Akokpari, 2004). These examples begin to illustrate the challenge of a lack of accountability in Africa.

Failings in governance and accountability affect people adversely. The problem manifests, for instance, in the form of poverty (United Nations, 1998); loss of jobs; loss of investments; inability to recover debts; and loss of revenues to the government (Uddin and Hopper, 2003; Wanyama, 2006).

This study is concerned to give due attention to governance and accountability issues in parastatals in Nigeria (Africa), where the environment and culture are different from developed countries. It will contribute to the literature and understanding of governance and accountability in parastatals, a very under researched area.

### **1.3 Research aims and objectives**

This study sets out to examine in detail the Ajaokuta Steel case and to relate this to governance and accountability issues of Nigerian parastatals. A key aim of the study is to identify the reasons for the apparent failure of ASCL: why has ASCL, which was established in 1979, not started producing steel despite being certified as 98% complete in the 1990s? If steel is seen as one of the foundations and base of economic, industrial and technological development of a country, it can be argued that the delay has stagnated Nigeria's technological development. An in-depth understanding will allow the articulation of governance and accountability issues and ways forward in relation to governance and accountability. Objectives of this study include:

- To identify reasons for ASCL’s apparent failings;
- To gain insights into how governance and accountability are executed in Nigerian parastatals;
- To identify the ways in which governance and accountability of parastatals can be enhanced in Nigeria and beyond; and
- To contribute to existing knowledge on governance and accountability of parastatals.

#### **1.4 Research questions**

In Africa, the citizens claim ownership right to government and whatever it has. For example, in Sierra Leone, the government and parastatals are understood by the people as “our own”; in Ghana, the slogan is “Public service - it’s yours; private service - it’s theirs”; and in Nigeria the slogan used is “Nigeria is not for sale” in opposition to privatisation (Etukudo, 1997 p.1). According to Ugorji (1995) these slogans translate in practice to a situation where most of the parastatals rely on government subsidies without making profits, are badly managed and are bedevilled with corruption and nepotism<sup>4</sup> (Ugorji, 1995). And, for Etukudo (1997, p.4), parastatals are being used by small and privileged politicians and civil servants as “conduits for official patronage”<sup>5</sup>. Arguably since the political authority, economic power and wealth of Africa are in the hands of few people and services are in a poor state, there is suspicion and dissatisfaction with the performances of parastatals, hence the call for good governance and accountability (see Ariyo and Jerome, 1999; Gatamah, nd; NEPAD website).

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<sup>4</sup> Corruption, nepotism and patronage are the characteristics of neopatrimonialism which is “a system of governance where the formal rational-legal state apparatus co-exists and is supplanted by an informal patrimonial system of governance” (Nawaz, 2008 p.2).

<sup>5</sup> Patronage is politically motivated distribution of favours to groups as distinct from individuals and is “mainly ethnic or sub-ethnic groups” (Erdmann and Engel, 2007 p.107).

Research questions are crucial to help define the scope, goal and the focus of a study (Omar, 2005). In order to direct the enquiry and provide scope for achieving the objectives of this research, the following research questions represent the key issues being explored here, stemming from the above problematic:

- Why has ASCL experienced serious delays in steel production over the period from 1979 to date in relation to practices of governance and accountability?
- How are governance and accountability executed in Nigerian parastatals?
- How can governance and accountability of parastatals be enhanced in Nigeria?

### **1.5 Scope of the study**

The main objective of this study is to explore the issues, including governance and accountability issues, behind the protracted delay in the take-off of operations at ASCL since its establishment in 1979. By examining governance and accountability issues of this specific parastatal in Nigeria, it is envisaged that governance and accountability issues in other countries especially from Africa will be put into perspective given contextual similarities. An interpretive and contextual theory, with a critical orientation, drawing upon the theory of neopatrimonialism, will be used to explore ASCL's and other parastatals' governance and accountability issues and proffer ways forward. This thesis adopts, then, interpretivism with a critical orientation (see Laughlin, 1995) to explore ASCL's governance and accountability issues in particular and for those of developing country public sector establishments more generally.

Data or empirical materials for this study derive mainly from questionnaires, case study interviews, and interviews with parastatal stakeholders. The stakeholders interviewed were lawyers, civil servants, medical doctors, politicians, academics, management staff of ASCL, labour unions and community leaders. Those who could not be interviewed were



given questionnaires to complete. The objective of using many data gathering methods is to achieve triangulation, as will be discussed.

### **1.6 Gaps and contributions to knowledge**

The contributions made by this thesis to address the gaps in the literature on governance and accountability include the following. In the first place many researchers in Africa (Ariyo and Jerome, 1999; Yakasai, 2001; Ahunwa, 2002; Okike, 2007; Pamacheche and Koma, 2007; Inyang, 2009; Josiah et al., 2010; Wanyama et al., 2013) concentrate on corporate governance in the private sector, privatisation of parastatals, and often combine private and public sector governance issues in one study. There are not enough published materials on governance and accountability of parastatals in Nigeria - Africa (Rossouw, 2005; Inyang, 2009; Wanyama et al., 2009), perhaps as a result of the notion that corporate governance is a private sector phenomenon (IFAC, 2001; ECSAFA, 2004; Sarbah and Wen, 2014; Simpson, 2014). This thesis helps to fill this gap of researching into the public sector governance and accountability.

Secondly, most literatures on corporate governance of parastatals in Africa (Urgoji, 1995; Etukudo, 1997; Mwaura, 2007) dwell on corruption, inefficiency, and lack of profit as the main reasons for public sector failings to which the blunt recommendation of privatisation of parastatals is proffered, overlooking advantages of parastatals in society (see Uddin and Hopper, 2003). An alternative approach is to examine more in-depth the factors explaining public organization failings and to proffer alternative ways forward instead of simply calling for an outright privatisation of parastatals - privatisation might be seen as a last resort. This thesis especially emphasizes, for instance, the need for appropriate and meritocratic appointments: it argues that if people of integrity, faithfulness and honest report, with a track record of good performance elsewhere are put in governance positions

in parastatals, there will be no need for privatisation. Both private and public sectors in this respect have a similar problem – corruption – as has been argued (see Ugorji, 1995; Klitgaard, 1997; Anwar and Sam, 2006; Wanyama et al., 2009).

Thirdly, one of the reasons why governance and accountability in parastatals in Africa is under-researched is because of the difficulty of having access into parastatals, which tend not to be very open to researchers about their affairs (see Etukudo, 1997; Agbiboa, 2012). In this study, access to ASCL was gained through the labour union, a personal friend in ASCL and by means of a letter from one of the thesis supervisors to the CEO to support investigation of ASCL. The empirical chapters in this study provide enhanced knowledge and understanding of governance and accountability in parastatal organisations in Nigeria and beyond.

Fourthly, accountability to the parliament in the public sector means accountability discharged and no gathering of stakeholders as in the private sector at Annual General Meeting (AGM) (Sendt, 2002; ESCAFA, 2004). This thesis fills the gaps in the literature in terms of addressing accountability between the parliament and the stakeholders of parastatals by calling for accountability to common stakeholders of a particular parastatal and/or publication in widely read national newspapers.

Worthy of note is the contribution through the theory with its emphasis on neopatrimonialism. The theory of neopatrimonialism presents a new insight into governance and accountability in Africa. The theory of neopatrimonialism is used to explain why there is economic underdevelopment and political problems in developing nations (Roth, 1968). It is a theory that theorizes the leader using personal discretion to administer rather than constitutional rules and regulations; the subjects have respect for a leader rather than the office the person is occupying; and leaders occupy office to acquire

wealth and to increase their affluence (Bratton and Van de Walle, 1994). The two most noticeable characteristics of neopatrimonialism are ethnicism and corruption. Ethnicism renders people loyal to their ethnic group rather than to their country (Salawu and Hassan, 2011). Office holders see parastatals as “our own”, and use such positions to satisfy their personal goals and still be welcomed by their people as heroes (Etukudo, 1997; Ikpe, 2000; Guest, 2004; Agbiboa, 2012). Corruption for Klitgaard (1997 p.500) is “the misuse of office for unofficial ends” and is more likely to exist both in the public and private sectors anywhere in the world if there is more monopolistic control over the production of goods and services; where the incumbent decides whether or not you get a particular good or service; and where there is no obligation to give account. Parastatal organisations are accused by some of not making profits while depending on government for subsidies; they are inefficient, nepotistic, and do not respond to changes (see Ugorji, 1995; Pamacheche and Koma, 2007). The insights gained in the analysis here demonstrate how the theory of neopatrimonialism can be used to see how governance and accountability work in parastatals in Africa (for detail see chapter 4).

### **1.7 Motivation and importance of the study**

The idea of researching this topic comes from the high publicity given to the struggles of ASCL in Nigeria. Nigerian daily newspapers often carried various captions such as: “Ajaokuta: When a challenge defies a nation” (Ezeobi, 2008); “Nigeria: Why Ajaokuta Steel must be completed” (Inabo, 2010); “Nigeria gets business plan to restart Ajaokuta Steel” (Steel Guru, 2010); “Fed Govt to re-open Ajaokuta Steel Plant” (Ofikhenua, 2010); “Mega Fraud at Ajaokuta” (Melah, 2007); “Termination of Ajaokuta Steel concession agreement is a big setback” (Okoroanyanwu, 2008); “Massive Looting of equipment and property of Ajaokuta Steel Company Limited and National Iron Ore Mining Company,

Itakpe” (House of Representatives, 2009 Sec.7); “World Bank cautions Nigeria on outmoded Steel mill” (Botha, 2002); “Ajaokuta: The story of a deadly conspiracy” (Samuel, 2003); “Don’t sack Ajaokuta Steel Company workers – FG cautioned” (Subair, 2009); “We can fix Ajaokuta Steel, NIOMCO with N650m” (Ofikhenua, 2010); “Ajaokuta, the 31-yr jinxed company” (Alao, 2010); “How to keep Ajaokuta plant running – Varsity lecturers” (Sun News Publishing, 2009). Academic articles about governance and accountability against the context of the above headlines provide a basis for exploring the apparent neglect of ASCL in this thesis.

The topic is worthy of studying because of the colossal amount spent by the Nigerian government on the project since its inception. Although substantial installations have been put in place, most of the machines installed are lying idle and the project is not yet operational. There is the question of what Nigerians stand to gain if the project is completed. Sanusi Mohammed, the secretary general of the African Iron and Steel Association (AISA), argues that iron and steel developments are the bedrock of industrialisation and engender other industrial activities (Ayorinde, 2012). He further states that the completion of the first phase of 1.3 million tonnes of ASCL will lead to the employment of up to 10,000 professionals apart from unskilled workers, petty traders and other ancillary professional services. Other benefits of completing ASCL are technological acquisition, employment in the downstream and upstream of the steel sector, national security and pride and markets for the by-products (Chukwu, 2013). Using neopatrimonialism, in an interpretive, contextual and in-depth theory, provides a search light unveiling the governance and accountability issues behind ASCL’s situation. This thesis attempts to proffer solutions to the moribund steel industry in the most populous black country of Africa. The lessons learnt will be useful in understanding the

governance and accountability complexities of large public sector projects in developing countries and make a general contribution to the governance and accountability discourse.

Moreover, this work will assist researchers in Nigeria and Africa in general by (i) filling the gaps in literature about governance and accountability of parastatals; (ii) guide decision-makers in their decision-making; (iii) help in the socio-economic development of African countries; attract foreign investors to Africa; (iv) help African policy makers to make the right decision about parastatals and the ASCL; (v) help in managing parastatals' resources transparently; (vi) promote accountability of parastatals to their stakeholders; and (vii) good governance will ignite productivity/efficiency and competition in parastatals through good governance including accountability.

### **1.8 Structure of the thesis**

The thesis is structured into nine chapters. Chapter one (this introduction) outlines the context to and the key question of the study and justifies this research.

Chapter two involves a Nigerian contextual analysis. This chapter covers the Nigerian political, social and economic environments; the Nigerian National Development Plans; and Nigeria's roles in Africa.

Chapter three reviews prior studies undertaken in the broad area of the thesis. Problems of governance and accountability in parastatals in Nigeria are covered and privatisation of parastatals.

Chapter four discusses the theoretical framework that is used to interpret the findings. An interpretive and contextual theory with a critical orientation is adopted. This gives emphasis to neopatrimonialism.

Chapter five goes on to elaborate the methodology that is linked to the theoretical framing. The philosophical assumptions upon which this study stands are analysed. Elucidating the ontological and epistemological assumptions of social science in four paradigms - radical humanist, radical structuralist, functionalist and interpretivist (Burrell and Morgan, 1979), this study clarifies its positioning in the interpretive paradigm. The study employs semi-structured interviews, survey questionnaire, case study, document analysis and observation, influenced by this paradigmatic positioning. Support is given here to triangulation and the use of some quantitative analysis to add to the substantively qualitative approach.

Chapter six is a key empirical chapter. It details the results of the first and second interviews held with stakeholders from December 2010 to March 2011 and December 2011 to February 2012 respectively. 13 stakeholders were interviewed in the first phase of interviews while 10 others were interviewed in the second phase of interviews. The stakeholders interviewed were journalists, civil servants, academics, human rights activists, doctors, labour unions, Ajaokuta community and politicians. The chapter summarises the results of the two phases of interviews. The interviews were conducted in two phases because of the sensitive nature of ASCL and also to have an in-depth investigation of the case study.

Chapter seven, substantively developing the case study, documents the results of the interviews held with the management staff of ASCL at two different times. The first round of management interviews was conducted with three management staff between December 2010 and March 2011. The second interview was held with seven management staff between December 2011 and February 2012. The chapter shows the results of empirical study from the two phases of interviews and questionnaires administered in

Nigeria from December 2011 to February 2012. Mean, group means, and non-parametric statistics – Kruskal-Wallis and Mann-Whitney tests - were used to determine the level of significance of each group of stakeholders. The interviews from the case and questionnaire survey were combined in chapter seven because most of the respondents who responded to the questionnaires were staff of ASCL and its environment.

Chapter eight discusses the findings from the interviews, case study and the questionnaires, relating them back to the literature, and to the interpretive theory with its emphasis on neopatrimonialism.

Chapter nine answers the research questions set out in chapter one and summarises the results from the case interviews, interviews with the stakeholders and survey questionnaire analysis. The chapter presents the suggestions by the stakeholders interviewed and policy implications, limitations and suggestions for future research.

**Chapter Two**  
**Nigeria: a contextual analysis**



## **Chapter Two**

### **Nigeria: a contextual analysis**

#### **2.0 Introduction**

This chapter elaborates, for the purpose of this study, the key dimensions of Nigeria's historical, social, political, legislative, judicial and economic environments. It seeks to bring to light the factors that can be cited vis-à-vis the governance and accountability issues shrouding Nigeria as a nation state and in this sense begins to indicate how to minimise them.

The chapter discusses in section 2.1 Nigeria: historical context and social background; section 2.2 explores the Nigerian political environment — executive branch; section 2.3 examines the Nigerian National Assembly — legislative branch; section 2.4 discusses the Nigerian Judicial System; section 2.5 provides the overview of the Nigerian economic environment; section 2.6 explores the importance of the iron and steel industry and its development in Nigeria; section 2.7 examines the Nigeria National Development Plans; section 2.8 provides the analysis of regional militias in Nigeria; section 2.9 analyses Nigeria's role in Africa and section 2.10 summarises and concludes the chapter.

#### **2.1 Nigeria: historical context and social background**

Nigeria took her name from the River Niger when a British lady, Flora Shaw, who was then a correspondent for the London Times newspaper, coined the word from 'Niger area' in her despatch of 8 January 1897 (Omolewa, 1986; APRM report No.8, 2009). Nigeria lies between latitudes 4° and 14° north and longitudes 2° and 15° east of the Greenwich meridian. It is located in West Africa; and bounded in the north by the Sahara Desert and in the south by the Gulf of Guinea, an arm of the Atlantic Ocean (Ikime, 1980; Library of

Congress, 2008; APRM report No.8, 2009). The Nigerian population was 140m in 2006, 152m in 2010, and estimated to be 177m in 2014 - occupying an area of about 923768 square kilometres, Nigeria is the most populous Black Country in Africa and is referred to as the giant of Africa because of her population, resources, socio-economic and political might in Africa (Ikime, 1980; Fagbadebo, 2007; Rustad, 2008; Library of Congress, 2008; Olorok, 2011; U.S. Department Report, 2011; Agbiboa, 2012; The World Factbook [nd]). Nigeria shares borders with Niger in the northwest, Chad in the northeast, Cameroon in the southeast and Benin Republic in the southwest (Rustad, 2008; see figure 2.1). Figure 2.1 below shows the map of Nigeria.

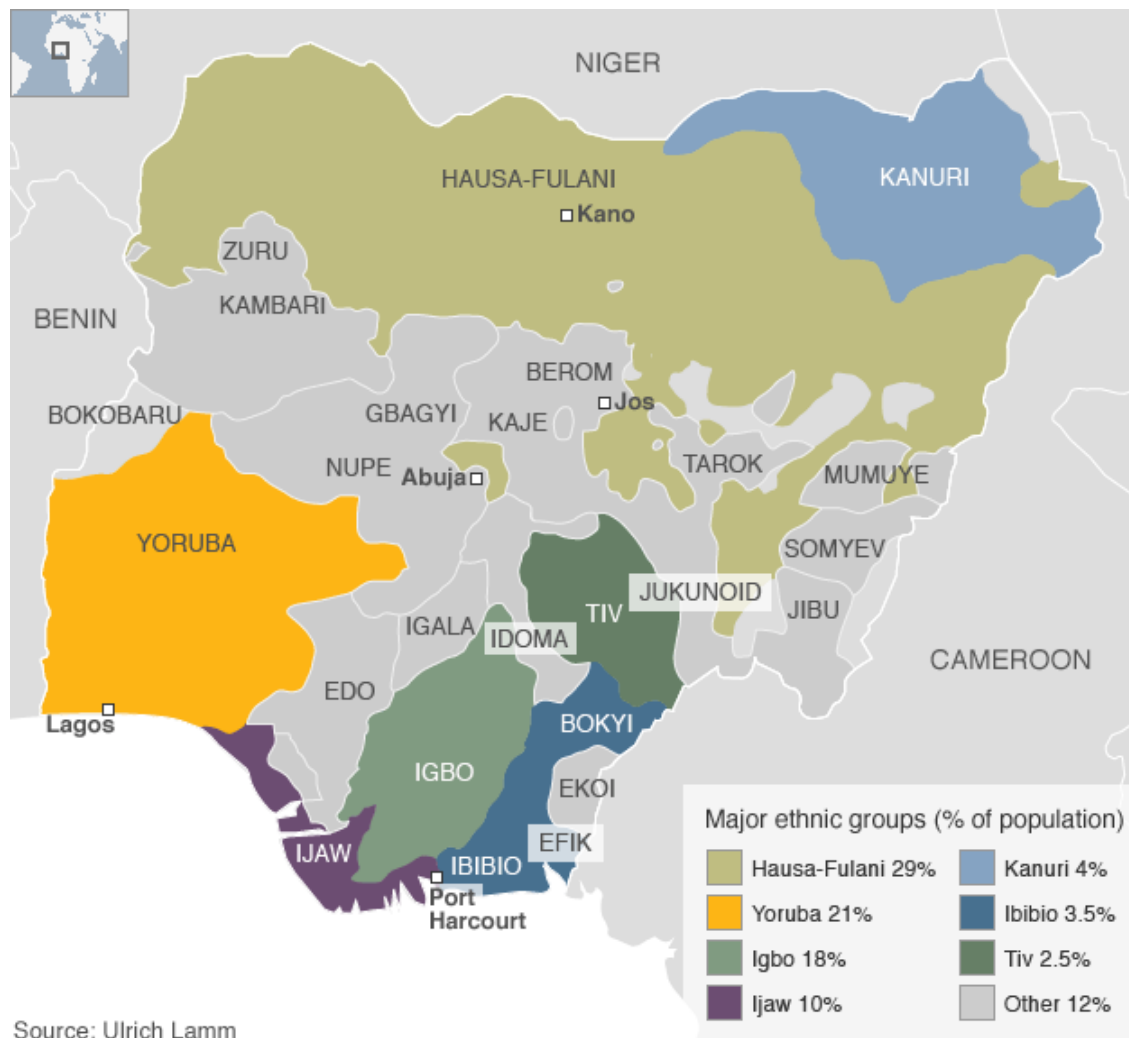
**Fig. 2.1 The Map of Nigeria**



Source: Infoplease.com website- accessed on 18/01/2013

Nigeria is one of the most ethnically and linguistically diverse countries in the world. For instance, she has 250 to 300 ethnic groups<sup>6</sup> with separate customs, traditions and languages (Jekayinfa, 2002; Kraxberger, 2004; Iyoha, 2008; Library of Congress, 2008; Rustad, 2008; Salawu and Hassan, 2011). The map below shows the diversity of Nigeria, including the location and relative sizes of some of Nigeria’s major ethnic groups.

**Fig. 2.2 The Map showing Nigeria’s diversity- accessed on 15/09/2014**



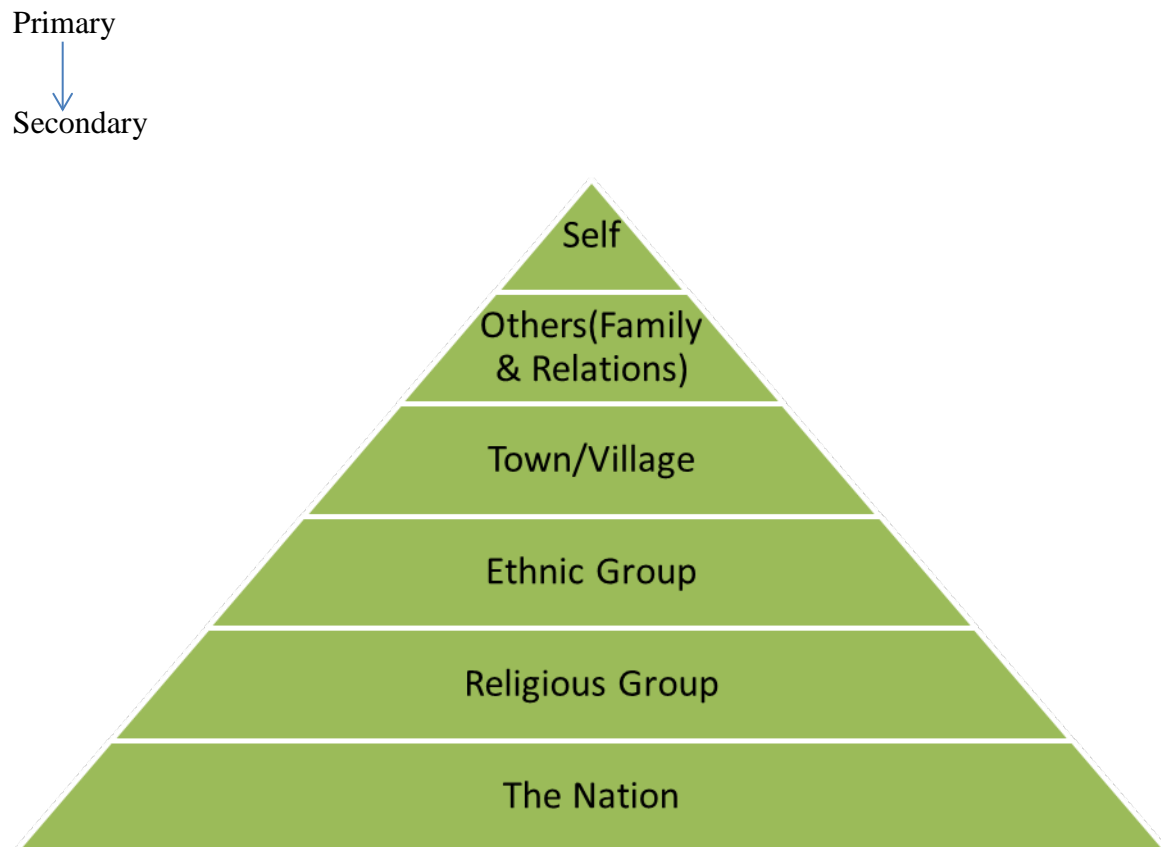
<sup>6</sup> There is no precise number of ethnic groups (Rustad, 2008).

English is the official language together with three major dominant languages which are Yoruba, Igbo and Hausa-Fulani (Iyoha, 2008).

Ethnic group according to Cohen (1974) (in Salawu and Hassan, 2011) is “an informal interest group whose members are distinct from the members of other ethnic groups within the larger society because they share kinship, religious and linguistics ties” (p. 28). Ethnicity is interaction among the ethnic groups and ethnicism is feeling of attachment to one’s ethnic group while ethnic nationalism is attaching more to one’s ethnic group than to one’s country (Salawu and Hassan, 2011). Nigeria is a multi-ethnic country with about 250 to 300 ethnic groups (Jekayinfa, 2002; Salawu and Hassan, 2011). This ethnic difference is manifested through the food they eat, dress they wear and their relationships with other ethnic groups (Salawu and Hassan, 2011). Ethnicism, according to Salawu and Hassan (2011), is so powerful that globalisation is yet to break through. It has been argued that the mistake Britain made in 1914 was the merging together of the northern and southern protectorates of Nigeria (Rustad, 2008; Salawu and Hassan, 2011). However, the amalgamation was done for administrative convenience and to reduce the cost of administration (Salawu and Hassan, 2011).

Ethnicism has led to selfishness and love for one’s ethnic group; diversion of public goods, infrastructure, and employment to one’s region or political base; and an ethnocentric leader returning home is given a heroic welcome even when such a leader had acted to the detriment of the country (Iyoha, 2008; Agbiboa, 2012). Guest (2004) observes that “Nigerians almost all say they disapprove of corruption, but they tend to forgive or even applaud the perpetrator if he is their own tribe” (p.21). Figure 2.3 below shows the levels of Nigerians’ loyalty to their country.

**Figure 2.3 The levels of loyalty and allegiance of a typical Nigerian**



**Source:** Aluko and Ajani (2009, p.498)

Figure 2.3 shows that Nigerians put self-interest first, personalising their stewardships over public goods and services. Their next levels of allegiance and loyalty are to their family, relations and friends; then to their villages where they were born and bred; to their ethnic group, religious group and lastly their Nation.

Nigerians practise three main religions. Christianity is majorly practised in the southern part of Nigeria; the Muslim religion is commonly practised in northern Nigeria; and traditional religion practises are prevalent across the country (Iyoha, 2008; Rustad, 2008). The first two religions, Christianity and Islam, were imported religions (Iyoha, 2008). Akinola (1988) notes that Nigeria is a country infested with “mistrust, inter-ethnic antagonism and bitter rivalries” (p. 442). It can be argued that Nigeria being multi-ethnic, with diverse religious groups, which are ethnically based, makes governance and

accountability difficult (Lewis, 2007; Iyoha, 2008; Salawu and Hassan, 2011). Corruption is organised along ethnic lines (Lewis, 2007).

According to Lewis (2007), Britain captured Lagos and gave it Crown colony status in 1862, took over the Niger Delta region in 1885 and the northern region in 1899 where the Royal Niger Company (RNC) was stationed. U.S. Department of State Report (2011) argues that Britain began to trade with Nigeria after the Napoleonic wars and established the RNC in 1886 in the north. APRM report No. 8 (2009) appeared to suggest that the establishment of RNC may be the reasons why Nigeria came under British government and control. Britain merged the southern and northern protectorates in 1914, thereby making Nigeria a corporate political entity under British Imperial domination (Rustad, 2008). The amalgamated Nigeria in 1914 gave birth to three regions in 1939 that were ethnically and economically distinct (Lewis, 2007). Nigeria's three major ethno-linguistic tribes are two-thirds of Nigerian people (Lewis, 2007). Britain governed Nigeria until 1 October 1960 when Nigeria was granted her independence and became a sovereign nation (Rustad, 2008). Nigeria, since independence has been under the military dictatorship and experienced "poor governance, lack of transparency and accountability" (APRM report No 8, 2009 p.41).

## **2.2 The Nigerian Political Environment — Executive Branch**

Section 135(2) of the 1999 Nigerian Constitution (as amended) provides that a President who is duly elected is expected to spend four years in office and the incumbent is qualified to contest for a second term in office. Thus in total, the President is qualified to occupy office for eight years and no more. The President is the Chief Executive of the Federal Republic of Nigeria (FRN) and the Commander-in-Chief of the Armed Forces of Nigeria (United Nations, 2004).

On 1 October 1960, the eightieth British Governor-General, Sir James Robertson, handed over power to Nnamdi Azikiwe as the Governor-General and Abubakar Tafawa Balewa as the Prime Minister (Esterhuysen et al., 2013). Both Abubakar and Azikiwe ruled until 15 January 1966 when a coup was staged by some Igbo army officers (from the southeast) who killed Abubakar Balewa (the Prime Minister), Ahmadu Bello (the Premier of Northern region), four senior army officers from the north, and Western Premier (Rustad, 2008; Ojeleye, 2010). The coup, it was felt, was carried out to make Igbo dominant in the political scene in Nigeria (Ojeleye, 2010). Ojeleye (2010) maintains that “regionalism, nepotism, thuggery and political brinkmanship were the order of the day” (p.xi) immediately after independence.

The coup on 15 January 1966 brought in General Johnson Aguiyi Ironsi from the southeast as the new Head of State (APRM report No.8, 2009; Ojeleye, 2010). Ironsi, according to APRM report No.8 (2009) and Ojeleye (2010), was accused by the northern leaders of not bringing to justice those who killed their leaders but went ahead to set up a commission of enquiry immediately the Igbos were being massacred in the north. This led the northern army officers to stage another coup killing General Aguiyi Ironsi on 29 July 1966 and installed Lieutenant-Colonel Yakubu Jack Gowon as the Head of State (APRM report (APRM report No. 8, 2009; Ojeleye, 2010). Gowon, according to APRM report No.8 (2009), abolished the regions and divided the country into 12 states in 1967 in a bid to give greater autonomy to the minority ethnic groups. The abolition of the regions by Gowon and unfettered killings of Igbos in the north irked Lieutenant-Colonel Odumegwu Ojukwu (the head of Eastern Region) and other Igbo elders who declared the southeast a sovereign state of Biafra on 30 May 1967 (Library of Congress, 2008; APRM report No.8, 2009).

The Nigerian civil war took place between 1967 and 1970 as a result of Ojukwu's declaration and caused the death of about one million Nigerians (APRM report No.8, 2009). The civil war was fought by Nigerian government to re-unite the country (Atofarati, 1992). The civil war in Nigeria brought hardship, famine, diseases, poverty, and death to Nigerians, especially to the Igbo people from the south east of Nigeria (Library of Congress, 2008).

Gowon's promise to return the country to civilian rule was broken in 1974 and he was accused of "delaying the promised return to civilian rule and becoming corrupt and ineffective" (US Department Report, 2011 p.3). Crime and deterioration of political atmosphere ensued, which led to a bloodless coup on 25 July 1975 organised by General Murtala Muhammed who promised to return the country to civil rule in 1979; Murtala stood firm by his decisions; restored confidence in government; reduced government expenditures; encouraged expansion of private sector; and initiated the plan to move the Nigerian capital to Abuja but was murdered on 13 February 1976 in a coup led by Colonel Buka Suka Dimka (Library of Congress, 2008). The coup which was unsuccessful but bloody ushered in General Olusegun Obasanjo, who was Murtala's deputy, as the new Head of State (APRM report No. 8, 2009). He ruled from 13 February 1976 to 30 September 1979 and in keeping with the promise of his boss, Murtala, handed over power to the elected civilian President, Alhaji Shehu Shagari on 1 October 1979 (Library of Congress, 2008). This established Nigeria's second republic (APRM report No 8 (2009)).

Another coup was staged on 31 December 1983 bringing in General Muhammadu Buhari as the Head of State. He accused the government of Shagari of corruption and mismanagement of resources amidst growing lack of confidence in civilian regime; and



fraudulent re-election of Shagari in 1983 election (Library of Congress, 2008). The Library of Congress (2008) argues further that the new government of Buhari promised to return the country to civil rule and trimmed the federal government budget; introduced the War Against Indiscipline (WAI) to deal with people's disorderliness including environmental cleanliness and queuing before service; and promised to stamp out corruption and encourage patriotism. General Buhari's highhandedness; draconian rules; controversy over the application to join the Organisation of the Islamic Conference (OIC); and rigidity resulted in another coup by General Ibrahim Babangida on 27 August 1985 (Library of Congress, 2008). Buhari was peacefully overthrown by Babangida with the promise to return to civil rule (APRM report No. 8, 2009). APRM report No. 8 (2009) discloses that General Babangida conducted elections on 12 June 1993 which were widely acclaimed by local and international observers to be free and fair and believed to be won by a wealthy Yoruba businessman, M.K.O. Abiola from the southwest, the result of which he annulled. The crisis which arose as a result of the annulment, according to APRM report No. 8 (2009), led to the death of hundreds of people. Eventually, Babangida stepped aside and appointed Chief Ernest Shonekan as the head of Interim National Government (ING) on 27 August 1993. Shonekan was not able to reverse the country's economic problems and increasing political tension and was forced to resign on 17 November 1993 by General Sani Abacha, who took over as the Head of State (APRM report No 8, 2009).

The ruthlessness with which General Sani Abacha ruled Nigeria led to widespread dissatisfaction. For instance, he hanged Ken Saro-wiwa (an environment activist and minority rights campaigner) and eight others on 8 November 1995, thereby leading to the suspension of Nigeria from the Commonwealth (Rustad, 2008). Abacha died suddenly on 8 June 1998. General Abdulsalami Abubakar became the new head of state and he

released all Abacha's political prisoners and handed over to the democratically elected government of Chief Olusegun Obasanjo on 29 May 1999. This marked the beginning of what was the Nigerian third republic (APRM report No 8, 2009).

General Olusegun Obasanjo who ruled the country as a military Head of State between 13 February 1976 to 30 September 1979 was returned as a civilian President and was faced with a:

Highly militarised political system, breakdown in the rule of law, erratic and distorted policies, public sector dominance in production and consumption, unbridled corruption and pervasive rent seeking, weak institutional capacity for economic policy management and coordination, unsustainability of public finance at all levels of government, large external and domestic debt (APRM No.8, 2009 p.47).

President Olusegun Obasanjo was highly praised for his institutional and governance reforms among which are: the Independent Corrupt Practices and other related offences Commission (ICPC)<sup>7</sup>, the Economic and Financial Crimes Commission (EFCC)<sup>8</sup>, the Due Process Office (DPO), Extractive Industries Transparency Initiative (EITI)<sup>9</sup>, and the Bureau of Public Enterprises (BPE) to deal with corruption and money laundering in order to ensure good governance, transparency and accountability in the country (Iyoha, 2008; APRM report No 8, 2009). APRM report No 8 (2009) noted that Obasanjo is also credited with for recovering about \$6 billion believed to have been stolen by the late former head of state, General Sani Abacha. He handed over power to a democratically elected president, Alhaji Umaru Musa Yar'Adua, on 29 May 2007 and this is the first time in the history of Nigeria that a civilian government handed over power to another civilian government (APRM report No. 8, 2009).

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<sup>7</sup> Established to promote good governance (Iyoha, 2008).

<sup>8</sup> Established to promote good governance (Iyoha, 2008).

<sup>9</sup> It is a means of promoting transparency in the oil and gas sector (Iyoha, 2008).

Dr Goodluck Ebele Jonathan, who was the Vice President, became the Acting President between 9 February 2010 to 5 May 2010, during the period when Yar'Adua was sick and became the substantive President from 6 May 2010 after the death of Yar'Adua (US Department Report, 2011). General election was conducted in April 2011 and Jonathan retained office as the country's incumbent President (US Department Report (2011)).

Table 2.1 below summarises the tenure of Nigerian leaders since independence in 1960

**Table 2.1 Leadership transitions in Nigeria from Independence**

<b>Date</b>	<b>Name of Leader</b>	<b>Mode of Authority</b>	<b>Number of years/months</b>	<b>Ethnic Origin</b>
1960 -1963	Nnamdi Azikiwe (Governor-General) / Sir Abubakar Tafawa Balewa (Prime Minister)	Election	3 years	South-East / North-East
1963 -1966	Tafawa Balewa (Prime Minister) / Nnamdi Azikiwe (Ceremonial President)	Election	2 years 4 months	North –East /South-East
Jan.1966 – July 1966	Johnson T. U Aguiyi-Ironsi	Coup-Military	6 months	South-East
1966-1975	Yakubu Jack Gowon	Coup-Military	9 years 1 month	North- Central
1975-1976	Ramat Murtala Muhammad	Coup-Military	7 months	North-West
1976-1979	Olusegun Obasanjo	Succession due to death of Murtala-Military	3 years 8 months	South-West
1979-1983	Shehu Usman Shagari	Election	4 years 3 months	North-West
1983-1985	Muhammadu Buhari	Coup-Military	1 year 8 months	North-West
1985-1993	Ibrahim Badamosi Babangida	Coup-Military	8 years	North-Central
1993-1993	Ernest Shonekan	Head ING	3 months	South-West
1993-1998	Sani Abacha	Coup-Military	4 years 7 months	North-West
1998-1999	Abdulsalami Abubakar	Succession due to death of Abacha-Military	1 year	North-Central
1999-2007	Olusegun Obasanjo	Election	8 years	South-West
2007-2010	Umaru Musa Yar'Adua	Election	2 years 8 months	North-West
2010-2011	Goodluck Ebele Jonathan	Acting President from 9 Feb. to 6 May 2010, then President-sickness and death of Yar'Adua	1 year 4 months	South-South
2011-2015	Goodluck Ebele Jonathan	Election	4 years	South-South
2015-to date	Muhammadu Buhari	Election	In Progress	North-West

Nigeria is divided into six geo-political zones comprising 36 states and 774 local government areas Abuja is the Federal Capital Territory (FCT) and consists of six area councils (United Nation, 2004). The administrative headquarters of Nigeria was formerly in Lagos, which is a commercial city but the seat of government was moved to Abuja on 12 December 1991 by the then military ruler General Ibrahim Babangida (APRM report No. 8, 2009).

### **2.3 The Nigerian National Assembly — Legislative Branch**

The National Assembly of Nigeria is a bicameral legislature comprising the Senate and the House of Representatives as the highest elective law-making body in Nigeria (United Nations, 2004). Section 48 of the 1999 Nigerian Constitution (as amended) provides that the Senate shall consist of three senators from each state and one from the Federal Capital Territory (FCT), Abuja. The total number of senators from the 36 states and Abuja is 109. Section 49 of the 1999 Constitution (as amended) provides that the House of Representatives shall consist of 360 members representing constituencies of nearly equal population as far as possible, provided that no constituency shall fall within more than one state. Towards this end, seats in the House of Representatives are allocated according to population.

Section 65 of the 1999 Constitution (as amended) provides that for a person to be a member of the National Assembly, he must: be a citizen of Nigeria; have attained the age of 35 years for Senate and 30 years for House of Representatives; be educated up to at least school certificate level or its equivalent; and be a member of a political party and sponsored by that party. However, section 66 of the 1999 Constitution (as amended) states that a person cannot be a member of the National Assembly if he/she is not a Nigerian; has acquired the citizenship to another country; adjudged lunatic; declared to be

unsound mind; sentenced to death or imprisonment; adjudged or declared bankrupt; and a member of secret society or a civil servant.

The National Assembly has the power to make laws for the good governance of Nigeria (sections 4, 58 and 59 of the 1999 Constitution [as amended]). The National Assembly exercises powers over public finance (sections 80 and 81 of the 1999 Constitution [as amended]). The National Assembly has the power to remove the President or the Vice President if he/she is accused of gross misconduct; has powers to debate on current issues; approves the appointment to positions made by the President; form committees to investigate persons or organisations and control exercise over personnel (Section 88{1, 2} of the 1999 Nigerian Constitution [as amended]); make laws on exclusive and concurrent lists; and amend the constitution (United Nations, 2004).

#### **2.4 The Nigerian Judicial System**

The Judiciary is the arm of government that interprets the law in line with constitutional provisions. For instance, the Judiciary administers and delivers justice, and adjudicates in disputes among individuals, between government, individuals and corporate bodies (United Nations, 2004). The sources of Nigerian Law are the Constitution, Legislation, English Law, Customary Law, Islamic Law and Judicial precedents (United Nations, 2004; Dina et al., 2005).

By virtue of section 6 of 1999 Nigerian Constitution (as amended), the Judicial powers of the Federal Republic of Nigeria (FRN) shall be vested in the Judicial courts which are: the Supreme Court of Nigeria; the Court of Appeal; the Federal High Court; the High Court of the Federal Capital Territory, Abuja; the High Court of the State; the Sharia Court of Appeal of the Federal Capital Territory, Abuja; the Sharia Court of Appeal of the State;

the Customary Court of Appeal of the FCT, Abuja and the Customary Court of Appeal of the States.

The Supreme Court, according to section 233 of the 1999 Nigerian Constitution (as amended), is the Court that shall have jurisdiction to the exclusion of any other court of Law in Nigeria to hear and determine appeals from the court of Appeal and Constitutional Courts. This means that the Supreme Court is the highest court in the land and its decisions are binding on all other courts both on Federal and State matters (United Nations, 2004). The composition of members of Supreme Court shall be the Chief Justice of Nigeria (CJN) and 21 other Justices (sections 230 and 231 of 1999 Constitution [as amended]). The appointment of the Justices is made by the President on the recommendation of the National Judicial Council (NJC) and confirmed by the Senate and its decisions are subsequently followed by the lower courts (United Nations, 2004).

Section 237 of the 1999 Nigerian Constitution (as amended) states that the Court of Appeal shall consist of the President of the Court of Appeal and 49 other Justices, of which not less than 3 must be learned in Islamic Personal Law and not less than 3 shall be learned in Customary Law as may be prescribed by an Act of the National Assembly. The appointment of these Justices shall be made by the President on the recommendation of NJC and must be confirmed by the Senate (Section 238). The Court of Appeal entertains appeals from other lower courts and appeals from the decisions of the Court of Appeal go to the Supreme Court (United Nations, 2004).

Section 249 of the 1999 Nigerian Constitution (as amended) establishes the Federal High Court which is composed of Chief Judge of the Federal High Court and a number of Judges as prescribed by the National Assembly. They are appointed, according to 1999 Nigerian Constitution, by the President on the advice of NJC and confirmed by the

Senate. The Federal High Court deals with civil matters and other such jurisdictions that can be conferred on it by the National Assembly (section 251 of the 1999 Constitution [as amended]) and it has also jurisdiction in respect of treason, treasonable felony and allied offences, criminal matters and determine whether the term of office or a seat of a member of the Senate or the House of Representatives has ceased or the seat has become vacant.

Other courts are the High Court of the FCT, Abuja. In accordance with section 257 of the 1999 Nigerian Constitution (as amended), the court has the jurisdiction to hear and determine both civil and criminal proceedings. The Sharia Court of Appeal of the FCT, Abuja exercises appellate and supervisory jurisdiction in civil proceedings involving questions of Islamic Personal Law (section 262).

At the State level, the highest court is the High Court which is headed by the Chief Judge of the State and such number of Judges of the High Court as may be prescribed by a law of the State House of Assembly (section 270 of the 1999 Nigerian Constitution [as amended]). The appointment of the State Chief Judge is made by the State governor on the recommendation of the NJC and confirmed by the State House of Assembly (section 271 of the 1999 Nigerian Constitution [as amended]). The High Court of a State hears and determines civil and criminal proceedings or any other liability in respect of an offence committed by any person (section 272 of the 1999 Nigerian Constitution [as amended]).

There is also Sharia Court of Appeal of the State in respect of the State that requires it. This Court deals with issues involving Islamic matters (section 277 of the 1999 Nigerian Constitution [as amended]).

Note that the High Courts are the most important courts in the States and the Sharia Court of Appeal or Customary Court of Appeal, according to the 1999 Nigerian constitution, is optional except in the Sharia States, which compulsorily adopt the Sharia legal system.

The inferior Courts are Magistrate Courts, District Courts, Area Courts, Sharia and Customary Courts. High Courts and other specialised Courts exercise supervisory jurisdiction over the inferior Courts (Dina et al., 2005). According to Dina et al. (2005), there are sometimes Judicial Commissions of Enquiry when there are crises and also Military Courts in the military to try their armed forces personnel. Good governance and accountability will be assured where the rule of law prevails in matters.

## **2.5 The Nigerian Economic Environment**

Nigeria's inability to manage her endowed resources effectively makes her citizens poor (Thomas and Canagarajah, 2002). Nigeria is blessed with enough mineral, human and agricultural resources. These mineral resources are oil and gas; coal; iron; tin; and limestone, together with agricultural products such as cocoa, tobacco, palm products, peanuts, cotton, rice, cassava, millet, yams, soya beans, rubber and livestock (Library of Congress, 2008; APRM Report No 8, 2009). These resources according to Iyoha (2008); Agbiboa (2012) are a national resource curse in disguise in that they have resulted in abject poverty, unemployment, low growth rates, poor infrastructure, insecurity and high crime rates in Nigeria.

Nigeria exports oil and ranks seventh in the world but her people are poor (Ali-Akpajiak and Pyke, 2003). Nigeria has abundant human, agricultural and mineral resources but out of her estimated population of 177m in 2014, about 100 million are living below £1 per day (DFID, 2011). According to Ali-Akpajiak and Pyke (2003), poverty is a disease affecting all races but there is a wide gap between the poor and the rich in Nigeria, which can be traced to corruption.

Oil and gas form the bulk of Nigeria's revenue because they contribute about 95% of export revenue and 78% of the general revenue to the government (APRM No. 8, 2009).



APRM No. 8 (2009) stated that they were discovered in the late 1950s, becoming the mainstay of Nigeria's economy in the 1970s. In 1971, Nigeria became a member of Organisation of Petroleum Exporting Countries (OPEC) (Kraxberger, 2004). In 2007, the GDP of the different sectors of the Nigerian economy were: Agriculture, 17.6%; Industry, 53.1% and Services, 29.3% (Library of Congress, 2008). The bulk of Nigeria's population earns a living from the Agricultural Sector (Thomas and Canagarajah, 2008).

The estimated Nigerian labour force was 50.1 million in 2007 and unemployment rate during the same period was estimated at 4.9% (Library of Congress, 2008). In 2005 Nigeria's debts, according to Library of Congress, stood at \$37.5 billion. Library of Congress states further that the Paris Club cancelled \$18 billion of bilateral debt while Nigeria paid back the remaining \$12.4 billion to the club. Similar arrangements were made with London Club group of creditors that led to the cancellation of \$2.15 billion of related debt and the remaining debt of \$4.95 is expected to be serviced (Library of Congress, 2008).

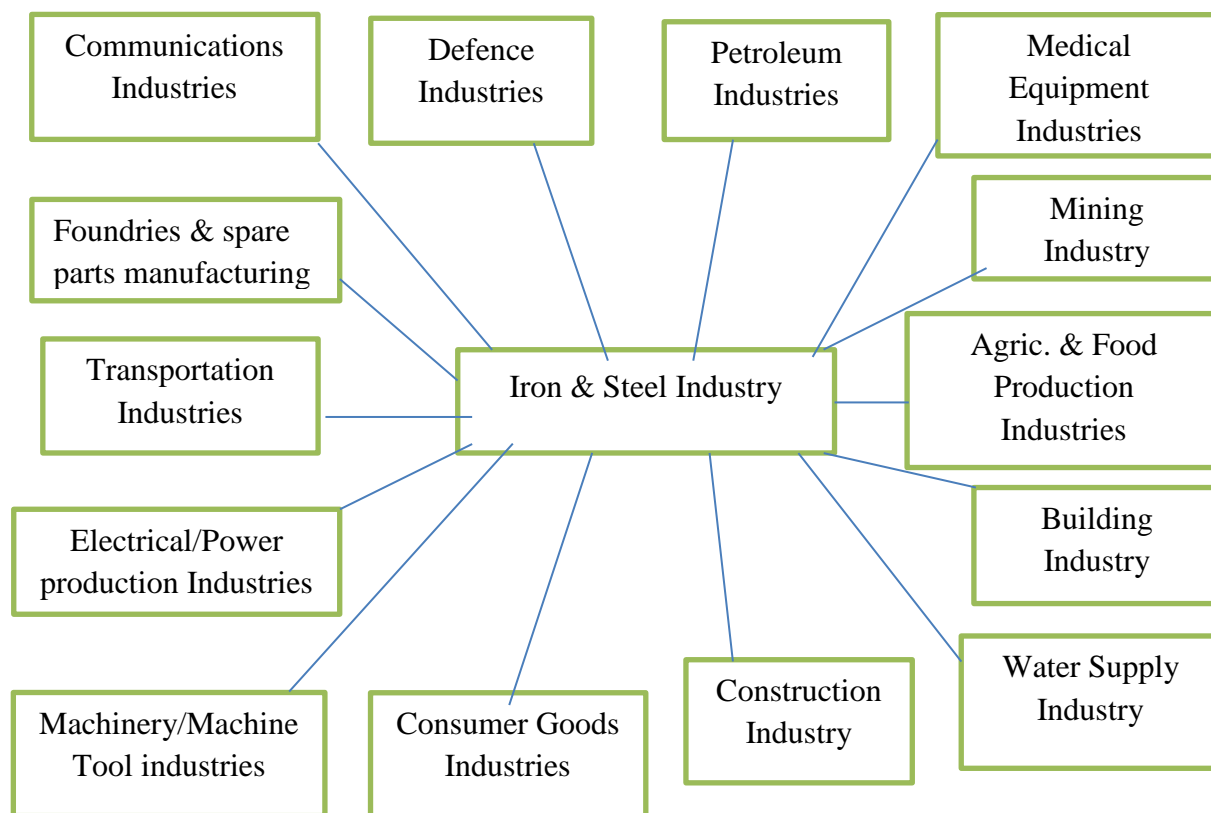
## **2.6 Importance of Iron and Steel Industry and its development in Nigeria**

The regional militias and ethnic groupings identified in section 2.8 are structured around the quest for greater resource control and derivation of benefits for each group. This is pronounced by the dependence of the Nigerian economy on natural resources, which are sited in specific regions of the country. While the most prominent is crude oil, in the context of this study, the role of iron and steel as a potential driver of economic growth is reviewed in the following discourse.

Technology is defined by NATE (2009) as a means whereby "human beings fashion tools and machines to increase their control and understanding of the material environment" (p.4). NATE (2009) further argues that industrialization is driven by technology which is

driven by steel. Steel is the melting of iron and carbon and other materials in furnaces and steel making is “the production of an extensive series of complex alloys of iron and carbon and other elements from raw materials usually contained in pig iron, and normally the addition of further alloying materials” (Agbu, 2007 p.35). For some the might and usefulness of steel in all spheres of life make it a basis of present-day civilisation; it also helps to accelerate economic and industrial development (Alli-Balogun, 1988; Oyeyinka and Adeloye, 1988; NATE, 2009). Steel, for Duru and Sunday (2006), is important to all sectors of the economy. In the construction industry steel is used in buildings and bridges. Consumer goods like cans, tins and household appliances use steel. Agriculture requires mechanised hoes, machetes, spades, and cutlasses made from steel. Defence needs military weapons and hardware which are steel products. Transportation requires steel for construction of rails, ships, tanker bodies, and automobiles. Textile and food processing equipment and stainless steel, oil pipelines, heat resistant and anti-corrosion materials used in the petroleum industry are steel products. See figure 2.4 below.

**Fig. 2.4 The roles of Iron and Steel in Development**



**Source:** Duru and Sunday (2006 p.56).

The first industrial revolution in Britain in 18<sup>th</sup> century; the second industrial revolution in Germany and USA 100 years later; the wide spread industrialisation in the Western Europe between 1750 and 1800; industrial capitalism in Northern America in the 1870s; industrialisation and infrastructure development in Russia between 1860 and 1900; the over-running of Europe by West Germany and innovations in computer and automobiles by Japan are traced to the power of Iron and Steel (Agbu, 2007; NATE, 2009).

Planning for Nigeria's Steel Industry began in 1958 (Mohammed, 2002b; Okafor, 2007). The first steel plant was established in Emene, Enugu State (1962) and two others through private initiatives followed in Lagos, 1968 and 1970 (Federal Republic of Nigeria, 2008). There were negotiations with western experts as to the possibility of establishing an

Integrated Steel Company but these failed. Nigeria was rather advised to concentrate on agriculture (Mohammed, 2002b; Agbu, 2007). Reasons given for this were: high cost of technology and accompanying infrastructural facilities; lack of skilled people to start a full-scale steel industry; lack of local market for steel products; prevailing diplomatic interests and international politics making it impossible for Nigeria to establish a steel company at this time (Agbu, 2007). Soviet experts were invited in 1967, conducted a feasibility study and signed a contract to establish Integrated Steel Company at Ajaokuta in 1970 (Agbu, 2007).

Mohammed (2002b) affirms that an extra ministerial agency known as Nigerian Steel Development Authority (NSDA) was established by the FGN by decree No. 19 of April 1971 to develop the steel sector on the recommendation of Soviet experts (Federal Republic of Nigeria, 2008). The mandate of the NSDA was to plan, construct and operate the steel plants; carry out geological surveys, study market, metallurgical research and undertake training of staff overseas (Mohammed, 2002b; Agbu, 2007). NSDA was dissolved by National Steel Council Decree No. 60 of 18 September 1979, and gave birth to ASCL; Delta Steel Company Limited, Ovwian- Aladja; Jos Steel Rolling Mill; Oshogbo Steel Rolling Mill; Katsina Steel Rolling Mill; National Iron Ore Mining Company (NIOMCO); National Steel Raw Materials Exploration Agency, Kaduna; National Metallurgical Development Center, Jos; and Metallurgical Training Institute, Onitsha (Miachi, 1998; Mohammed, 2002b; Agbu, 2007). The table below shows Nigerian steel companies with production capacities.

**Table 2.2 Steel Companies in Nigeria**

S/No	Type Of Mill	Plant Location	Rolling Capacity (tons of Long Products Per Year)	Products
i).	Integrated (Public) Mill	Ajaokuta Steel Co. Ltd., Ajaokuta	540,000	Bars, Rods, Light sections
ii).	Integrated (Public) Mill	Delta Steel Co. Ltd., Ovwian/Aladja	320,000	Bars; rods; sections
iii).	Rolling (Public) Mill	Jos Steel Rolling Company, Jos	210,000	Bars, rods
iv).	Rolling (Public) Mill	Katsina Steel Rolling Co., Katsina	210,000	Bars, rods
v).	Rolling (Public) Mill	Oshogbo Steel Rolling Co., Oshogbo	210,000	Bars, rods
vi).	Rolling (Private) Mill	Alliance Steel Co., Ibadan	20,000	Bars
vii).	Rolling (Private) Mill	Alliance Steel Co., Ibadan	20,000	Bars
viii).	Rolling (Private) Mill	Asiastic Manarin Ind., Ikeja	60,000	Bars, sections
ix).	Rolling (Private) Mill	Kwara Commercial, Metal and Chemical Industries, Ilorin	40,000	Bars
x).	Rolling (Private) Mill	Mayor Eng. Co., Ikorodu	220,000	Bars, sections
xi).	Rolling (Private) Mill	Metcombe Steel Co., Owerri	10,000	Bars, sections
xii).	Rolling (Private) Mill	Qua Steel Products, Eket	600,000	Bars, sections
xiii).	Rolling (Private) Mill	Selsametal, Otta	100,000	Bars
xiv).	Rolling (Private) Mill	Union Steel Co., Ilorin	20,000	Bars
xv).	Rolling (Private) Mill	Baoyao Futurelex, Abuja	20,000	Bars
xvi).	Mini-Mill (Private)	Federated Steel Industry, Otta	140,000	Bars, sections
xvii).	Mini-Mill (Private)	General Steel Mill, Asaba	50,000	Bars
xviii).	Mini-Mill (Private)	Universal Steel co., Ikeja	80,000	Bars, sections
xix).	Mini-Mill (Private)	Nigerian Spanish Eng. Co., Kano	100,000	Bars
xx).	Mini-Mill (Private)	Nigersteel Co., Enugu	40,000	Bars, sections
xxi).	Mini-Mill (Private)	Continental Iron and Steel Co., Ikeja	150,000	Bars, sections
xxii).	Mini-Mill (Private)	Kew Metal Industries, Ikorodu	20,000	Bars, sections
		Total	3,180,000	

**Source:** Mohammed (2002b, p.6) and Ohimain (2013, P.4). Public means Parastatal while private means private companies.

### 2.6.1 Delta Steel Company Limited (DSCL), Ovwian-Aladja.

DSCL was established in 1975 and supervised by NSDA until 1979 (Mohammed, 2002b).

It is a Midrex Direct Reduction integrated steel technology, built as a turnkey project, and

commissioned in 1982 to produce steel (billets) to be used by the rolling mills in Jos, Oshogbo, and Katsina (Mohammed, 2002b; Okafor, 2007; Federal Republic of Nigeria, 2008). It was meant to produce one million liquid steel per annum (Mohammed, 2002b). The turn-key, according to Mohammed was that the Austro-German Consortium of seven companies that gave the loan of \$750 million to Nigeria for the building of DSCL, will complete the project, commission it, and hand it over to the FGN for the continuation of the project. After the handover of the plant to FGN, the production capacity in 1985 did not exceed 25% of the maximum production capacity of 1,000,000 of steel per annum (Federal Republic of Nigeria, 2008). The company was shut down in 1996 due to many factors: lack of funds, insincere directives from the Ministry of Mines and Steel Development, over-costing of inputs and general attitude towards parastatals (Mohammed, 2002b; Federal Republic of Nigeria, 2008). DSCL and ASCL were concessioned to GIHL on 13 August 2004 (Mohammed, 2002b). Government inconsistent policies and the failure of DSCL to supply billets to the rolling mills in Oshogbo, Katsina and Jos made them to be privatised in 2004 by the FGN and these mills, are not working despite privatisation (Ohimain, 2013).

### **2.6.2 Private Steel Companies in Nigeria**

According to some, the private steel companies if given appropriate industrial environment will operate more efficiently than the public owned companies though their installed capacities are very low (Mohammed, 2002b). The private steel companies (mini and rolling mills) were established to supplement public owned steel industries (Mohammed, 2002b; Federal Republic of Nigeria, 2008). Ohimain (2013) argues that Nigerian steel industry is about to fold up as a result of the downfall of NIOMCO, ASCL and DSCL.

A new private rolling mill, Western Metal Products Company Limited (WEMPCO), Ibafo, Ogun State was commissioned by President Jonathan on 18 April 2013 (Oketola, 2013). Oketola notes that WEMPCO management claimed the capacity to produce 700,000 metric tonnes of flat steel per annum, will import billets and create 5,500 jobs. WEMPCO is expected to produce train bodies, agricultural equipment, coils, fan-blades, refrigerators and air-conditioners (Oketola, 2013).

## **2.7 Nigeria National Development Plans**

Plans are made for development and growth. For Falola (1996), economic growth without development results in negative growth, depression and decay. Falola (1996) argues further that development in Africa fails not because the ideas are wrong but because of problems of politics, governance, transparency and accountability. Development planning was introduced immediately after independence to quicken economic growth and development so to raise the standard of living of the citizens and to reduce dependence on foreign goods (Falola, 1996).

Planning, for Falola (1996), is a conscious effort by a state to achieve a number of development objectives at a future date. Marcellus (2009) argues that development planning “involves predetermining a nation’s visions, missions, policies and programmes in all facets of life such as social, human, political, environmental, technological factors etc and the means of achieving them” (p.198). Adeleye and Olayiwola (2005), Iyoha (2008) and Marcellus (2009) note that Nigeria has adopted and implemented four development plans since independence in 1960:

- First National Development Plan      1962-1968
- Second National Development Plan    1970-1974

- Third National Development Plan 1975-1980
- Fourth National Development Plan 1981-1985

The First National Development Plan (1962-1968) was a long-range plan to industrialise and ensure a quick physical and socio-economic revolution in Nigeria (Ibukun, 1988). This plan, for Ibukun (1988), failed as a result of the Nigeria Civil War of 1967 to 1970. The Second National Development Plan (1970-1974) was centred on reintegration, rehabilitation and reconstruction after the Civil War (Eneh, 2011). Eneh and Marcellus argue that the objectives of the Plan were to build: a free and democratic society; a just and egalitarian society; a united, strong and self-reliant economy; a great and dynamic economy and a land full of bright opportunities for all citizens. Ajaokuta Steel Company Limited (ASCL) was part of this plan (Okafor, 2007). The objectives of the Third National Development Plan (1975-1980), for Adeleye and Olayiwola (2005), were similar to the Second Plan and also included the need to reduce regional imbalances to strengthen national unity. The Fourth National Development Plan (1981-1985) put forward the need for the balanced development of the different sectors of the economy, different geographical areas of the country and development of rural infrastructure to enhance quality of rural life (Adeleye and Olayiwola, 2005). All these plans were good on paper but, for Iyoha (2008), the implementation became difficult due to corruption, ethnicism, unaccountable governance and lack of transparency. Okojie (2002) pointed out that at the end of the Fourth National Development Plan, “the economy did not have its own driving force and was therefore highly susceptible to external shocks” (p. 362). For Okafor (2007), all the plans failed.

The new democratic government in 1999 rolled out a further plan (1999-2003). For Marcellus (2009), the primary objective of this plan was to pursue “a strong, virile, and



broad based economy with adequate capacity to absorb externally generated shocks” (p.203). For Donli (2004), this new plan was to develop a private-sector driven competitive economy. Again, the plan appears not to have achieved much. Another plan in 2003 lasted for four years (2003-2007): the National Economic Empowerment and Development Strategy (NEEDS). All State governments and all Local Government Areas were to have similar Plans and the objectives were to raise living standards through macroeconomic stability, deregulation, privatisation, transparency, accountability, poverty eradication and promotion of prosperity (Library of Congress, 2008; Marcellus, 2009). Other aims of the plan, for Marcellus, were to inculcate into Nigerians core values such as respect for elders, honesty, accountability, industry, discipline, cooperation, self-confidence and moral courage. The four general objectives of NEEDS are wealth creation, employment generation, poverty reduction and value re-orientation (Marcellus, 2009). There was little visible achievement of the plan.

Another plan is the Millennium Development Goals (MDGs) in which Nigeria joined the rest of the world in 2000 to achieve eight targets by 2015. These targets are: to eradicate extreme poverty and hunger; to achieve Universal Basic Education (UBE); to promote gender equality; to reduce child mortality; to improve maternal health; to combat AIDS, malaria and other diseases; to ensure environmental sustainability and develop a global partnership for development (Igbuzor, 2006).

The most recent plan, Vision 20:2020, with implementation on-going, sees Nigeria as one of the world’s top 20 economies by 2020 (Eneh, 2011). To succeed, it has been argued that Nigeria must ensure good governance, transparency, accountability, as well as reduce poverty to the barest minimum, eradicate corruption and develop her steel industry (Eneh, 2011).

## **2.8 Regional militias in Nigeria**

For Obianyo (2007), ethnic militias formed along ethnic divides for a number of reasons:

### **2.8.1 Oodua People's Congress (OPC)**

OPC has its origin in the south-west, comprising: Oyo, Ife, Ijesha, Ekiti, Ijebu, Ketu and Ondo (Rustad, 2008). OPC started when Chief Moshood Abiola, a Yoruba businessman, won the 1993 Presidential election but was denied the position by the military. Thus OPC is seeking political and economic integration or autonomy for their region (Rustad, 2008).

### **2.8.2 Niger Delta Groups**

The Niger Delta (south-south) area comprises Akwa-Ibom, Bayelsa, Cross-Rivers, Delta, Edo, and Rivers states (Rustad, 2008). The Movement for the Survival of Ogoni People (MOSOP), the Ijaw National Council (INC), the Movement for the Survival of Ijaw Ethnic Nationality (MOSIEN), the Egbesu Youths (EY) and the Movement for the Emancipation of the Niger Delta (MEND) all have south-south origin (Obianyo, 2007). These groups, for Obianyo (2007), want the resources in their area to be controlled by them or to have greater control of the revenue. The main reason for MEND's emergence is the "neglect of the people in the Niger Delta region, environmental degradation and corruption" (Rustad, 2008, p.24).

### **2.8.3 The Movement for Actualization of the Sovereign State of Biafra (MASSOB)**

This represents the Igbos of the south-east, comprising Anambra, Enugu, Abia, Imo and Ebonyi states (Rustad, 2008). They want to pull out of Nigeria because in their view they have been denied access to the socio-economic and political aspect of Nigerian life (Rustad, 2008). This group, for Rustad (2008), speaks of marginalisation and

discrimination especially in the spirit of the civil war fought in their secession attempt between 1967 and 1970.

#### **2.8.4 The Arewa People's Congress (APC)**

The Northern part of Nigeria comprises the Hausa, Fulani, Kanuri and Nupe ethnic groups (Rustad, 2008). The Arewa People's Congress (APC) was formed in the north to deal with issues concerning Sharia, rotational presidency and any threat from other ethnic based militias (Agbu, 2004; Rustad, 2008). They are not violent because they have been in control of political power for the greater part of Nigerian life (Agbu, 2004).

#### **2.8.5 The Boko Haram (BH)**

BH is a north-eastern based militia group. It started in December 2003; openly challenged the Nigerian state; and turned violent when its leader, late Mohammed Yusuf, returned from Saudi Arabia in 2009 (Mohammed, 2014). Its main message is the "rejection of secularism, democracy, western education, and westernisation" and subjects such as "geography, geology and sociology are forbidden" (Mohammed, 2014 pp.14, 17). Mohammed (2014) further states that the group's leader, late Mohammed Yusuf, described as idolatry any form of legislative, executive, judicial functions emanating from the secular constitution other than Islamic Sharia Law. Mohammed (2014) holds the group believes any person obeying Nigeria's constitution is an unbeliever: hence the quest to make Nigeria an Islamic state. The activities of Boko Haram include targeted assassinations; suicide bombings including of churches and government formations; and hostage taking (Mohammed, 2014).

## **2.9 Nigeria's role in Africa**

Nigeria ostensibly has good relationships with other countries in Africa and beyond, which is good for growth and development: without peace, local and foreign investors are reluctant to invest (APRM No. 8, 2009). Since independence, Nigeria has been in the forefront of struggles to liberate other African countries from colonialism, apartheid and other internal political crises. E.g., Nigeria contributed logistics to liberation and independence movements of Namibia and Mozambique and to the struggle against apartheid in South Africa (APRM No. 8, 2009). APRM No. 8 (2009) notes Nigeria was involved in suppressing conflicts via peaceful mediation and conciliation measures in internal crises in Liberia, Darfur, Rwanda, Sierra Leone, Somalia, Sudan, Angola, Congo (DRC), Gambia, Cote d'Ivoire, Tanzania, Mali and Zimbabwe. APRM No. 8 (2009) stated further that Nigeria could achieve this via her membership and participation in various regional and continental organisations such as the Economic Community of West African States (ECOWAS), Monrovia Group of African States, African Union (AU), Economic Commission for Africa (ECA), United Nations (UN), African Development Bank (ADB), New Partnership for Africa's Development (NEPAD) and African Peer Review Mechanism (APRM). Apart from curtailing African crises, Nigeria established a Technical Aid Corps (TAC) to transfer technical assistance to other African countries and a trust fund at the African Development Bank (ADB) to lend to less developed African countries (APRM No. 8, 2009). Generally, Nigeria has spent a lot of money, material, men to promote development, peace, and security in Africa (APRM No. 8, 2009).

## **2.10 Summary and conclusion**

Nigeria obtained independence from Britain in 1960. Shortly after, the military took over Nigeria, ruling for 29 years before handing over power to a democratically elected

government in 1999. Nigeria is blessed with agricultural products and abundant human and mineral resources. On the face of it, she has a good relationship with her neighbouring countries and beyond. She has a bicameral legislature responsible for making laws for good governance and judiciary ostensibly interpreting laws for a peaceful environment for business to thrive but many have suggested that ethnicism, corruption, military incursions in politics, and ethnic militias have stunted the deliverance of good governance and accountability.

The preceding analysis of the Nigerian context provides an appreciation of the environmental and cultural differences from the developed world. This helps highlight that approaches of governance and accountability in developed countries may not be easily adopted and used for Nigeria or other African countries. The specific challenges arising for parastatals or State Owned Enterprises (SOEs) and the theoretical implications are to be explored

## **Chapter Three**

### **Governance and Accountability Issues in Parastatals: Review of prior studies**

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#### **3.0 Introduction**

Parastatals are important organizations. Improving their governance and accountability for the public interest potentially contributes much to well-being. Here, studies of governance and accountability issues in parastatals are reviewed. The focus is issues arising in Africa as brought out in prior studies, and an overview of antidotes to issues that have been suggested in prior studies and/or implemented in practice is provided. The review is structured as follows: Section 3.1 examines the difference between private and public sectors. Section 3.2 explores the definition of governance. Section 3.3 looks at the importance of good governance. Section 3.4 lists the principles of governance in the public sector. Section 3.5 examines governance issues around the World. Section 3.6 explores governance issues arising in Africa. Section 3.7 describes governance issues in selected African countries. Section 3.8 deals with parastatal organisations. Section 3.9 describes the parastatal organisation's stakeholders. Section 3.10 analyses the problems of African parastatals. Section 3.11 explores corruption. Section 3.12 gives accountability definition. Section 3.13 explores weaknesses in African accountability. Section 3.14 gives some antidotes to governance and accountability issues in Africa. Section 3.15 examines privatisation. Section 3.16 governance and accountability in the Nigerian context. Section 3.17 summarises and concludes the chapter.

### **3.1 Governance issues in Mainstream Theory: Private and Public sectors cross referred**

In appreciating parastatals' governance issues, prior studies have drawn from an understanding of similarities and differences between public and private sectors. To appreciate private sector governance, it is useful to trace historical development. Ownership and control of many business units had historically rested with the entrepreneur, who provided capital, took decisions, owned profits and bore the risk of liabilities and losses: it was thus beneficial for several entrepreneurs to pool resources by bringing in capital, sharing decision-making and specialisation, engendering greater efficiency and sharing loss liability, if liability initially was unlimited (Davies, 1991).

Deficiencies of sole proprietorships and partnerships led to the generalized joint stock company with separate legal personality and legal rights and duties. Eventually owner liability was limited to the amount they agreed to invest and no more (Davies, 1991). In the larger limited liability company, ownership is distinct from control due to the large numbers of owners (Davies, 1991). Due to dispersion of owners and lack of information about the company they own, control is with management who have most corporate knowledge (Berle and Means, 1932). The industrial revolution's factory system led to resources of many being controlled by one management (Berle and Means, 1932): owners (shareholders) are the principals who entrust corporate resources and decisions to agents (managers) (Solomon, 2010). Agents may act in their own interests rather than those of the principal (Boatright, 1999; Ahunwa, 2002; Anwar and Sam 2006).<sup>10</sup>

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<sup>10</sup>Divergence of interest may be such that the principal seeks wealth maximisation while the agent seeks the highest bonus possible (Eisenhardt, 1989; Solomon, 2010). Adam Smith in *The Wealth of Nations* (1776) (cited in Adams and Mengistu, 2008) wrote that people may be reckless with what does not belong to them. For Nyamu (1975), people are by nature selfish, following their own interest to the neglect of others.



Separation of ownership from control may better allow professionals with business acumen to run companies, engendering good decisions for shareholder and ostensibly social benefit (Needle, 2004). However, information asymmetries make it difficult and expensive to know agent activity (Ahunwan, 2002; Solomon, 2010). Separation of ownership from control can lead to conflicts between majority and minority shareholders (Uddin and Hopper, 2001; Solomon, 2010): in an insider-dominated or relationship-based system, the company is owned and controlled by a shareholder sub-group. Here, major shareholders may disclose little financial and operational corporate information and misuse funds raised by the entire shareholders, ignoring rights and interests of minority shareholders (Solomon, 2010).<sup>11</sup>

In the realm of practice, post-independence, inefficiency, insufficient private corporate funds, and public interest arguments led many governments to nationalise corporations (Ugorji, 1995; Griffiths & Wall, 1997; Anwar and Sam, 2006). For Omoleke (2010), parastatals<sup>12</sup> were established to quicken economic and industrial development as private companies could not afford the capital needed to establish such projects. Parastatals' presence became noticeable in the developed world after the First World War after they were set up to manage war consequences, mainly the economic aspect (Griffiths & Wall, 1997; Oruku, 2006). Nationalization was more prominent after the Second World War and the success of the Soviet revolution (Oruku, 2006). Then, rail, iron and steel industries and the Post Office required large scale investment and repair: nationalization

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<sup>11</sup> Scandals, financial crises and failures of famous organisations in the developed world have raised questions about governance systems, with growing distrust of corporate management. Solutions are seen in governance systems with rules and regulations capable of controlling management (Boddy and Paton, 2011).

<sup>12</sup>In parastatals, ownership rests with taxpayers, donors, lenders, and other resource providers while control is with the management and government-appointed board (International Public Sector Accounting Pronouncements, 2013).

rather than tax reliefs and grants was seen as the way to reorganize these ailing industries in the public interest (Griffiths & Wall, 1997).

Private companies guided by the profit motive were seen as not wanting to invest in loss-making business and government had to prevent liquidation and collapse (with associated effects on employment and the general populace) of key businesses, especially those considered essential (Griffiths & Wall, 1997). Similar efforts were made by Britain in all countries she colonised. E.g., during the colonial period the Nigerian Railway Corporation (NRC), Commodity Marketing Boards (CMB), Nigerian Postal Service (NPS), Nigerian Ports Authority (NPA), National Electric Power Authority (NEPA), and Nigerian Broadcasting Service (NBS) were established as the core economic and social infrastructural capital that private companies could not provide (Ugorji, 1995). In Kenya, Industrial and Commercial Development Corporation (ICDC), Development Finance Corporation of Kenya (DFCK), Industrial Development Bank (IDB), Kenya Industrial Estate Programme (KIEP) and the Rural Industrial Development Centres (RIDC) were created by the government to implement indigenization policies and “fill the existing entrepreneurship gap” (Etukudo, 1997 p.2). In Tanzania, parastatals were to act as “antidote to capitalist exploitation” (Etukudo, 1997 p.3). In Ghana they were to “promote economic growth” (Etukudo, 1997 p.3). In Nigeria, parastatals were to “ensure that the economic destiny of Nigeria is determined by Nigerians themselves” (Etukudo, 1997 p.4). That is why the Nigerian Head of State, General Yakubu Gowon, during his state visit to the UK in 1973 declared:

We are consolidating our political independence by doing all we can to promote more participation by Nigerians in our economic life while attracting more investment in sectors of the economy where Nigerians are not yet able to rely on themselves (Etukudo, 1997 p.3).

Parastatals increased in number as government was determined to: reduce foreign economic domination; reduce the risk of demand for future economic independence; maintain national security; control strategic economic sectors; prevent wealth accumulating in a few hands; and separate some activities from the bureaucratic civil service (Ugorji, 1995; Oruku, 2006). In Nigeria, for Oruku (2006), federalism, the creation of regions and states, the oil boom and the government's desire to make parastatals an instrument of economic intervention after the civil war led to proliferation of parastatals.

Moreover, parastatals were established for political reasons (e.g., jobs for constituencies, political allies and friends), social equity disregarded by the market and as employers of last resort to strengthen national integration (Ugorji, 1995). Other reasons, for Nellis (1986), in Adeyemo and Salami (2008), are that parastatals represented heritage from colonial masters, post-war political ideologies due to:

The apparent absence or embryonic nature of the indigenous private sector; the conversion of failing private enterprises to forestall increases in employment; the attractiveness of public enterprises to politicians who use them as patronage mechanisms to distribute jobs to both the mighty and the minor (p. 402).

Further, government is evaluated on ability to provide identifiable projects where they are visible, without which it will be labelled failed (Nwoye, 2005). The role of the Nigerian Enterprises Promotion Decree (NEPD), promulgated in 1972 as a legal foundation for government participation in ownership and control of important economic areas, is also significant (Ugorji, 1995). For Ugorji (1995), this promulgation enabled government via parastatals to gradually play a more dominant economic role. For Nwoye (2005), the indivisibility characterising provision of certain goods and services leads government to provide them: e.g., the provision of bridges, tunnels, roads, streetlights and waste disposal

facilities cannot be divided or partially provided or left in private sector hands as the poor cannot afford to pay for them, with potential exploitation of the masses by the private individuals owning them. By implication such goods and services must be provided via taxation.

For Felkins (2009) and Balko (2013), following public choice theory, in the public sector politicians and civil servants are the agents (decision/policy makers) of the citizens (principals) but they pursue their own self-interest rather than or at the expense of citizens' interests. Public servants are seen as interested in maximising their utility by increasing organisation budgets, the source of their remunerations, reputations, powers, expenses, patronage and payments to contractors (Lemieux, 2004). For Felkins (2009), in contrast, citizens may be subjected to oppression, torture, poverty, confinement and death. For Balko (2013), politicians' and bureaucrats' self-interest in relation also to families, friends, and ethnic groups engenders parastatal failure. Parastatal agency problems have been seen to lead to corruption, nepotism and bribery by politicians and public managers and subsequently parastatal failure (Anwar and Sam, 2006).

Differences between private bodies and parastatals (SOEs) (table 3.1) are often understood to indicate principal defects in parastatal governance in terms of unclear objectives, political interference and lack of transparency.

**Table 3.1 Difference in governance between private sector firms and parastatals**

Details	Private sector firms	SOEs
Objectives	Clear focus on value maximisation	Pursue commercial and non-commercial objectives
Agency issues	Single agency: concerned about self-interested behaviour by managers	Double agency: concerned about self-interested behaviour by managers and politicians/bureaucrats
Transparency	High level of disclosure (for listed firms)	Low level of disclosure

**Source:** Wong (2004, p.6)

Commentators argue that private sector sanctions, incentives, rewards, exit options, and insolvency threats encourage managers to maximise profits, while in parastatals there are: no market incentives, no sanctions for poor performance; no threats of replacing management; no stakeholder exit options; no takeover or insolvency threats; limited rewards for best performing employees; skewing of recruitments and appointments towards political interests thus displacing relevant technical and professional expertise; redirecting by government towards pursuit of political objectives to satisfy the public; and, many agents and principals engendering agency problems, leading to issues of performance, accountability, transparency, inefficiency and focus (Wong, 2004; Mwaura, 2007; Solomon, 2010). We now turn our attention to knowing what governance is.

### **3.2 Governance: defining Governance**

‘Corporate’ governance is often taken to refer to private sector business, albeit it is sometimes broader in scope (ECSAFA, 2004; Simpson, 2014), while government governance would encompass parastatal governance (IFAC, 2001). Corporate governance applies to both listed and non-listed companies, private sector, parastatals, NGOs, charities, churches, trusts and agencies (Sarbah and Wen, 2014). Governance is used in this thesis to mean corporate governance in the public sector to avoid ambiguity.

There are many definitions reflecting different perspectives. Most refer to political governance in the public sector.<sup>13</sup> E.g., for the World Bank (1989 p.60; 1992) governance is the “exercise of political power to manage a nation’s affairs.” Governance is the “exercise of economic, political and administrative authority to manage a country’s affairs at all levels” (UNDP, 1997 p.3). In 1993, per the United Nations Economic and Social Council (2006), the World Bank defined governance as how “power is exercised in the

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<sup>13</sup>Leftwich (1993, p.611) sees this as “a state enjoying legitimacy and authority...from a democratic mandate...built on the...liberal notion of...clear separation of legislative, executive and judicial powers”.

management of a country's political, economic and social resources for development" (sec.6). The nucleus of these definitions emphasizes economic, administrative and political power in the management of a country's resources for development. Gregory (2000) takes governance as corporate governance,<sup>14</sup> arguing it:

"...encompasses the combination of laws, regulations, listing rules and voluntary private sector practices that enable the corporation to: attract capital; perform efficiently; achieve the corporate objective; meet both legal obligations and general societal expectations" (p.5).

Others, like Cadbury (1992), ANAO (1999) and IFAC (2001), see governance as the process by which organisations are directed, controlled and held to account, underpinned by openness, integrity and accountability. For Hope (2005), governance is how the duties of those elected, appointed or with delegated authority are enacted in public and private sectors. For Inyang (2009), governance is "a system, by which the organisation or company directs, manages and controls the business of the company to enhance corporate performance and corporate responsiveness to shareholders and other stakeholders" (p.3). Thus, governance can be seen to have a dual function in parastatals, combining political and corporate governance.<sup>15</sup>

### **3.3 Importance of Good Governance**

Governance of a nation or a supra-national entity is targeted at promoting socio-economic development and well-being and for making the environment conducive for people to realise their dreams (Rhodes, 1994; UNDP, 1997). Effective governance in parastatals "encourages efficient use of resources, strengthens accountability for the stewardship of

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<sup>14</sup> Corporate governance for Cadbury (1992) is "the system by which companies are directed and controlled". It is popularly and simply known as "Governance" in the public sector (IFAC, 2001; ECSAFA, 2004).

<sup>15</sup> As we shall see, ostensibly, corporate governance rules are applied to parastatals also under parliamentary control.

those resources, improves management and service delivery, improves people's lives and builds confidence in public sector entities" (IFAC, 2001, p.1). Good governance: contributes to economic success of a country, increases an organisation's reputation; attracts investors from other parts of the world; and discourages corruption and unethical business practices (Young 2010). Governance systems have become important globally as governments around the world are handing over parastatals with business motives to private organisations in the expectation that their efficiency will facilitate global economic development (Rhodes, 1997; Gregory, 2000).<sup>16</sup>

In a democracy: freedom is ostensibly respected; decision-makers are held accountable; people have a say in decisions affecting their lives; there is no discrimination on account of race, ethnicity, class, gender; and the needs of future generations are reflected in current policies (UNDP, 1997). For UNDP (1997), proper modern governance includes three players: government, the private sector and the civil society. The UNDP (1997) sees government making rules and regulations to create the appropriate political and legal environment; the private sector creating jobs that generate income for the people; and

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<sup>16</sup>The Kihumba Report (1999), Gregory (2000), and the King Report II (2002) give reasons why good governance is important: it attracts both local and foreign investors by giving assurance that their investments will be secured and well managed in accountable ways; it enhances business competition and efficiency; it enhances the accountability and performance of those entrusted to manage corporations; it promotes efficient and effective use of limited resources; managers who do not use the resources efficiently or who are incompetent or corrupt will be disciplined; it ensures that corporations comply with the laws, regulations and expectations of the society; and (vii) good governance will make it difficult for corruption to take root or will deal with it. Inyang (2009) argues that good governance is important because of the separation of ownership from control, globalisation and information communication technology, and corporate scandals and failures in the developed and developing world. Good governance is necessary to draw the attention of investors from all over the world (Wanyama, 2006). Good governance, according to the former UN Secretary-General Kofi Annan, "is perhaps the single most important factor in eradicating poverty and promoting development" (United Nations, 1998 p.13). Good governance is necessary for sustainable development, and for economic transformation of a nation (Leftwich, 1993). For Gatamah (2008), good governance can do a lot to ensure equitable distribution of those resources. Gatamah (2008) lists the following as benefits of good governance to African people: best-quality products at competitive prices; improved tax collection and use by the government; efficient allocation of resources; increased employment; better quality of life; economic competition; social development; increased standard of living; and responsible use of resources leading to poverty alleviation.

civil society facilitating political, social interaction and mobilizing society to participate in socio-economic and political activities. UNDP (1997) states that for governance to be taken as “good,” it must be participatory, transparent, accountable, effective, equitable, promote the rule of law, produce consensus of opinion, be responsive, and have strategic vision. The World Bank opines per Leftwich (1993) that good governance exists/operates when the followings are obtainable: an efficient public service; independent judicial system and legal framework to enforce contracts; accountable administration of public funds; independent public auditor responsible to a representative legislature; respect for the law and human rights at all government levels; a pluralistic institutional structure; and a free press.

### **3.4 The Principles of Governance in the Public Sector**

Good governance in the public sector means that parastatals act in accordance with the public interest (CIPFA and IFAC, 2013). ANAO (2003) in its better practice guide, volume 1, contends that good governance is where “the organisation’s leadership, its staff, the government, the parliament and the population can rely on the organisation to do its work well and with full probity and accountability” (p.6). ANAO (2003) posits that good public sector governance has two focal points: *performance*, in which the organisation delivers goods, services or programmes to the people effectively and efficiently, and *conformance*, in which the organisation carries out its business by complying with the law, regulations, standards and the expectation of the people through probity, accountability and openness.<sup>17</sup>

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<sup>17</sup> For Odhiambo-Mbai (2003), bad governance is where a nation suffers an “autocratic political system, abuse of human rights, corruption, and inefficient organisation and management of public institutions” (p.116).



Parastatal employees are expected to display a high level of good behaviour while carrying out their duties. Per the Nolan Report (1995)<sup>18</sup>, the following are the seven principles put forward by the Nolan Committee for the proper conduct of public office holders: (a) Selflessness - public officials should take decisions in the public interest, not so as to gain financial or other material benefits for themselves, family or friends; (b) Integrity - public office holders should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties; (c) Objectivity - in carrying out public business, including making public appointments, awarding contracts or recommending individuals for rewards and benefits, public office holders should make choices on merit; (d) Accountability - public office holders are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny that is appropriate to their office; (e) Openness - public office holders should be as open as possible about all decisions and actions they take, they should give reasons for their decisions and restrict information only when wider public interest demands it; (f) Honesty - public office holders have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising so as to protect the public interest; (g) Leadership - public office holders should promote and support these principles by leadership and example<sup>19</sup>.

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<sup>18</sup>The Committee on Standards in Public Life is an independent public body advising the government on ethical standards across the whole of public life in the UK (Committee on Standards in Public Life website).

<sup>19</sup> The Australian National Audit Office (ANAO, 2003) in its better practice guide gives core public sector governance principles as follows: (a) Accountability: employees of public sector organisations are responsible for their decisions, actions and allow themselves to be subject to external examinations - thus, these individuals must know their responsibilities and a clear role must be specified; (b) Transparency/openness: public office holders must provide the public with timely, accessible and accurate information to enable the public to have confidence in their decision-making processes and their management of activities and individuals within the organisation; (c) Integrity: this entails straightforward dealings involving honesty, objectivity, high standards of propriety and probity in the management of public

### 3.5 Governance issues around the World

The emphasis on governance in both private and public sectors has been existing from the time ownership was divorced from control where there are shareholders, stakeholders, management and board (Berles and Means, 1932; Brennan and Solomon, 2008; Puyvelde et al., 2012). Corporate governance has become more popular in private sector and public sector after the scandals and corporate failures that pervaded corporations and banks in the late 80s and early 90s in the UK (Coombes and Wong, 2004; Wanyama, 2006; Solomon, 2010). Before the enactments of corporate governance codes, there were Stock Exchange Act and Companies Act of 1948 in the UK; Securities Act of 1933 and the Securities and Exchange Act of 1934 in US and Parliamentary Acts guiding the establishment and running of private and public companies (Yang, 2006; Okike, 2007). As the winds of scandals and failures were blowing in the private sectors, parastatals were being hollowed out for being inefficient in developed world in the 80s and 90s – all being blamed on lack of good governance (Rhodes, 1997; Wanyama et al., 2009; Solomon, 2010; Simpson, 2014). This is because the private sector and public sector have the same enemy, namely: corruption (Anwar and Sam, 2006; Wanyama et al., 2009).

The Asian financial crisis of 1997-1998 (Anwar and Sam, 2006); Robert Maxwell's scandal in UK (Melville, 2007; Solomon, 2010); and Enron, WorldCom, and Global Crossing in US (Yang, 2006) had several consequences, including employees losing their jobs, savings and pensions; lenders not receiving their debts; loss of tax revenue by the

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funds and resources - thus, there should be effective control, relevant legislation and individual standards and professionalism; (d) Stewardship: public servants should know that the powers they exercise and public resources in their custody are not theirs - these should be exercised and held on behalf of the country; (e) Leadership: this involves setting the tone at the top and is critical to achieving an organisation wide commitment to good governance; (f) Efficiency: using the resources to achieve the organisation's objective - users of public goods/resources should constantly avoid waste and carrying out public work, appointments, awarding contracts, promotion, rewards and benefits should be meritocratic. These principles are meant to be applied in the public sector.

government; communities losing their source of employment and shareholders losing their investments (Wanyama, 2006; Yang, 2006). That is why Burton et al. (2004) maintain that good corporate governance will safeguard the company's assets; strengthen the investor's confidence; provide greater access to funds and help reduce fraud. The failure of corporate governance made people, governments, markets, and corporations to react promptly by advocating for corporate governance reforms (Coombes and Wong, 2004; Yang, 2006) or what Heath and Norman (2004) call "revised regulations or voluntary codes" (p.248) to avoid future recurrence.

Corporate governance reforms<sup>20</sup> are defined as "deliberate interventions in a country's corporate governance tradition by the state, security and exchange commission, or stock exchanges" (Kim and Lu, 2013 p.236). One of the reasons for the reforms is to make stronger the accountability of managements and boards to their stakeholders and shareholders (Heath and Norman, 2004). Kim and Lu (2013) also indicate increase in transparent financial and non-financial information, tightening of internal control systems, reinforcement of effective legal system and demonstration of fairness to shareholders and other stakeholders as additional reasons for reforms (Coombes and Wong, 2004).

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<sup>20</sup> The reforms led to many codes in the UK like Cadbury Code 1992 after Polly Peck and Robert Maxwell scandals; with many other codes such as the Greenbury Report 1995, the Hampel Report 1998, the Turnbull Report 1999, the Higgs Report 2003, the Tyson Report 2003, the Smith Report 2003, Revised Guidance on Audit Committees 2008, Redraft of the Combined Code 2003 (revised in 2006), Pension Scheme Governance-Fit for the 21<sup>st</sup> Century, (a discussion paper from the National Association of pension Funds [NAPF]) 2005, Internal control- revised Guidance for Directors on the Combined code 2005, further revision of Combined Code 2008, Turner Review March 2009, and Walker review in July 1990 (see Solomon, 2010; Wanyama, 2006; Wong, 2012). Also the Asian financial crisis between 1997 and 1998 led to OECD principles of Corporate Governance 1999 which was revised in 2004 (Anwar and Sam, 2006; Solomon, 2010; Wong, 2012). Moreover, between the early and mid-2000s, there emerged the Sarbanes-Oxley Act in the US after the financial scandals of Enron, WorldCom and other corporate failures. Also, around this period in Europe, there were European Union and national reforms after Parmalat, Skandia and other failures and scandals (Solomon, 2010; Wong, 2012). Finally, between 2008 to present the Global Financial Crisis led to the Dodd-Frank Act in the US and Walker Review in the UK (Solomon, 2010; Wong, 2012). In all, UK is leading in governance codes in the world (Yang, 2006; Solomon, 2010).

The Cadbury report 1992 adopted “comply or explain” principle, which many countries co-opted into their governance codes, others adopted corporate governance based on their cultural values (Solomon, 2010).

The “comply or explain” principle means that the adoption of the codes is voluntary but the company should explain in their annual reports why they have not adopted the codes (Coombes and Wong, 2004; Solomon, 2010). While the Sarbanes-Oxley Act is rules-based pronouncement of US parliament and not a code, the UK reforms are principles-based (Solomon, 2010). European countries adopt “comply or explain”, codes, and OECD principles more than any country of the world (Becht et al., 2005). Countries preference for codes is because of its suppleness as it is not possible to alter the law always (Coombes and Wong, 2004). This explains, Coombes and Wong (2004) argue, why many countries, including the US are embracing “comply or explain” principles-based code of UK. The next section examines governance in Africa.

### **3.6 Governance issues arising in Africa**

Agbibo (2012) overviews how in relation to governance in Africa and other developing countries there have been frequent military interventions in politics, civil wars, widespread poverty, unemployment, political instability, ethnic conflicts, economic dependence, population explosions, corruption and a low standard of living. In 1989 the World Bank described governance in Africa as “crisis governance” (World Bank, 1989). Tony Blair the former British Prime Minister in 2001 address to the Labour Party proclaimed Africa’s governance condition a scar on the World’s conscience (Mamah, 2002). Similarly, Goldsmith (2007), reviewing African governance issues, lists: (i) employing and promoting workers based on partisan relationships; (ii) those in power and close to power in law courts having preferential treatment; (iii) personalities in society

having special laws; (iv) wealthy individuals funding campaigns and thereby capturing the political arena; (v) election victories being obtained by fraud, bribery, and threats; (vi) laws favouring individuals rather than the general public; and (vii) misappropriating of public goods by public managers.

Writers have articulated that Africa had a mode of governance called Ubuntu (African humanism) before the advent of modern governance in the colonial era (Khoza and Adam, 2007; Sarbah and Wen, 2014). Governance was then based on neighbours being their brothers' keepers and stewards, which promoted good governance in their daily lives "including the leadership of communities and commercial enterprises, long before corporate governance codes existed" (Khoza and Adam, 2007, p.3). Ubuntu principles for Khoza and Adam (2007) are "inclusivity, humility, respect, responsibility...concern for others, generational responsibilities, and a spirit of participation" (p. 3). Wanyama, et al. (2009) summarize Ubuntu as "co-existence, consensus, and consultation" (p.163), which parallels substantively present day governance principles. Yet, Ubuntu differs from modern governance given the particular emphasis on focal organizations to be run to ensure "vitality and stability" (Yakasai, 2001 p.239). It was after many African countries got their independence that a governance issue here arose: many modern governance laws were only practised by foreign companies operating in the colonies (Ahunwa, 2002; Inyang, 2009; Sarbah and Wen, 2014). Separation of ownership from control in the modern corporation (Berle and Means, 1923), globalisation, and business growth has engendered corporate governance challenges out with African culture-based governance (Solomon, 2010; Sarbah and Wen, 2014). Current failings leave Africa a "scar in the conscience of the world" (Mamah, 2002 p.1), "the Hopeless Continent" (Agbiboa, 2012 p.326) with "crisis governance" (World Bank, 1989 p.60). Africa has been described as "a continent betrayed, in chaos, in self-destruction, in crisis, existing in name only, being

predatory or kleptocratic, or collapsed into anarchy and viciousness” (Hope, 2002 p.387).<sup>21</sup>

For some, these problems have discouraged local people who do not trust or are suspicious of leaders only a few of whom appear to honour promises (Agbibo, 2012; Gatamah, nd). Some scholars have blamed this situation in Africa on foreign aid, with its conditionalities or external agents, excessive intervention by the political class, corruption, premature transfers by colonial masters, civil wars, huge debts, and political instability (Brautigam and Knack, 2004; Agbibo, 2012; Sarbah and Wen, 2014). Africa is very rich in resources but it is argued that these are used for the benefits of a privileged few (Hope, 2005; Gatamah, 2008). It has been found that good governance practices and sound financial and regulatory structures are scarce in Africa, with bad governance fuelling corruption, inefficiency, poor record keeping, lack of accountability and transparency, greed, bad leadership and public mistrust (Wanyama et al., 2009).

### **3.7 Governance issues found in studies of a number of African countries**

Many studies in the literature on African governance have focused on corporate governance. Ghana was a British Colony obtaining independence in 1957. It inherited the English common law system and her corporate governance follows the Anglo-American model (Christensen, 1998; Sarbah and Wen, 2014). For Sarbah and Wen, the Ghana Companies Code 1963 (Act 179), the Securities Industry Law, 1993 (PNDCL 333), the Securities Industry (Amendment) Act, 2000 (Act 590), and Ghana Stock Exchange rules (GSE, 1990), form Ghana’s Corporate Governance legal framework. Ghana published her Corporate Governance Manual in 2000 (Young, 2010). Most companies listed on the GSE

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<sup>21</sup> Lack of good governance in Africa is seen as leading to rising unemployment, deteriorating infrastructure, inequality, abject poverty, persistent conflicts, political instability, destructive ethnic conflicts, and military intervention in politics (Agbibo, 2012; Gatamah, nd).

are foreign and usually comply with international corporate governance principles of best practice (Sarbah and Wen, 2014). There is low awareness of corporate governance and corporate social responsibility in Ghana (APRM, 2005). Also, per APRM (2005), institutions responsible for promoting governance lack funds and human resources. For the World Bank (2005), Ghana's business practices do not altogether encourage an "ethical, responsible and transparent corporate governance environment" (p.1). There have been some studies on governance of state bodies in Ghana. The Ghanaian Enterprises Commission (GEC) developed a corporate governance code for SOEs, reflecting the OECD principles, Commonwealth guidelines and King reports (APRM, 2005). Ghanaian SOEs are reported as inefficient as they are overstaffed (Christensen, 1998) and political interference, nepotism and over-bureaucracy are found (Uddin and Tsamenyi, 2005).

There have been some studies on Ugandan corporate governance. Uganda, a British colony obtaining independence in 1962, has ever since experienced serious political instability, which has entailed corruption (Wanyama et al., 2009, 2013). For APRM (2009), governance is still taking root in Uganda: many people are not aware of the notion. For Wanyama et al. (2009), all the structures for governance are in place in Uganda but are apparently inactive. Between 1998 and 1999, four banks were liquidated in Uganda due to poor governance, insider trading, lack of transparency and fraud (Wanyama et al., 2013).

There have been a number of studies on South Africa, a country that experienced economic isolation between 1961 and 1994 as a result of racial segregation (ECA, 2007; Bondamakara, 2010). The King Committee was constituted in 1992 and reported in 1994 (King Report I, revised in 2002 as King Report II and in 2009 as King III) (Institute of

Directors in South Africa, 2009; Bondamakara, 2010; Young, 2010). King Report II (2002), for Bondamakara (2010) and Young (2010), presents the following seven governance principles: Discipline, transparency, independence, accountability, responsibility, fairness and social responsibility. The leadership-focused King III was deemed necessary due to the new South African Companies Act No. 71 of 2008 and international governance trends (Institute of Directors in South Africa, 2009). South Africa, Botswana, and Mauritius have been acknowledged to be the best performing African economies due to good governance and effective parliamentary democracy (Williams and Young, 1994; ECA, 2007; Young, 2010). Yet, UNECA (2002) and Young (2010) indicate deficiencies in making various recommendations to improve South African governance.<sup>22</sup>

Nigeria obtained political independence in 1960 but had periods of long military rule until 1999 so that its democracy is considered young (APRM, 2009). For APRM (2009), Nigeria has been affected by: poor governance; lack of accountability and transparency; lawlessness; economic instability; under-development during military rule; non-competitive economy; the third largest population of poor people in the world; severe political interferences with geographical zoning in appointments and resource allocation; protection of law violators by political godfathers; and a culture of impunity that prevails. The next section will discuss parastatal organisations.

### **3.8 Parastatal Organisations**

Parastatals are examples of ‘government governance’, specificities and complexities should be acknowledged. Parastatals are state enterprises, corporations, boards, agencies

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<sup>22</sup>She had to: reform administrative and civil services; boost parliamentary oversight functions; promote participatory decision-making; adopt measures to fight corruption and embezzlement; reform the Judiciary.



or institutions established by Act of Parliament as autonomous or semi-autonomous entities with their own governing bodies to perform specific roles (ECSAFA, 2004; Anwar and Sam, 2006). A parastatal for the Malawi Code II (2011) is “a public (fully government owned) corporate body that has been set up as a specific entity...separated from regular government administration and...given sufficient autonomy to pursue...objectives in a flexible manner” (p.8). They are autonomous to the extent they can hire and fire, decide emoluments and employee career advancement without civil service bureaucracy (Anwar and Sam, 2006). They are always to an extent semi-autonomous as they are financially dependent on the government to finance them (Ugorji, 1995; Babaita, 2001). They are called different names: Public Enterprises, Public Commercial Enterprises, Public Corporations, State Owned Enterprises (SOEs), Government Owned Enterprises (GOEs), Government Businesses, Statutory Boards (Ihimodu, 1986; Babaita, 2001; IFAC, 2001; ECSAFA, 2004; Anwar and Sam, 2006; Mwaura, 2007; Packard, 2008; Omeleke, 2010; The Malawi Code, 2011). Parastatals, in many cases that have been studied, are separated from the bureaucratic civil service (ministry) to enable them to enjoy independence and take quick decisions (IFAC, 2001; ECSAFA, 2004; Mwaura, 2007).

For Babaita (2001), ECSAFA (2004), Fischer (2006), Oruku (2006) and Mwaura (2007), parastatals are divided into three major types: Utility Boards, non-profit-making monopolies providing essential public services; Commercial Parastatals, listed profit-making and state-owned competing bodies where profits are re-invested; Regulatory, Semi- or Quasi-Parastatals, semi-monopolies providing essential services and expected not to operate at a loss (if a loss is made, money from the state treasury fills the vacuum). The case focused upon in this research is a commercial parastatal.

### **3.8.1 Pillars of governance in parastatal organisations**

There are four pillars of governance in parastatals (IFAC, 2001; ECSAFA, 2004; HKSA, 2004). They are: (i) standard of behaviour; (ii) organisational structures and processes; (iii) risk management and internal control; (iv) external and internal reporting in parastatals.

#### **3.8.1.1 Standard of behaviour**

The board and management of parastatals must establish the manner of behaviour in the organisation (ECSAFA, 2004). Two things are essential here, the ethical conduct of members within the organisation and codes of conduct of the organisation. The organisation itself must have rules and regulations that guide its activities and relationships with employees and those outside the organisation (ECSAFA, 2004). For effective governance and good reputation of parastatals, the people within the organisation must be transparent, honest and accountable (IFAC, 2001). IFAC (2001) emphasizes that the code of conduct of the organisation must cover “probity and propriety; objectivity, integrity and honesty; and relationships” (sec.115). The governing board and its members should display a high level of transparency, objectivity, honesty and generally conduct themselves as role models for the staff of the organisation to emulate them and the interest of the public and the organisation should always be on their minds at all times while taking decisions (HKSA, 2004).

#### **3.8.1.2 Organisational structures and processes**

There must be structures and processes in the organisation to ensure that accountability, communication with stakeholders, and the roles and responsibilities of top management and the governing board are properly and effectively discharged (IFAC, 2001). These

structures and processes, according to IFAC (2001), make the governing board and management ensure that statutory provisions are adhered to strictly; the purpose, authority and responsibilities of the parastatal are set out in its enabling legislation; and their powers and authorities are not exceeded (IFAC, 2001) and all the applicable laws, regulations, statutes and statements of best practice are complied with (HKSA, 2004). Governance mechanisms in parastatals are examined below.

#### **3.8.1.2.1 The governing board of parastatals**

The governing board is the highest authority in a parastatal that directs and oversees its activities and the members are either appointed or elected (IFAC, 2001). The governing board is called different names, including Board of trustees, board of governors, board of managers, governing board, governing council, the board or board of commissioners (Kamanga Report, 2011). Governing board or the board is used in this thesis.

#### **3.8.1.2.2 Appointment and meeting of governing board members**

The appointment or election of persons to the board of parastatals should be based on competence, merit and skilfulness that will help them in carrying out their roles (ECSAFA, 2004). ECSAFA (2004) argues that these appointments of the chairman and members of the board are made by the country's President on the recommendation of an independent appointment commission. IFAC (2001) opines that the appointment process should be transparent and should be based on the person's competence, merit, skill and ability to carry out the defined role. On appointment, according to IFAC (2001) and ECSAFA (2004), the members of the board should undertake induction training to equip themselves with public sector values, standard of probity and accountability.

To be effective, ECSAFA (2004), Anwar and Sam (2006), and AONSW (nd) suggest that the meeting of the board should be held not less than four times in a year excluding any emergency meetings; and it should have a well prepared agenda.

#### **3.8.1.2.3 The roles and responsibilities of governing board**

The board is not involved in managing the parastatal but provide strategic direction, oversight and monitoring functions (HKSA, 2004). As decision makers, the board members must be well experienced, possessing relevant knowledge and skills to be able to discharge their responsibilities and assess management performance (Simpson, 2012).

IFAC (2001); ECSAFA (2004); HKSA (2004); and The Audit Office of New South Wales (AONSW, nd) put forward the followings as the roles and responsibilities of a board of parastatals. The board must: (i) establish and adopt strategic plans of the organisation; (ii) have effective communication policy with the stakeholders; (iii) ensure that the organisation complies with the legal and statutory requirements; (iv) identify, monitor and manage risks and opportunities facing the organisation and assure the stakeholders that appropriate systems are in place to deal with risks; (v) monitor the performance of the organisation and must confirm the appointment, compensation, training or sacking of the external auditor and other management staff; (vi) make arrangement for the appointment, remuneration, training and succession of the chief executive and the management; (vii) report to the relevant minister; (viii) keep on reviewing the mission and objectives of the organisation and mount up strategies to accomplish them; (ix) approve and adopt the financial statement and the yearly report and also ensure that they are honest, true and accurate; and (x) establish effective system of internal control.

#### **3.8.1.2.4 The role of the governing board Chair**

The governing board of a parastatal must have a chairman, who leads the board, and who must be non-executive, independent of management, and ensures that it performs its functions effectively (Kamanga Report, 2011). The chairman's role should be laid down in writing to see that he provides good leadership to the board and to ensure that the board perform its duties effectively (IFAC, 2001).

The chairman's roles are quite different from the roles of the CEO (IFAC, 2001). The chairman is responsible for the working of the board; ensures all relevant issues are on the agenda; ensures non-executive members receive timely, relevant information tailored to their needs, and the executive members look beyond their executive duties and accept their full share of the responsibilities of governance (Cadbury Report, 1992). IFAC (2001) ; ECSAFA (2004); and AONSW (nd) state that the chairmen of boards of parastatals should ensure that: (a) on appointment, the board members should be assessed, trained and know their roles and responsibilities; (b) important matters are discussed as soon as possible; (c) there should be good working relationships between the board, chief executive, the relevant minister and other stakeholders; (d) the governing board members are united in carrying out their decisions and roles; (e) the board members know their risks, liabilities and responsibilities as they carry out their duties; (f) members are subjected to assessment to know their performance always; (g) the minutes of board meetings are recorded properly and all decisions are promptly taken; (h) members have access to all information that will assist them to vote and take decisions; (i) the views of the board are implemented to the letter; and (j) the stakeholders are well informed about all policies taken by the board.

### **3.8.1.2.5 Non-executive members of the governing board**

In parastatals, non-executive members of the governing board are not staff of the organisation; they are independent of management; and should be free from any relationships that will interfere with their duties (IFAC, 2001). They are to review the performance of the board and the management and also to resolve conflicts when they arise as a result of their independence (Cadbury Report, 1992). IFAC (2001) notes that:

Non-executive members of public sector governing bodies need to provide an independent judgement on issues of strategy, performance, resources and standards of conduct. Apart from directors' fees they may receive, it is appropriate that they are independent of management and free from any other relationships which may materially interfere with their role (sec. 209).

All governing boards must have a minimum of three non-executive members; one of whom must be the chairman but should not be the executive head and the other two must be independent of management (The Cadbury Report, 1992). The Cadbury Report (1992) further notes the following of non-executive members of governing boards: (i) the fees of non-executive members should reflect the time they spend in the organisation's affairs but are not to receive pensions. (ii) they lack inside knowledge of the corporation as the executive members but have the same right to information as they do. (iii) their appointment should be on merit, without partiality or patronage and their reappointment should not be automatic. (iv) the non-executive members should be appointed for specified terms and their appointment letter should set out their duties, terms of office, remuneration and its review (IFAC, 2001; ECSAFA, 2004; HKSA, 2004).

### **3.8.1.2.6 The role of the Chief Executive Officer (CEO)<sup>23</sup>**

According to ESCAFA (2004), the CEO is responsible and accountable to the governing board, the relevant ministry and parliament and makes sure that the policies of the governing board and statutory requirements of the parastatal are interpreted and implemented. The CEO, according to ECSAFA (2004), who must be appointed by the governing board or the supervisory ministry of the parastatal after a competitive examination, should ensure that all rules, statutes and regulations are duly followed while employees are carrying out their functions. ECSAFA (2004) maintains that the CEO of a parastatal leads directors and other staff of the organisation in planning, directing and controlling the daily work of the parastatal.

ECSAFA (2004) and AONSW (nd) recognise the following as the roles of CEO: first, ensures that the organisation maintains a good, efficient, effective and transparent system of internal control; second, should make sure that all appointments are purely on merit; third, must make sure that appropriate disciplinary actions are taken against erring officers and recommendations made to the board for sanctions; fourth, creates an ethical working environment for workers to display their skills; fifth, develops suitable business plans, operational plans and budgets for the approval of the governing board; sixth, should ensure that the managers have access to all information; and seventh, should ensure that key issues are discussed with them on time and their performances are reviewed. Next to be examined is how risks are managed in parastatals.

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<sup>23</sup> The Chief Executive Officer (CEO) is the head of executive management of parastatal and is called different names such as Chief Executive, General Manager, Executive Director, Executive Secretary, Principal, Vice Chancellor, Director General, Secretary General and Managing Director (Kamanga Report, 2011). This thesis uses the Chief Executive Officer (CEO) designation.

### **3.8.1.3.1 Risk Management in parastatals**

Risk should be expected and managed daily and should not be overlooked since it is “the possibility of meeting danger, suffering harm or loss” (Davies and Aston, 2011 p.127). IFAC (2001) defines risk as “a measure of uncertainty, and comprises those factors that can facilitate or prevent the achievement of organisational objectives” (sec. 239).

Common risks that are usually encountered by organisations are fire, loss of key staff, terrorism, war, theft of resources, loss of information due to computer viruses, flood, accident, poor judgement, changes in external environment (a line of action may no longer be in vogue, possible or appropriate) and a host of other uncertainties (HKSA, 2004). Since risk is everyday affairs, it is important that the management and the governing board of parastatals identify the risk, assess it and take decision to manage it (IFAC, 2001; ECSAFA, 2004). The governing board and the management of parastatals should identify risks within and without the organisation; know how to react to them; they should be documented and communicated to the entire organisation (ECSAFA, 2004).

### **3.8.1.3.2 Internal Control System in parastatals**

The governing board and management of parastatals are expected to keep necessary accounting records and to do this; a good system of internal control must be installed (Cadbury Report, 1992). Davies and Aston (2011) define internal control as “the whole range of controls<sup>24</sup>, both financial and managerial necessary to protect the organisation against waste, mismanagement and fraud” (p. 128). According to Millichamp and Taylor (2008), internal control is needed in an organisation in order to ensure that business is

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<sup>24</sup> Financial control is divided into internal check, internal audit, budgets, financial information and management control is divided into strategy and objectives, responsibility area and personnel controls.



being “carried on in an orderly manner; to ensure adherence to management policies; safeguard its assets and secure the accuracy and reliability of the records” (p.92). To fulfil their responsibilities, the board and management must make sure that proper books of accounts are kept; proper systems are installed; assets and personnel are available to accomplish the objectives of the organisation; and laws and regulations are complied with (ECSAFA, 2004; Davies and Aston, 2011). Financial controls are examined below.

#### **3.8.1.3.2.1 Internal Check**

Internal check is when the work of one person in the organisation comes under the purview of another person; meaning that internal check is segregation of duties of personnel in an organisation so that an individual does not carry out financial duties from the beginning to the end (Davies and Aston, 2011).

#### **3.8.1.3.2.2 Internal Audit**

Internal audit is one of the controls in an organisation and it increases the worth of parastatal organisations (IFAC, 2001; Millichamp and Taylor, 2008). It is defined by The Institute of Internal Auditing (IIA) (in Millichamp and Taylor, 2008) as “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations” (p.262). It is an “appraisal function necessary to evaluate, monitor, test and report on the whole range of controls to the highest level of management unedited” (Davies and Aston, 2011 p.130). The internal audit unit should be objective, independent of the management, should be respected, and accorded cooperation by the management, audit committee, and the board (ECSAFA, 2004). The internal auditor should have access at all times to the CEO, governing board, the chairman of audit committee and non-executive members (IFAC, 2001). The internal auditor’s major role is

to identify potential problem areas and recommend ways of improving risk management and internal control systems (Millichamp and Taylor, 2008).

#### **3.8.1.3.2.3 Budgeting**

In parastatals, budget helps management in the financial planning, regulation, and appraisal processes (ECSAFA, 2004). The parliament is responsible for authorising the overall public sector budget by directing the executive to acquire and use financial resources (IFAC, 2001). Budget is defined by IFAC (2001) as “a means of allocating resources to ensure the best use is made of resources”; “a management tool for planning”; or “a means of controlling funds to ensure that the stated objectives can be met” (sec.272 & 273). The governing board of parastatals is responsible for approving the level of expenditure, supervising and checking the performance of the approved budget (IFAC, 2001). At regular intervals the actual outcome should be compared with the plans to enable the differences to be spotted and dealt with by the governing board (IFAC, 2001).

#### **3.8.1.3.2.4 Financial Management**

The Chartered Institute of Public Finance & Accountancy (CIPFA) defines Public Financial Management as “the system by which financial resources are planned, directed, and controlled to enable and influence the efficient and effective delivery of public service goals” ( CIPFA and IFAC, 2013 p.48). The objectives of financial management in parastatals are to help management in the allocation of resources; minimising and detecting fraud, irregularity and corruption; and promoting efficiency, economy and effectiveness (ECSAFA, 2004). Financial management in parastatals include daily cash and treasury management; formulation of medium-term and long-term financial objectives, policies and strategies; planning and control of capital expenditure; working capital management; funding and performance decisions; management accounting

functions; internal control environment and supporting financial information systems (IFAC, 2001; ECSAFA, 2004; HKSA, 2004).

#### **3.8.1.3.3 Audit Committee in parastatals**

Audit committee is responsible for overseeing the audit function; it acts as a middleman between internal and external auditors and reports its findings to the governing board on the sufficiency or otherwise of the parastatals' audit procedures (ANAO, 1999).

For the success of the audit committee established by the governing board, Cadbury Report (1992); IFAC (2001); ECSAFA (2004); HKSA (2004) maintain that (i) the audit committee must be independent of management; (ii) membership of the committee should be limited to non-executive members of the governing board and should have at least a minimum of three members; (iii) the committee should be responsible to the governing board which set it up and must be given a written terms of reference from which it derives its authority, membership and duties; (iv) the committee should meet not less than twice annually; (v) the audit committee members' names must appear in the annual report of the organisation; (vi) the director of finance, the external auditor, internal auditor, members of the governing board and external professionals with relevant experience should attend the meetings of the audit committee.

According to Anwar and Sam (2006), audit committee's duties are to review the internal control system, financial reporting systems, internal and external auditing systems of the parastatal to ensure that activities of the organisation comply with laws and regulations.

#### **3.8.1.3.4 External Auditors' duties in parastatals**

Parastatals which are incorporated under the companies act are required by law to engage the services of the external auditors to carry out audit of their financial statements

(HKSA, 2004). Davies and Aston (2011) opine that the financial statements of parastatals must be audited by external auditors to provide external accountability to the public. In Nigeria, for instance, the Auditor-General of the Federation is not allowed to audit the accounts of the parastatals and other bodies established by the Act of the National Assembly but may assist in recommending reputable audit firms to the parastatals (Section 85[3] of 1999 Nigerian constitution as amended). The aim of this is to:

“Provide an objective and independent review of the financial reporting of the organisation to help promote consistency and reliability in reporting and to ensure transparency and accountability in the use of financial resources” (HKSA, 2004 p.30).

#### **3.8.1.4 Internal and External reporting by parastatals**

Two types of reporting are recognised in parastatal organisations: internal and external reporting (HKSA, 2004). Committees set up within the organisation have to submit their reports to the board. For example, the audit committee report and financial and non-financial performances report that management submits to the governing board on a regular basis are internal reporting (HKSA, 2004). While external reporting, according to ECSAFA (2004), are the annual reports and long-term corporate strategies submitted by the management and governing board to the parliament through the relevant ministry.

### **3.9 Parastatal organisations’ stakeholders**

In the public sector, the owners of parastatals are the stakeholders (taxpayers) (IFAC, 2001; International Public Sector Accounting Pronouncements, 2013). The stakeholders are those who affect or are affected by the positive or negative actions of corporations (Langtry, 1994; Philips, 2011). Freeman and Reed (1983) in Mitchell et al. (1997) describe stakeholder as “an individual or group who can affect the achievement of an organization’s objectives or who is affected by the achievement of an organization’s

objectives” (p.856). Freeman (1984) similarly defines stakeholder as “any group or individual who can affect or is affected by the achievement of the organization’s objectives” (p.46). Clarkson (1995) describes stakeholders as individuals or groups that “have, or claim, ownership, rights, or interests in a corporation and its activities” (p.106). This study focuses on the latter definition.

Stakeholder involvement in decision making and accountability to them varies from parastatal to parastatal. However, parastatals are expected to promote good relationship with their stakeholders by engaging them through consultation in their policies; provide them with accurate, timely, honest and complete information about the organisation; and participation in policies of the organisation in addition to being a watchdog (Friedman and Miles, 2006).

The stakeholders of parastatals according to IFAC (2001) and ECSAFA (2004) are: the President, line Minister, National Assembly (Parliament), taxpayers, lenders, bondholders, management, governing board, employees, contractors, consumers of the services that the parastatals provide, policy analysts, pressure groups, suppliers, creditors (IMF & World Bank), competitors, media, and the community. Each of the stakeholders<sup>25</sup> in the public sector has legitimate interest (IFAC, 2001). Next section examines problems of African parastatals.

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<sup>25</sup> The rights of stakeholders are vital in governance and are presented by OECD (2004) as follows: (i) The rights of stakeholders that are established by law or through mutual agreements are to be respected; (ii) where stakeholders’ interests are protected by law, stakeholders should have the opportunity to obtain effective redress for violation of their rights; (iii) performance-enhancing mechanisms for employee participation should be permitted to develop; (iv) where stakeholders participate in the corporate governance process, they should have access to relevant, sufficient and reliable information on a timely and regular basis; (v) stakeholders, including individual employees and their representative bodies, should be able to freely communicate their concerns about illegal or unethical practices to the board and their rights should not be compromised for doing this; (vi) the corporate governance framework should be complemented by an effective, efficient insolvency framework and by effective enforcement of creditor rights. Stakeholders have the responsibility of seeing that they conduct themselves properly in their relationship with the organisation (Windsor, 2002).

### **3.10 Problems of African parastatals**

This section reviews studies explicitly focusing on African parastatals. For Mwaura (2007), parastatals have performed below expectations despite huge sector investments. They: are inefficient; continue to make losses; are budgetary burdens to African governments; and, provide poor products and services. For Babaita (2001), several factors explain poor performances: parastatal size slows decision-making; those heading parastatals are politicians failing at general elections with little relevant experience or skills; inadequate funding; lack of equipment; undue control; and intervention by politicians. Ugorji (1995) and Etukudo (1997) criticise parastatals for inability to make profits while continuing to rely on government funding thus increasing state deficits. Again, parastatals are understood to be poorly managed leading to inefficiency in use of productive capital, corruption and nepotism, inevitably weakening government ability to perform primary duties for its people (Ugorji, 1995). Parastatal CEOs and management staffs are reported as using corporate opportunities and resources for personal gain at the expense of parastatals and their stakeholders (Ahunwan, 2002). For Uneke (2010), appointments into parastatals are based on “patronage, social connections, ethnic balancing” and “promotions are based on godfatherism or nepotism” (p.118).

Etukudo (1997) contends that between 1960 and 1966, about 13 enquiries were made into the activities of Nigeria Railway Corporation (NRC). A special committee, set up in 1961 by the FGN, issued a policy statement that government should not interfere in day-to-day running of parastatals (Etukudo, 1997). Yet, per Etukudo, political interference continued unabated: governing board chairs interfered in management functions while ministers interfered in functions of governing boards and management, making many parastatals hotbeds of power struggles. There was widespread political interference at Nigerian Ports

Authority (NPA). E.g., a former CEO of NPA in Etukudo (1997) opines that, in 1979, parastatal capital development projects took several months before approval by their various ministries, appointments into various parastatal posts were controlled by their boards and all parastatal issues were dictated over by various relevant ministries leading parastatals to lose independence. For Ahunwan (2002), Nigerian parastatals are so badly affected that:

“Appointment to the board, senior management positions and even lower cadres is often based on political connections, ethnic loyalty and/or religious faith as opposed to considerations of efficiency and professional qualifications (p. 275).

Other criticisms of African parastatals include that they do not respond quickly to the changing requirements of a growing and dynamic economy and thus are incapable of successful commercial operation (Ugorji, 1995). For Hope (2001), government should return to its primary duties of creating an environment conducive for markets to thrive and concentrate on security, health and education (Hope, 2001).

The hybrid nature of parastatal's roles (i.e., the combination of corporate and political governance) is a major issue for many (Jones, 1991; Ramamurti and Vernon, 1991; Ugorji, 1995; Ahunwan, 2002; Hope, 2005). Parastatals must be established by an Act of Parliament, be incorporated by Company Act and have Articles and Memorandum of Association. For some, the parastatal's ministry and parliament will always monitor parastatals thereby interfering in their affairs and ensuring poor performance (Etukudo, 1997; Uddin and Hopper, 2001; Mwaura, 2007): monitoring by politicians makes it difficult for parastatals to carry out the functions of a commercial enterprise (Ramamurti and Vernon, 1991; Ugorji, 1995). Most of those heading parastatals are appointed for political reasons (Mwaura, 2007). E.g., Ejiofor (1984), in Oruku (2006), thus summarised problems of parastatals:

The fundamental problems of Public Enterprises are defective capital structures, excessive bureaucratic control or intervention, inappropriate technology, gross incompetence, mismanagement, corruption and crippling complacency which monopoly engenders. Public Enterprises equally served as platforms for patronage and promotion of political objectives and therefore even when their managements have the will and capability to work honestly they will still suffer from operational interference by political appointees (p.11).

In Ghana, for Sarbah and Wen (2014), the roots of parastatals' failure are: excessive intervention; corruption; the CEO taking decisions following ministerial instructions or approval; and the board chair overriding the CEO on operational decisions. Moreover, in Kenya immediately after independence parastatals were found characterised by nepotism, ethnicism, and patrimonialism and appointments and promotions were not based on the principle of meritocracy (Odhiambo-Mbai, 2003). Political interference, nepotism and over-bureaucracy for Uddin and Tsamenyi (2005) have led to poor parastatal performance in less developed countries more generally. Corruption is one explanation in the literature as to why these problems persist and the chapter turns to this next.

### **3.11 Corruption**

Corruption is a common and global problem not limited to developing countries or any group of people, rearing its ugly head in the public sector, private sector and civil society organisations (Dike, 2005; GOPAC, 2005; Lawal, 2007; Sturges, 2007; Agbibo, 2012). For Klitgard (1997), it arises where a person has the power to monopolise public goods and use personal discretion to distribute these without accountability. Those defining corruption tend to point to conversion of public into private and personal resources at the expense and even impoverishment of the under-privileged majority in society. For Sohail and Cavill (2008), corruption is "...misuse of power for private gain either at one's own instigation or as a response to inducements" (p.2). TI (2010 p.1) defines it as "...abuse of entrusted power for private gain". For Lawal (2007) it is:



“Any systemic vice in an individual, society or a nation which reflects favouritism, nepotism, tribalism, sectionalism, undue enrichment, amassing of wealth, abuse of office, position and derivation of gains and benefits” (p.2 ).

From these definitions, corruption can be summarised as diversion of good things (financial or otherwise) belonging to the public to personal use. It has been understood to variously manifest: bribery, extortion, fraud, embezzlement, nepotism, cronyism, fund misappropriation, procurement kickbacks, money laundering, illegal arms deals, smuggling, human trafficking, child labour, illegal oil bunkering, illegal payments, narcotics, illegal mining, tax evasion, foreign exchange malpractice including currency counterfeiting, intellectual property theft and piracy, dumping toxic wastes and prohibited goods, deception, rigged elections, fraudulent business deals, medical quackery, cheating in school and deceit in love (Myint, 2000; Dike, 2005; Zarb, 2005; Ribadu, 2006; Smith, 2007; TI, 2010).

Many writers delineate four types of corruption: political (grand); bureaucratic or administrative (petty); electoral; and state capture/influence-peddling (Myint, 2000; Shah and Schacter, 2004; Dike, 2005; GOPAC, 2005; Lawal and Tobi, 2006; Everett et al., 2007). Political corruption involves the state’s leaders and their friends embezzling huge sums of public money from the state treasury (Dike, 2005; GOPAC, 2005).<sup>26</sup> Dike (2005) and GOPAC (2005) contend that politicians and other decision-makers who make, execute and implement laws mould political institutions, procedural rules and institutions to enable them to carry out nefarious activities against the state. Bureaucratic<sup>27</sup> corruption is the offering of money to the bureaucrat to make him subdue rules and regulations for

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<sup>26</sup>For Myint (2000), roots of grand corruption are covetousness, desires to remain in office, campaign financing, desires to distribute favours to political friends to retain loyalty, and contributions to electing constituencies.

<sup>27</sup> For Lawal and Tobi (2006), bureaucracy is “the apparatus consisting of professional, full time officials subject to hierarchical supervision...carrying out their functions in a well ordered way based on rules, regulations and orders coming from above” (p.644). Bureaucrats, per Lawal and Tobi (2006), are those representing the state in performing state functions and responsibilities.

his personal gain (Shah and Schacter, 2004; Dike, 2005; Lawal and Tobi, 2006; Everett et al., 2007). This is often need-driven rather than greed-driven as in grand corruption (Myint, 2000). Petty corruption confronts people daily in ministries, parastatals, police forces, tax offices, schools, licensing offices, custom and immigration offices (Dike, 2005). Electoral corruption involves vote buying, promises of special offices and contracts when elected, forcing people to vote for a particular candidate not accepted by the people, killing and maiming voters who do not accept unpopular candidates, snatching of ballot papers and boxes at gun point and judicial decisions for candidates not accepted by the majority of the people (Dike, 2005). State capture/influence-peddling involves private sector capture of state actors (legislative, executive and judiciary) for its own purpose (Shah and Schacter, 2004). This involves multinationals and other contractors greasing the hands of public actors to win contracts, a practice common in both developed and developing countries (The Corner House, 2000).

Corruption was historically widespread in complex societies like ancient Israel, Egypt, Rome and Greece, if its extent varied across country (Dike, 2005). And developed countries such as Britain remain prone to corruption (Sturges, 2008). Developed countries where corruption is *relatively* unpronounced today historically had large-scale corruption. E.g., Britain witnessed large-scale unfairness, injustice, waste and national failure before the 1688 Glorious Revolution, which subjected Crown power to parliamentary control (Sturges, 2008).<sup>28</sup> Corruption may be seen as an attendant evil on the way to development and modernization (Uneke, 2010).

A country's corruption per GOPAC (2005) is deeply rooted in its political and legal development, economic condition and policies, bureaucratic traditions and social history:

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<sup>28</sup> Revenue was raised by taxes approved by parliament for agreed purposes and judiciary independence was guaranteed. Sturges (2008) opines that these agreed constitutional arrangements helped eliminate neopatrimonial practices from Britain and the worst phenomena of corruption via informed public debate.

corruption succeeds where governance institutions are inactive, supervisory institutions like parliament, the judiciary and civil society are bought over and where government policies and regulations are weak. Drivers of corruption in more detail, as outlined by GOPAC (2005) are as follows: firstly, political factors such as lack of press freedom, obstacles to civil society group formation, lack of political competition, transparency and accountability and a state captured by ruling elites; secondly, bureaucratic factors, such as where public officials use their own judgements to corruptly control state affairs instead of rules and regulations guiding the institution; thirdly, a porous judicial system or a deficient rule of law, so that corrupt people caught remain unpunished, creating bad incentives and destroying credibility of judiciary and police; fourthly, economic factors such as petty corruption, where bribes are collected to pay for services that should be provided free or cheaper by the state and insider information usage by state officials for selfish reasons in the context of state monopoly settings; fifthly, transnational factors, such as where countries immersed in corruption today are so due to precedents laid down by colonial masters (thus the regional division of Nigeria under colonialism promoted ethnicism and corruption – see Agbiboa, 2012).

### **3.11.1 Corruption in Africa**

There are several studies on corruption in Africa, a continent rich in human and material resources but with very poor people (Hope, 2005). Africa experiences widespread corruption (Hope, 2005; Lawal, 2007), seen as the obstacle to challenging the poverty (Shleifer and Vishny, 1993; Uneke, 2010).

The extent of corruption varies from country to country (GOPAC, 2005). The following are the most common reported corrupt practices in Africa: public officials having full powers without checks and balances or accountability; offenders going unpunished and

enforcement is weak; great inequality in wealth distribution with very low salaries, limited performance rewards and no job security, while wealth is displayed by the wealthy; political office is a shortcut to acquire wealth, some public office holders having no understanding of the ethical demands of their positions, the quick settling of electioneering campaign promises via corruption, the functioning of the African extended family system, reflecting pressures to meet family and polygamous obligations, civil servants being owed salaries for months without payment, the malicious withdrawal or carpeting of personnel files, ghost worker systems, the 10% kickback syndrome, the transferring of public funds to private accounts, over invoicing, over-pricing of contracts, ill-treatment of subordinates, arson, usually to cover-up corrupt practices, embezzlement and misappropriation of funds, and, fraudulent distortion of statistics (USAI,1999; Shah and Schacter, 2004; Dike, 2005; Dandago, 2008; Uddin and Choudhury, 2008).

In Uganda, Wanyama et al. (2009) report that (a) pressure from extended families; (b) respect for elders without confrontation; (c) glorifying those acquiring wealth without knowing the source; (d) appointment of unqualified, inexperienced, and incompetent individuals on tribal and political grounds; (e) demanding of bribes from private businesses by government officials before awarding contracts; and (f) political interference in parastatals are prevalent. In Zimbabwe, per Bondamakara (2010), there is tribalism and nepotism in appointment of even unqualified relations and friends into parastatals, consideration of friends and relations in awarding contracts and Shona culture prevents people from arguing with elders, encouraging corruption.

Some factors have been advanced for why corruption thrives in Africa. Dike (2005) and Olu-Adeyemi and Obamuyi (2010) conclude the following. Firstly, lack of political will to change the moral tone and tame corruption allows corruption to persist: if the President

seriously uses the power of his office, the view is that corruption will be countered if not eradicated. Achebe (1983), in Agbiboa (2012), argues of Nigeria that:

Nigerians are corrupt not because they are different fundamentally from any other people in the world but because the system under which they live today makes corruption easy and profitable; they will cease to be corrupt when corruption is made difficult and inconvenient (p.338).

Secondly, Government's domination of the economy also contributes to corruption. Government see the economy here as their own property so stealing from the public funds is seen as not so wrong (Osaghae, 1998). Thirdly, civil society's tolerance and acceptance of corruption helps it persist. Corruption persists in Africa because prevailing African culture sanctions, condones and encourages it (Agbiboa, 2012). Sowunmi et al. (2010) hold that "wealthy people who are known to be corrupt are regularly courted and honoured by communities, religious bodies, social clubs and other private organisations" (p.11). Fourthly, there is the ineffectiveness of Anti-corruption agencies, out-dated codes of governance often not disseminated, partial and non-uniform application of sanctions, little motivation to perform well and lack of thorough supervision (Odhiambo-Mbai, 2003).

### **3. 11.1.1 Benefits of Corruption to Africa**

It should be noted that some see benefits to corruption in relation to Africa. Shleifer and Vishny (1993) and Uneke (2010) outline several benefits. A bureaucrat is more willing to help when directly benefiting, thereby lubricating wheels of rigid bureaucracy and helping businessmen surmount cumbersome procedures and regulations (Shleifer and Vishny, 1993) and meeting needs of clients seeking the service of parastatals (Uneke, 2010). Per Uneke (2010), "corruption minimises bureaucratic red tape, eliminates bottlenecks and facilitates a more efficient, flexible, and responsive system" (p.115). A person seeking licenses, permits, passports or visas may not be helped by being in a queue or passing through

rigorous bureaucratic rules and procedures (Shleifer and Vishny, 1993). Further, corruption may be seen as helpful given the nature of the African extended family. E.g., when elected or appointed into an exalted position, the expectation of kinsmen, godfather and friends will be that you give them jobs or contracts even if they are unqualified (Wanyama et al., 2009; Bondamakara, 2010). Failure to do this means being voted out in the next election and being treated as an outcast (Fagbadebo, 2007). For Maduagwu (1982), in Nigeria:

“Any government official or politician...in a position to enrich himself corruptly but [failing] to do so will...be ostracised by his people upon leaving office. He would be regarded as a fool, or selfish, or both” (p.1).

Also, appointments “into positions and offices are to be used to benefit people from their primordial public and seen as a way of sharing in the national cake or national resources” (Omotsho, 2006 p.337). For Omotsho (2006), grand corruption helps the children of those occupying exalted positions to access quality education, with such children eventually succeeding their parents in elected offices. Sturges (2008) summarises corruption’s benefits:

“Corruption...[is]...a means by which excluded groups...gain access to economic opportunities; [mitigates]...rigidity of government planning...[breaking] open the deadening influence of unresponsive bureaucracies” (P.4).

The effect of these ‘benefits’ on the overall developmental process is negative per Uneke (2010), resulting in “total insecurity, poor economic management, abuse of human rights, ethnic conflicts and capital flights” (Ribadu, 2006, p.1).

Some factors have been advanced for why corruption thrives in Africa. Dike (2005) and Olu-Adeyemi and Obamuyi (2010) are of the opinion that:

(a) Lack of political will by the leaders to change the moral tone and tame corruption headlong make corruption to persist (Klitgaard, 1997). Once the president uses the power of his office, corruption will be minimised if not totally eradicated. For instance, Achebe (1983) in Agbiboa (2012) argues that:

Nigerians are corrupt not because they are different fundamentally from any other people in the world but because the system under which they live today makes corruption easy and profitable; they will cease to be corrupt when corruption is made difficult and inconvenient (p.338).

(b) Government's domination of economic activities also acts as a contributing factor to the existence of corruption. The notion that government's property or business is our own and that stealing from the public funds is not wrong (Osaghae, 1998) makes corruption to linger.

(c) Civil society's tolerance and acceptance of corruption makes it to continue. Corruption persists in African society because the prevailing African culture sanctions, condones and encourages it (Agbiboa, 2012). Sowunmi et al. (2010) maintain that "wealthy people who are known to be corrupt are regularly courted and honoured by communities, religious bodies, social clubs and other private organisations" (p.11). If people are being mobilised to revolt against corruption, it will subside if not totally eliminated.

(d) Ineffectiveness of anti-corruption agencies; out-dated codes of governance and often not disseminated; partial and non-uniform application of sanctions; no motivation for good performance; and lack of thorough supervision (Odhiambo-Mbai, 2003).

### **3.11.2 Corruption in Nigeria**

In Nigeria, per Fagbadebo (2007), corruption is being perfected by politicians and bureaucrats via contracts, public procurement, allocation of benefits, public revenue collection and judicial pronouncements (Fagbadebo, 2007). Corruption is here an illegal

tax citizens must budget for each year (GOPAC, 2005; Sturges, 2008).<sup>29</sup> Corruption, economic mismanagement, financial crimes, poor governance by politicians and other public office holders have restrained the country, engendering poor economic performances, unemployment, poor execution of contracts and poverty (Eloho, 2000). Nigeria and her citizens have been denied development since independence. E.g., for Agbiboa (2012), most Nigerians' loyalty is to their ethnic groups, especially by the colonially established regions, rather than the state. The popular Nigerian slogan manifesting under colonialism is "government business is no man's business and so there was nothing seriously wrong with stealing state funds, especially if they were used to benefit not only the individual but also members of his community" (Agbiboa, 2012 p.334). Thus, ethnicism, authoritarian rule, lack of integrity, poor governance, civil war, military intervention in politics and oil discovery are corruption's launching pad in Nigeria (Agbiboa, 2012). For Agbiboa, in this respect, the Nigerian state has been corrupted so that opposition to the incumbent government is deemed treasonable and punishable by death.

In the first Nigerian republic, core politicians were accused of diverting public money for their own use but corruption, typically political, was then relatively low (Omotsho, 2006). During military rule in Nigeria, corruption, notwithstanding it was claimed to be the reason for the military takeover, became institutionalised. E.g., General Ibrahim

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<sup>29</sup>Nigeria, described as Africa's giant, is endowed with abundant human and material resources, a solid base for development (Agbiboa, 2012). Due to corruption Nigeria is: "In danger of becoming the midget of the world, as Africa's Gulliver faced the threat of becoming the Lilliput of the globe, a crippled giant, a colossal collection of impoverished masses, a crumbling tower of Babel built on...rickety foundations of oil rents collected and squandered by leaders" (Agbiboa, 2012 p.325). With political stability and good governance, Nigeria has a high potential of becoming a great, prosperous, and powerful nation (Eloho, 2000). An Israeli diplomat to Nigeria once told a Nigerian head of state that Nigeria is a sleeping giant, and: "The day Nigeria wakes up, the western world would find itself in trouble. Nigeria's gift of intellectualism stood the possibility of giving the developed world a chase with extra strength...from yet to be explored huge deposits of new resources" (Sunday, 2003).



Babangida “introduced the settlement syndrome with a view to corrupting as many Nigerians as possible” and General Sani Abacha “stole a lot of money from the economy and stashed it in foreign banks”; General Ibrahim Babangida “decentralised corruption” but General Sani Abacha “centralised it” (BBC NEWS, 1998; Oyediran, 1998; Obadina, 1999; Guest, 2004; Apter, 2005; Omotsho, 2006, p.1; Ribadu, 2006 p.1; Daniel and Freeman, 2007; Sowunmi et al., 2010 p.8; Administrator, 2011). For Uneke (2010):

Military juntas...were patrimonial regimes, in which the dictators monopolized power and used any and every means necessary to ensure their survival through the militarization of social life and...copious dispensation of public resources to reward cronies and allies and to buy off allies (p.116).

The second Nigerian republic (October 1, 1979 – 31 December, 1983) marked significant growth of highly conspicuous corruption (Omotsho, 2006; Agbiboa, 2012). Politicians were found to be self-interested, seeing politics as an investment and profit making venture (Omotsho, 2006). Fagbadebo (2007) describes this period as one of “wanton waste, political thuggery and coercion, disrespect for the rule of law, bare faced, free for all looting of public funds through white elephant projects” (p.30). During the Nigerian third republic (1999-2007), the Economic and Financial Crimes Commission (EFCC) recovered billions of dollars to the government treasury (Ribadu, 2006, 2009; Obuah, 2010). For Omotsho (2006), the corruption prominent amongst other corruption in this period was electoral, with people of questionable character, scarcely concerned about people’s welfare and development, with unqualified credentials, being elected to public offices by all means (Omotsho, 2006). The period from 2007 to the present is a difficult one in Nigerian national life. Those prosecuted by the EFCC hire highly intelligent lawyers who continue to ask for adjournment of cases, weakening anti-graft agencies.

In Nigeria, per Sowunmi et al. (2010), roots of corruption are: the sudden disappearance of good morals and ethical values; that a man’s wealth does not concern his neighbours,

the public or the government; customs, family pressures on government officials and ethnicity; membership of parastatal governing boards and chieftaincy titles are for influential people in society who have ‘made it’ politically or economically which may be via fraud; weak enforcement mechanisms such as lack of judicial independence or weak prosecutorial institutions; the high incidence of poverty leading to desperation to acquire wealth via any means; low salaries; lack of media freedom to expose corruption; poor financial management; stealing with impunity and lack of political competition due to fear of being killed.

Were measures adopted by the Nigeria to stop corruption? To tackle the challenge in both public and private sectors, two major Nigerian institutions were put in place, discussed below.

### **3.11.2.1 Anti-corruption agencies in Nigeria**

To solve the problem of corruption in both public and private sectors in Nigeria, the following two main anti-corruption institutions were put in place to fight the scourge.

#### **3.11.2.1.1 Independent Corrupt Practices and other related offences Commission (ICPC) Act 2000**

The ICPC Act focuses on curbing bribery and corruption in the public service and is limited in time to those offences committed from year 2000. The commission enlightens the public about the consequences of corruption. It plays the roles of reviewing and modifying the activities of public bodies and institutions to expose those things that will lead to corrupt practices (Iyoha and Oyerinde, 2010). Iyoha and Oyerinde (2010) write that the commission accused the government of starving it of funds and cited the limitation of time given to it which prevented it from prosecuting the oil boom corrupters.

### **3.11.2.1.2 Economic and Financial Crimes Commission (EFCC) Act 2004**

The EFCC is mandated to fight financial and economic crimes in all cases. The EFCC Act was enacted in 2004 to investigate, prevent and prosecute those who engage in:

Fraud, narcotic drug, money laundering, trafficking, embezzlement, bribery, looting and any form of corrupt malpractices, illegal arms deal, smuggling, human trafficking and child labour, illegal oil bunkering and illegal mining, tax evasion, foreign exchange malpractices including counterfeiting of currency, theft of intellectual property and piracy, open market abuse, dumping of toxic wastes and prohibited goods (EFCC Act 2004, Sec.46).

Ribadu Nuhu, the first chairman of EFCC, in his address to US Congressional House Committee on International Development, Washington DC on 18 May 2006 posited that Nigeria's corruption is deeply rooted in the 29 years of military rule since independence in 1960:

“..successive military regimes subdued the rule of law, facilitated the wanton looting of the public treasury, decapitated public institutions and free speech and instituted a secret and opaque culture in the running of government business” (Ribadu, 2006 p.1)

These agencies are in the forefront of anti-graft campaign in Nigeria.

Khoza and Adam (2007) maintain that “a key weapon in the fight against corruption is transparency” (p.251).

### **3.11.3 Accounting and Transparency: means of combating corruption**

Aristotle in ‘The politics’ suggested that “... to protect the treasury from being defrauded, let all money be issued openly in front of the whole city, and let copies of the accounts be deposited in various wards” (Shah and Schacter, 2004 p.1). Accounting is very important to the business world, the language of business used as a medium of communication (Diaconu and Coman, 2006). Accounting is here “the process of identifying, measuring, recording and communicating economic transactions” (Oxford Dictionary of Accounting,

2010). It discharges three major roles. These roles per Scott (1967) are: providing investors with information to enable them to compare alternative investment opportunities; providing information to managers in an enterprise for decision-making and efficient operation; and providing information to government for the purpose of taxation and for effective use of public sector resources. Maimako (2005) advances the following as the purposes of accounting to the government: first, it is a means by which government accounts to its stakeholders; second, it is the basis for taking economic, political and social decisions; and third, it helps assess organisational and managerial performances and can be used to predict flows, balances and conditions of government units.

Accounting can be used to fight corruption (Everett et al., 2007). There are two responsibilities: using financial statements to provide information about economic activities and auditing the information (Kimbrow, 2002). Here, if accounting is properly installed in an organisation, transparency and accountability are facilitated, countering corruption. For the World Bank (1994), to fight<sup>30</sup> corruption and ensure improved transparency and accountability, there should be in place: installation of an effective and integrated financial management information system; adoption and application of internationally accepted accounting standards; continuous training of professional accountants and auditors and a legal system to support modern accounting practices.

Khoza and Adam (2007) maintain that “a key weapon in the fight against corruption is transparency” (p.251), which is related to accounting (above).

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<sup>30</sup>The World Bank, Transparency International, International Monetary Fund (IMF), Organisation for Economic Cooperation and Development (OECD), World Trade Organisation (WTO), United States Agency for International Development (USAID), United Kingdom Department for International Development (DFID), Human Rights Watch, United Nations and Interpol are in the forefront of the fight against the scourge of corruption (Everret et al., 2007) and its devastating consequences (Shleifer and Vishny, 1993; Uneke, 2010).

Transparency can help promote good governance and is deemed vital in countering corruption: without transparency, access to reliable information on actions and decisions will be difficult (Kolstad and Wiig, 2009). Transparency entails openness, faithfulness, truthfulness, sincerity, loyalty, dependability and allegiance (Oladoyin et al., 2005). Kolstad and Wiig (2009) hold that in transparency's absence there will be secrecy and wrong, biased, incomplete, irrelevant, inaccessible information (or unequal access to information), and information overload. Khoza and Adam (2007) see transparency as important in enhancing accountability; countering unethical practices like bribery and corruption; and heightening confidence in organisations and building trust, which enhances credibility of management and the governing board. For Kolstad and Wiig (2009), transparency is important in decisions involving public revenues, public expenditures, awarding contracts and licenses, public procurement, ownership interests of public officials, appointment to positions and promotions in the public sector, and regulation and facilitation of the private sector. E.g., in May 2009, the President of the USA, Barack Obama, launched "sunlight before signing" on a website called Data.gov, serving as a platform for "posting new legislation on the web for five days before the President signs the bill into law to allow for public comments", following a principle of transparency (Etzioni, 2010 p.390).

#### **3.11.4 Accountability: a means of curbing corruption**

Accountability is an instrument of governance that can tackle corruption. Government obtains its power from the people and must be accountable through the next higher ranks in the civil service to the top of the hierarchy, to the legislature and thus the people (Mollah, 2008). For Behn (2001), "everyone agrees that...evils of corruption, arbitrariness and inefficiency are inherent in government and that they can be exorcised

through mechanisms of accountability” (p.2). Accountability, per Aucoin and Heintzman (2000) (in Mollah, 2008), serves three purposes: controlling or checking misuse or abuse of power; providing assurance that resources are used judiciously and that the law related thereto is meticulously adhered to and applied; and encouraging and promoting learning in pursuit of continuous governance improvement.<sup>31</sup>

In general, corruption may be seen to arise when public office holders have relatively unlimited powers and little or no accountability (Klitgaard, 1997). Klitgaard suggests a metaphorical corruption formula:  $C = M + D - A$  (Corruption equals monopoly plus discretion minus accountability). Klitgaard (1997) thus holds there will be corruption where a person has monopoly over provision of goods and services, discretion of how, where and when you get these and is not accountable. Thus, to fight corruption “monopolies must be reduced or carefully regulated, official discretion must be clarified, transparency must be enhanced, the probability of being caught must increase and the penalties for corruption (for both givers and takers) must rise” (p.500).<sup>32</sup> Next section examines accountability.

### **3.12 Accountability: defining Accountability**

Sinclair (1995) defines accountability as a “relationship in which people are required to explain and take responsibility for their actions” (p.221). Roberts and Scapens (1985)

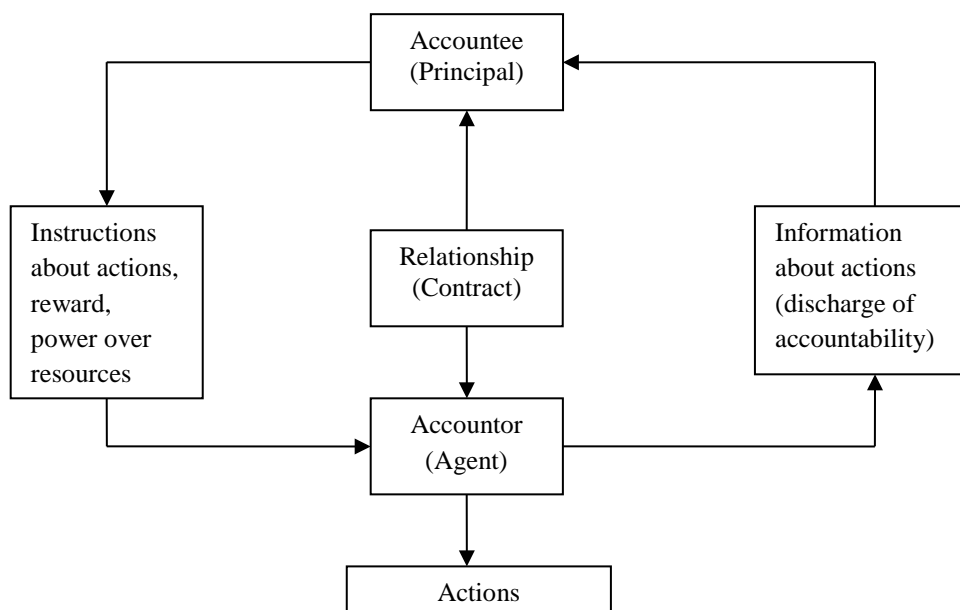
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<sup>31</sup> Accountability breeds performance improvement and is a help to governance challenges: it “has been offered as a solution for ills ranging from past injustices and corrupt behaviour to unresponsive and incompetent public programs” (Dubnick and Justice, 2004 p.3). Dubnick and Justice (2004) further reiterate that accountability involves record keeping, reporting, auditing and oversight, which are “ingredients in the public and private endeavour where transparency, answerability and responsiveness are deemed necessary for the sake of efficiency and effectiveness” (p.2).

<sup>32</sup> In 2004, UNDP added integrity and transparency (and hence accounting is underscored) to the Klitgaard formula:  $C = [(M + D) - (A + I + T)]$  (corruption equals monopoly plus discretion minus accountability minus integrity minus transparency).

construe accountability as “giving and demanding of reasons for conduct” (p.447). Gray and Jenkins (1993) define accountability as “an obligation to present an account of and answer for the execution of responsibilities to those who entrusted those responsibilities” (p.55). There are different names given to the two different parties to an accountability relationship in academic literature. One party is the principal which can be citizens/taxpayers, accountee, forum, shareholders, owners, audience or accountability holder. The other party is the agent, who can also be known as power-holders, directors, managers, governors, accountant, actor, steward or accountability holdee, (Gray and Jenkins, 1993; Aucoin and Heintzman, 2000; Bovens, 2005; 2007; Sannudee, 2009; and Solomon, 2010). Figure 3.1 is a generalised accountability model presented in Gray et al. (1996).

**Figure 3.1: A generalised accountability model**



**Source:** Gray et al. (1996, p.39).

Figure 3.1 indicates a two-way contractual relationship between the accountee (Principal) and Accountor (Agent). Gray et al. (1996) argue that some of such relationships are governed by law while others are governed by ethics, values, and principles of society. The contract, per Gray et al. (1996), is the basis of the rights and responsibilities in the relationship.

Accountability is found in relation to the Domesday Book (book-keeping) and accounting (Dubnick, 2002; Bovens, 2007). Dubnick (2002) states that King William I, 20 years after the Norman conquest of England in 1066, established rule by ordering royal surveyors to list and value all properties in England. This recording and assessment, per Dubnick (2002), was not for tax purposes but signalled to all the Kings subjects that William I had captured them and there was a new ruling order (see Bovens, 2007). Dubnick (2002) notes that the new ruling order was that all property holders had to render account of their possessions in terms set by the King's agents, who recorded the possessions in the Domesday Books (Bovens, 2007). Today, accountability is an emblem of good governance, beyond financial administration, whereby rulers give account to their subjects/taxpayers (Bovens, 2007).

Accountability in the business world was highlighted by Berle and Means's (1932) analysis of the separation of ownership and control, if its roots here as idea and practice go further back. Company law developed to make statutory reporting requirements (accountability) compulsory for companies (Jensen and Meckling 1976; Coy, Fischer and Gordon, 2001). Accountability is intended to remind rulers and custodians of power and resources that they do not have absolute power (Cameron, 2004; Bovens, 2007). Barberis (1998) (in Cameron, 2004) states that accountability: explains decisions or actions to stakeholders, provides further information as required, helps actors to review or revise



systems and practices to meet stakeholder expectations and makes redress or sanctions possible.

For ECSAFA (2004), accountability is an opportunity for a parastatal to disclose to Parliament how it accomplished its mandate. Per ECSAFA (2004), this accountability should detail: parastatal assets and liabilities; appointment and treatment of employees; financial performance and non-financial aspects of the organisation. The accountability process typically in parastatals is that the staffs are accountable internally to superiors; the CEO is accountable to the governing board; the board chair is accountable to the Minister; the Minister is accountable to Parliament (Mulgan, 1997; Barberis, 1998; Parker and Gould, 1999). Parliament is the centre of accountability in the public sector and accountability to the parliament means its discharge to taxpayers and stakeholders (Sendt, 2002).

Kovach and Burall (2001), in defining accountability as the “process by which individuals or organisations are answerable for their actions and the consequences that follow from them” (p.5), delineate two approaches to accountability. In the *traditional approach*, only the organization’s members (e.g. shareholders, citizens as voters or the state) can hold the organisation to account, while third parties do not have this right. In the *stakeholder approach*, an open and participative line is followed and the right to hold to account is granted to any group or individual who can affect or is affected by the organisation.

For Sinclair (1995), accountability is “a cherished concept, sought after but elusive” with a “chameleon quality” (p.219). Similarly, for Behn (2001) “accountability is an important yet elusive concept whose meaning and characteristics differ depending upon the context” (p.3). The literature of accountability indeed contains different types of accountability. In human resource management, accounting, political science, information technology and

public management, accountability is articulated to suit the particular circumstances (see Romzek and Dubnick, 1987; Sinclair, 1995; Stone 1995; Scott, 2000; Mulgan, 2003; Scott, 2006; Bovens, 2007; Harlow and Rawlings, 2007; Hodge and Coghill, 2007; Lindberg, 2009). Out of this literature one can summarize different types as political, legal, administrative, professional peer group, societal and public accountability.

Political accountability is where public managers, agency heads and Ministers are called upon to give account as in parliamentary inquiries to Parliament (Bovens, 2007). Ministers give account to Parliament which itself holds public officials in their various departments to account (Barberis, 1998).

Legal accountability is where parastatal heads and agency heads can be called upon by courts to give accounts of their conduct “based on the specific responsibilities formally or legally conferred on authorities” (Bovens, 2007, p.456; see Ogundele, 2010).

Administrative accountability is legal or quasi-legal, where Auditors, Inspectors, and Controllers who are external, independent and with financial oversight, check the authority, efficiency and effectiveness of public spending by public managers/organizations (Bovens, 2007). Professional peer review group accountability relates to accountability to professional bodies. Parastatal heads may also be members of professional bodies, e.g. as engineers, accountants, doctors, teachers and nurses, and these bodies have codes of ethics which guide the conduct of their members: any member behaving unethically may have his/her certificate withdrawn and this accountability especially applies to those working in hospitals, schools, psychiatric clinics, police departments and fire brigades (Bovens, 2007).

Societal accountability is where government is held to account by various interest groups, citizens, social groups, trade unions, labour unions, NGOs, civil society, aid donors,

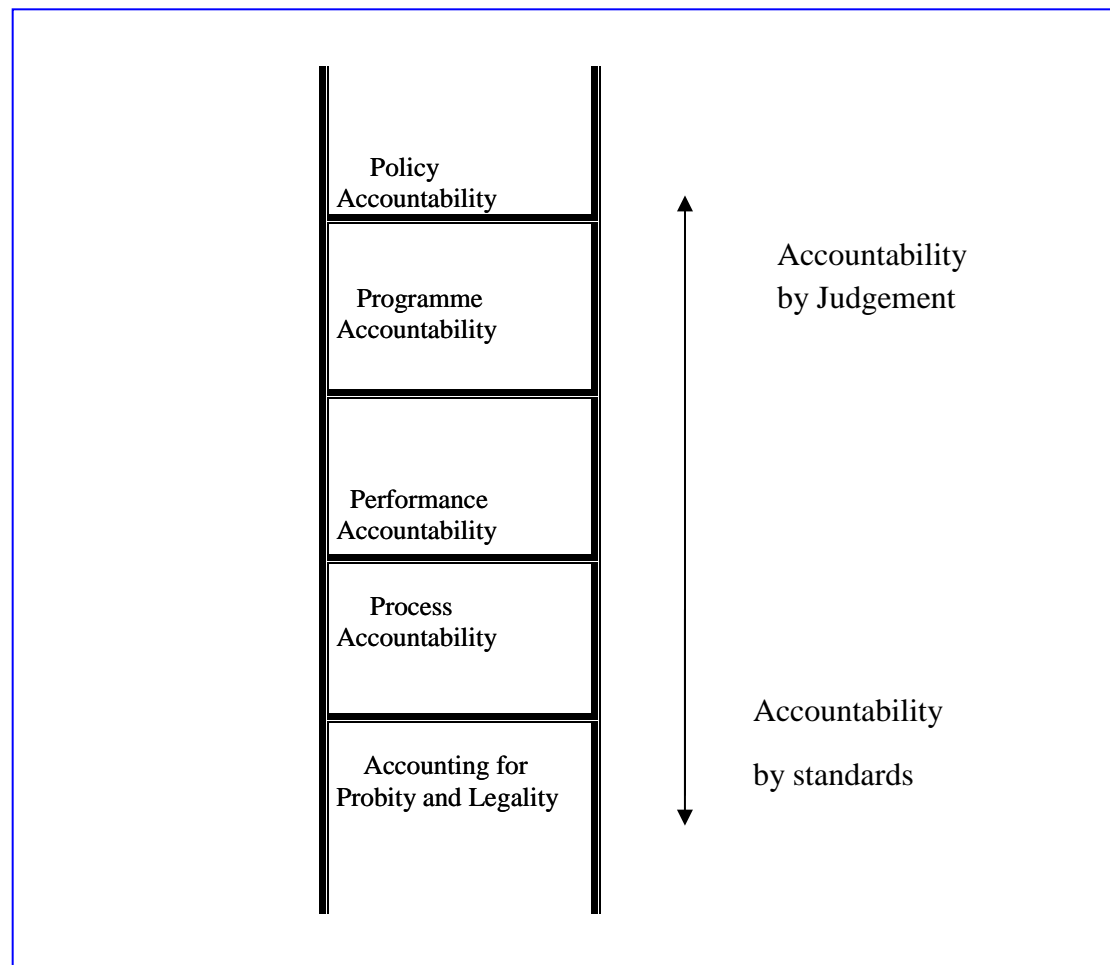
human rights activists and opposition parties. This may facilitate criticism of government policies, decisions and actions (Bovens, 2007).

Public accountability assesses the fairness, effectiveness and efficiency of governance (Bovens, 2005, 2010; Mollah, 2008) and facilitates voting out of office non-performing representatives. It is seen as promoting honesty in governance, instilling a culture of hard work in public servants, preventing frauds, laziness and corruption, eliminating unnecessary public criticism, helping build trust in government, righting wrongs, leading individuals and governments to take decisions within the confines of relevant rules, regulations and working procedures (Bovens, 2005, 2010).

Public accountability must demonstrate free flow of information on decisions, actions and activities from the agent to the principal in form of a ladder showing the bases of accountability (Stewart, 1984). Stewart (1984) gives five bases of accountability in parastatal organisations. The first one which is the starting point of the ladder is probity/legality accountability. Stewart notes that probity accountability prevents the agent from wrong doing and helps to show that funds given to the organisation are properly and appropriately used as authorised. Legality accountability, according to Stewart, helps to show that the agent did not go beyond the requirements of the law. This means that the management of the parastatals are required to ensure that the powers and funds approved in the budget for their organisations are not exceeded and that such funds are used for the purpose they were budgeted for. Stewart (1984) maintains that the information provided by management of public organisations does not mean that accountability has been fully rendered but forms the basis upon which the management will be judged. Secondly, Stewart (1984) defines process accountability as requirement for management to show proof of following the procedures set up by the law and whether

internal control systems are adequate and dogmatically followed with no waste of resources (Wanyama, 2006). Thirdly, performance accountability is to confirm whether the standard set by the principal is achieved by the agent, which will help the principal to measure the performance of management or agent (Stewart, 1984). Such measurement exposes the variance that may lead to passing of blames or praises by the stakeholders. The governing board of parastatals formulates policies and would like to know whether the policies, goals or objectives of the organisation are being achieved by examining the performances of management. Fourthly, programme accountability is carried out by management of a particular organisation to show their performances in a specific assignment (Stewart, 1984). It is similar to performance accountability except that instead of overall activity, programme accountability is looking at the achievement in a particular or specific assignment given to the management by the board (Wanyama, 2006). The board or other stakeholders will hold the management accountable for the performance of this specific assignment. Finally, policy accountability means that government or governing board of an organisation is responsible for setting standards and policies. It is responsible to account for the policies it has pursued and those it did not pursue (Stewart, 1984). The figure below shows Stewart (1984)'s ladder of accountability.

**Fig. 3.2 Stewart (1984)'s Ladder of Accountability.**



**Source:** Hannah (2003).

Accountability is objective at the bottom of the ladder and subjective at the top of the ladder (Fox, 2010). Accountability by standard leads to accountability by judgement (Stewart, 1984). The bases of accountability are the basic requirements to be met by public organisations in their accountability presentations (Stewart, 1984).

A problem often seen as encountered in an accountability relationship is that the goals and desires of principal and agent conflict and it is difficult or expensive for the principal to verify what the agent is doing given information asymmetry (Eisenhardt, 1989). Scholars identify two types of asymmetry (Jensen and Meckling, 1976; Arrow, 1985; Diamond and

Rothschild, 1985; Rees, 1985; Watts and Zimmerman, 1986; Laffont, 1989): hidden information (related to adverse selection) and hidden action (moral hazard). Hidden information exists ex ante, the information becoming available post-transaction while hidden action asymmetries exist ex post in that an agent's actions can affect the outcomes that occur but these are not observable by the principal (Broadbent et al., 1996, p.266). Broadbent et al. (1996) argue that in the absence of a contract an agent pursues personal objectives thereby abandoning the principal's objectives.

To resolve this accountability problem, the principal should always draw up a contract, including rewards and penalties, so that the agent will not shirk responsibilities and claim an inappropriately high payment (Broadbent et al., 1996). Further, to control the decisions, actions and activities of the managers, Broadbent et al. (1996) opine that the principal should ensure that his relationship with the agent is in written form detailing his rewards and punishment for doing or not doing respectively, what they have agreed in the covenant. That means accountability relationship can be contractual or communal. Per Laughlin (1990), accountability can be contractual — can be written or verbal. Tricker (1983) and Gray et al. (1996) argue that accountability is not discretionary but must be contractually binding.

### **3.12.1 Transparency**

Transparency is closely linked to accountability. It emphasises openness (Oladoyin et al., 2005; Sturges, 2007). Sturges (2007; 2008) describes transparency's link to: open government (often with separation of powers between legislature, executive and judiciary); freedom of information (involving granting stakeholders access to official information); whistle-blowing (or protecting public interest disclosure, complementary to freedom of information); financial accounting and audit (transparency also involving

financial reporting and public accounting); investigative journalism (free and independent journalism where a journalist can reveal illegal behaviour against public interest); and Civil Society Organisations (as advocates of transparency and accountability worldwide). For Khoza and Adam (2007), transparency entails “obligation to account in an open and honest manner to those with a legitimate interest” (p.209) and this clearly linked to accountability. Transparency here means that those who are stewards of power are exposed to the eyes of the world, consistent with Jeremy Bentham quoted in Etzioni (2010): “the more strictly we are watched, the better we behave” (p. 393). Publicity or disclosure is thus seen as discouraging corruption and poor performance (Etzioni, 2010). For Ball (2009), transparency is used to counter corruption and is closely entangled with accountability, is tantamount to open decision-making by government, organizations and civil society, promotes openness but discourages the tendency for secrecy and privacy in public services and is a tool of governance in programmes, policies, organisations and nations. Transparency can be opaque or clear (Fox, 2007). *Opaque transparency* is when information supplied by an organization is unreliable (misleading) falling short of revealing how organizations behave in practice, in terms of their decisions and actions.<sup>33</sup> *Clear transparency* refers to reliable information (not misleading) supplied by public organizations giving substantive insights into the organisation’s performance, individual organizational responsibilities and where public money went (Fox, 2007). Transparency is understood to keep government honest, enable people to participate in elective positions, enhance trust in government policies and decisions, help in preventing corruption, facilitating informed decision-making, guaranteeing accurate government information and providing the public, companies and journalists with substantive information (Bertot et

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<sup>33</sup>E.g., Arthur Andersen, once a ‘big five’ audit firm was expelled from the auditing profession for supporting Enron’s management in efforts to keep millions of dollars of debts and losses off the books (Solomon, 2010).

al., 2010). Transparency is deemed important to voters and investors, helping to expose misconduct and promote accountability (Sturges, 2007).

### **3.13 Focusing on Accountability in Africa: prior studies largely indicating weaknesses**

Eloho (2000) and Agbiboa (2012) report deficient accountability and transparency in Africa and the above discussion on African governance touches on related accountability issues (Keasey and Wright, 1993; Okike, 2007). One characteristic of undemocratic government is lack of accountability as power is not from the people and this prevails in Africa due to long periods of military rule after independence (Yinusa and Basil, 2008). Opposition groups in Africa, international donor agencies and the African public constantly demand accountability and transparency (Odhiambo-Mbai, 2003; Akokpari, 2004), while some suggest accountability is taking root due to donor aid requirements (Brautigam and Knack, 2004).

Africa's development is limited by lack of accountability due to strict information controls per Brautigam and Knack (2004). E.g., in some African countries like Gambia "record keeping was made chaotic in order to destroy audit trail" (Iyoha and Oyerinde, 2010, p.372). In Nigeria and Tanzania: "government has the right to withhold information for reasons of national security" (Iyoha and Oyerinde, 2010, p.372). In Uganda, accountability is reported as cosmetic, the record being very misleading (Wanyama et al., 2013). African governments are accountable to aid donors but rarely directly to African people (Therkildsen, 2001; Akokpari, 2004; Dowden, 2011). Namibia's Prime Minister refused to be assessed by his peer group: he simply sees his country having no governance problems (Akokpari, 2004).



Public accountability is necessary to ensure political, economic, financial independence, and to curb the abuse of power but, for Hope (2005), the patrimonial nature of African leaders has weakened their governance, made their accountability difficult, and delayed African development. Moreover, the constant placement of most African countries on the top of lists of the most corrupt countries in the world indicates that African countries lack accountability and transparency (Odhiambo-Mbai, 2003; TI, 2010). The 2010 Transparency International Corruption Perception Index (CPI) report of 178 countries shows Nigeria 134th out of 178 countries making Nigeria one of the 25% most corrupt countries (TI, 2010). In sub-Saharan Africa, Nigeria is 28th out of 47 countries thereby making Nigeria one of the top 40% most corrupt African countries with Somalia being the worst case (TI, 2010). More generally, in relation to accounting, qualified accountants are in charge of both public and private sectors treasuries in Nigeria (CAMA, 1990 as amended) yet looting is carried out and reported daily without any accountant being prosecuted: are they observers participating in the looting or fighting against corruption (see Everett et al., 2007)? Olu-Adeyemi and Obamuyi (2010) found that “political appointees and career officers embark on a stealing spree and also use accounting techniques to cover up their tricks” (p.124).<sup>34</sup>

### **3.14 Antidotes to governance and accountability issues in Africa**

The World Bank (1989) argues that crises in Africa and other developing countries are mostly due to lack of good governance and suggests state reforms through civil service retrenchment and privatisation. Governments as owners of state enterprises can benefit from adopting tools used in private sector organisations. E.g., good parastatal governance

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<sup>34</sup>It has been argued that multinational companies in developing countries should join hands in condemning Nigerian corruption rather than succumb to persuasions by unscrupulous Nigerian politicians to give bribes before obtaining contracts, win friends or influence (Hawley, 2000; Fagbadebo, 2007).

is a condition for successful privatisation because it will increase its value and make the enterprise attractive to potential buyers (OECD, 2005). Governance's attention is on organisational structure and processes that will culminate in fairness, accountability, transparency and responsibility (OECD, 2004).<sup>35</sup> The following have been advanced by the OECD (2005) as corporate governance guidelines for SOEs such as African parastatals: first, the legal and regulatory framework of parastatals should make it possible for parastatals and private bodies to compete without market distortions and the framework should build on the OECD principles of corporate governance; second, state ownership functions of parastatals and other state functions should be divorced and the state as parastatal owner should establish ownership principles ensuring parastatals are transparently accountable, effective, and run professionally by granting them independence to operate without interference; third, the state and parastatals (SOEs) should respect rights of all stakeholders by treating them equally, enabling them to access information; fourth, they should communicate and consult with them to enable them to participate in decisions promoting enterprise development; fifth, the policy of state ownership should value parastatals' responsibilities to stakeholders by directing them to report accordingly; sixth, parastatals should be transparent in line with OECD principles of corporate governance; seventh, parastatals should establish efficient and effective internal control systems monitored by the audit committee and the board; eighth, the parastatal board should have authority, ability and objectivity to guide and monitor management; ninth, board members should be honest and remember their accountability;

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<sup>35</sup>This is consistent with Global Corporate Governance Forum (GCGF) pronouncements. GCGF's mission statement stresses countries will improve governance standards of their corporations if they adopt corporate governance (Levine, 2003), attracting foreign and local investors promoting transparency and accountability, making it difficult for corruption and other vices to thrive (Okeahalam and Akinboade, 2003). The GCGF is a multi-donor trust fund founded by the World Bank and OECD to promote global, regional, and local initiatives aimed at improving the institutional framework and corporate governance practices. Its role is to "help countries improve standards of governance for their corporations, by fostering the spirit of enterprise and accountability, promoting fairness, transparency and responsibility" (Levine, 2004 p.44)

tenth, the board chair should be separate from the CEO who is appointed and removed by the board.<sup>36</sup>

To tackle governance problems in Africa, the African Union (AU) summit in 2002 approved the establishment of the African Peer Review Mechanism (APRM) “to monitor and assess the progress made by African countries in meeting their commitment toward achieving good governance, social reforms, and sustainable development” (Hope, 2005 p.289). APRM, a voluntary association of AU members, is Africa’s self-assessment mechanism for good governance (APRM website; NEPAD, 2007). If there is no formal punishment for perceived governance failings, negative reviews stain the image of the country concerned (Hope, 2005). Peer Review is defined by OECD in Hope (2005) as “the systematic examination and assessment of the performance of a State by other States (Peers)” (p. 290). For Hope (2005), the APRM’s remit is not to punish poor governance performance but to correct weaknesses identified by the APRM panel. Yet, there are criticisms of APRM. It is voluntary and there is lack of follow-up to make members comply with the APRM panel’s recommendations (Hope, 2005). Some best performing countries like Botswana refused to join APRM as they believe good governance should be apparent to everyone (Dowden, 2011). Theo Ben Gurirab, Namibia’s Prime Minister, argued that Namibia need not join APRM: “...we do not need external auditors, we have our own auditors...our constitution and electorates, we do not have a problem with good governance” (Akokpari, 2004 p.256). Another criticism is that APRM is included in the AU to satisfy international creditors’ requirements and not necessarily to promote good governance or democracy (Akokpari, 2004). APRM is also criticised on the grounds that Africa is politically independent from but economically dependent on the former colonial

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<sup>36</sup>These OECD guidelines, per OECD (2011), were followed by thirty-four member and non-member countries in connection with their SOEs’ corporate governance.

masters. Consequently, Africa has dual accountabilities: to aid donor nations and to her countries (Dowden, 2011). Another criticism is that it is not compulsory for AU members to join the APRM (Hope, 2005) and some with “dubious governance records” have refused to join (Akokpari, 2004 p.254). Despite criticisms, some acknowledge that APRM assessment has assisted African countries in political, economic, and corporate governance and socio-economic development. E.g., it has led to greater transparency, improved accountability, enhanced policy coherence and strengthened capacity development (Hope, 2005). APRM “presents fresh opportunities for strengthening democracy to ensure that the basis of governance transcends the narrow confines of personal rule, patron-client relations or ethno-religious politics” (Akokpari, 2004 p.253).

Another governance check put in place in Africa is the Ibrahim Index of African Governance (IIAG), established in 2007 to “provide an assessment of governance in every African country” (MO Ibrahim Foundation, 2013 p.3). The areas of assessment by IIAG, per the foundation, are: safety and rule of law, participation and human rights, sustainable economic opportunity, and human development. Out of 52 countries assessed in 2013, IIAG ranks Mauritius, Botswana, and Cape Verde in the top three while Eritrea, Congo Democratic Republic and Somalia rank 50<sup>th</sup>, 51<sup>st</sup> and 52<sup>nd</sup> respectively (MO Ibrahim Foundation, 2013). Other rankings of good governance and sustainable development indicators in Africa are prepared by the World Bank and Transparency International (NEPAD, 2007). Sustainable development and implementation of good governance in Africa are reported as having been slow and weak, with the exception of South Africa (Okike, 2007; Okpara, 2010). However, NEPAD (2007) argues that African governments signing up to the 2001 AU/NEPAD Foundation Document on conditions for sustainable development in Africa agreed to provide good governance to their people by:

The creation of the conducive socio-economic, legal, political and institutional environments to foster the state's material strength; to free people from the evils of abject poverty, preventable diseases, ignorance, squalor and idleness; to provide the citizenry with the voice to choose those who rule over them, to hold those in power accountable when they do not work for the greater good, to demand transparent structures and to fight down socially regressive policies, and to treat every citizen equal without regard to gender, race, ethnicity, religion and creed (Section 13 p.6).

To tackle governance weaknesses in public and private sectors, the Committee on Corporate Governance of Public Companies in Nigeria (CCGPCN) was formed. It produced a corporate governance code in 2003, adapting principles in OECD guidelines and the Cadbury and King reports (APRM, 2009). APRM (2009) also notes that the Nigerian Securities and Exchange Commission (SEC) introduced a code of conduct for capital market regulators and employees<sup>37</sup>.

Bad governance has affected both public and private sectors in Nigeria. E.g., in the public sector a Presidential Projects Assessment Committee (PPAC), set up by the Nigerian President in 2011, discovered about 11,886 projects abandoned by successive Nigerian governments (El-Rufai, 2012). This is understood as because Nigerian parastatals are used for patronage and political reasons (Nworji et al., 2011). In the private sector, about 34 banks failed between 1991 and 1994 (Lindgren et al., 1996); 26 banks went into liquidation in 1998 during bank consolidation in Nigeria (Ogowewo and Uche, 2006); the CBN withdrew Savannah Bank's licence in February, 2002; Onwuka Interbiz, a company incorporated in 1991, was delisted and failed after six years; Peak Merchant Bank's licence was revoked in February, 2003 by the CBN; in July 2004, the reformation of

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<sup>37</sup> Nigeria has also enacted other laws or structures dealing with illegal acts: the Companies and Allied Matters Act (1990 as amended); the Audit Ordinance (No 28) Act, 1956 [as amended 1988]; Finance (control and management No 33) Act 1958 (as amended); Independent Corrupt Practices and other related offences Commission (ICPC) Act 2000; Economic and Financial Crimes Commission (EFCC) Act 2004; Acts supporting professional accounting bodies like the Institute of Chartered Accountants of Nigeria (ICAN) and Association of National Accountants of Nigeria (ANAN); Code of Conduct Bureau (CCB); Budget Monitoring and Price Intelligence Unit (BMPIU); and the African Peer Review Mechanism (APRM). Yet most of these regulations have been observed to be outdated, revealing legislative gaps and ineffective implementation, leaving Nigeria engulfed in systematic corruption (APRM, 2009).

Nigeria's financial system led to bank mergers and acquisitions, reducing the number of Nigerian banks from 89 to 25 (Nworji et al., 2011). The consolidation led to development of a post-consolidation corporate governance code for Nigerian banks in 2006 (Nworji et al., 2011). Nigeria appears to have enough and effective laws to promote good governance: for Okpara (2010), the problem lies with weak mechanisms for monitoring, enforcement and implementation. Next section will examine privatisation.

### **3.15 Privatization**

Parastatal performance in developing countries, like the developed world equivalent prior to the hollowing out of the 1980s and 1990s, fell below expectation in terms of investment returns and service quality as well as corruption (Nwoye, 2005). And the spectre of privatization has been proposed and implemented as another way forward. Needle (2004) defines privatisation as “the government policy of selling off public assets to private ownership and control, usually by share issue” (p.220). Zayyad (nd) describes it as the “transfer of government-owned shareholding in designated enterprises to private shareholders, comprising individuals and corporate bodies” (p.4). Parastatals, enterprises where the state holds most of the capital (Adeyemo and Salami, 2008), for some have been deemed inefficient with much to learn from the private sector (Anwar and Sam, 2006). Parastatal problems in developing and developed countries are lack of profits, low efficiency, extensive corruption, nepotism, poor accountability, poor accounting and reporting systems, poor management due to bureaucratic management structures and political interference – reasons for mass privatisation in many countries (Rohdewohld, 1993; Hope, 2001; Uddin and Hopper, 2003; Anwar and Sam, 2006; Adeyemo and Salami, 2008). From an economic perspective the criticisms were that government ventured into the private sector but could not provide the same sort of efficient and

effective service, employees could not properly yield to the people's quest for satisfaction, and government invested too much in parastatals, affecting other areas and economic growth (see Ugorji, 1995).

For some, there is a great difference between trading and sovereignty: their duties, functions and characters are different (Ugorji, 1995). Ugorji (1995), basing his argument on Adam Smith's 18th work (Smith, 1937), asserts that a sovereign ruler cannot at the same time be a trader and that parastatal management and staff are wasteful and negligent as the outcome of their actions does not directly affect them. For Rhodes (1994) and Ugorji (1995), for there to be competition, profit, productivity, effectiveness and efficient service, government should leave the market system to the trader who is capable in her or his field and should concentrate on protecting lives and properties, and providing health services and quality education.

Needle (2004) and Josiah (2010) highlight claimed benefits of privatisation as follows. It: reduces state deficits and borrowing requirements, raises cash via sale of state owned enterprises, creates competition leading to increased efficiency, promotes productivity, quality and service improvement, growth and profit, reverses capital flight, encourages domestic investment, attracts foreign investment and new technology, encourages competitions thereby reducing costs, increases jobs, increases exports, reduces the state's roles in the economy, focuses on customer care, ensures managers' performances are closely monitored and controlled via staff incentives, encourages managers via incentives to be more innovative and proactive, and leads to "more transparent accounting and improved economic performance" (Uddin and Hopper, 2003 p.740).

Britain's Thatcher government of the 1980s made it compulsory for many services to be privatised, its view being that: "government had to get out of the business of telling

people what their ambitions should be and how exactly to realise them” and “...put faith in freedom and free markets, limited government and strong national defence and in the creative capacity of enterprise” (Rhodes, 1994, p.140). For Rhodes (1994), to reduce state expenditure, governments all over the world are transferring the assets and liabilities and ownership and control of parastatals to the private sector. For Zayyad (nd), privatization was implemented to encourage competition and emphasise the role of market forces to replace statutory restrictions and power of monopoly. The main aim of privatisation in developed economies was ostensibly to increase economic efficiency, raise money for the government by reducing subsidies, increase productivity and reduce production cost: the aim is to improve economic performance which includes obtaining maximum output from scarce resources, poverty reduction and sustained economic development (Parker and Kirkpatrick, 2005). Privatization<sup>38</sup> has become one of the major economic adjustment policies required by the World Bank and IMF for aids and loans (Ariyo and Jerome, 1999).

### **3.15.1 Privatisation in Africa**

For Urgoji (1995), the lack of governance, accountability and transparency, inefficiency and loss making led to calls for privatization of parastatals in Africa. Also, for Hope (2001) in this context, African parastatals were used as a conduit pipe for siphoning public funds. For Ariyo and Jerome (1999), African countries pursued privatization due to public discontent with parastatal performance, deteriorating economic conditions, IMF and World Bank loan conditions and an acute economic crisis widespread in many African countries. For Ariyo and Jerome (1999) and Nellis (2005), efforts were made to

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<sup>38</sup> Hope (2001), Pamacheche and Koma (2007) and Zayyad (nd) outline different forms of privatization: management contract, concessional agreement, lease agreement, joint venture, sale by public offer of shares, commercialisation, management buyout, private share placement, and outright asset sale.



reform parastatals to no avail before privatisation was embarked upon as an alternative. Thus, per Ariyo and Jerome (1999), Tanzania began privatization in 1985; Ghana in 1996; Cote d'Ivoire in 1977; Senegal in 1988; Kenya and Togo in 1979; Nigeria in 1981 and 1984; and South Africa in 1985.

Yet commercialisation or reforms and privatisation in African countries have been deemed failed (Uddin and Tsamenyi, 2005) as they were donor-driven privatisation (Uddin and Hopper, 2003) that Africa was unprepared for (Etukudo, 1997). For Etukudo (1997), apart from aid donor requirements, the US state secretary, George Shultz, sent a message to USAID African field offices in 1985 that “parastatals are generally an inefficient way of doing business...In most cases, public sector firms should be privatised” (p.36). However, African bureaucrats were not prepared for privatisation (Etukudo, 1997) and African privatisation was controversial (Josiah et al., 2010). There are many reasons why privatisation is seen as sudden and controversial in Africa, as Nellis (2005) highlights. First, privatisation is seen as empowering and enriching foreigners.<sup>39</sup> Second, African workers are unhappy as privatisation is seen as entailing job losses and aggravating already deteriorated job conditions. Third, politicians and bureaucrats are seen as acquiring wealth and prestige from privatisation. Fourth, the private sector is seen as losing friendly relationships with parastatal officials. Fifth, as per Uddin and Hopper (2003), privatisation is seen to lead to “massive transfers of public wealth into private hands” (p.746). For these reasons, according to Nellis (2005), Zambians, four years after successful World Bank and IMF imposed privatisation of their small parastatals in 1998, thought of reversing it. Sixth, it is seen as promoting inequality and poverty. Seventh, many firms privatised were closed. Eighth, revenues from sales of

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<sup>39</sup> Africans believe parastatals were established to promote and defend their interests (Nellis, 2005).

privatised parastatals were suspected as being corruptly misused and unaccounted for. In Uganda, privatisation has lacked transparency and accountability and is flawed by corruption (Wanyama, 2006). Other problems militating against commercialisation or reforms and privatisation in Africa are lack of developed capital markets; government not willing to give up profitable parastatals and unprofitable ones do not attract buyers; lack of support of professionals; lack of suitable legal and judicial framework (see Ariyo and Jerome, 1999; Mwaura, 2007); and lack of “technical infrastructure and organisational capacity” (Uddin and Hopper, 2003 p.739). All these make commercialisation and privatisation controversial in Africa (Josiah et al., 2010), done grudgingly (Uddin and Hopper, 2003), with little preparation (Etukudo, 1997) and delayed, diluted and sabotaged (Nellis, 2005).

### **3.15.2 Privatisation in Nigeria**

In Nigeria, in the 1970s, government participation dominated the economy (Omeleke and Adeopo, 2005; Zayyad, nd). Zayyad (nd) states further that from the late 1980s, a working party on parastatals recommended that government should release businesses and concentrate on providing the enabling environment for businesses to thrive. Nigeria’s privatisation and commercialisation programme began with Decree No. 25 promulgated on 6 July 1988 with an implementation agency, the Technical Committee on Privatisation and Commercialisation (TCPC) (Ahunwa, 2002; Omeleke and Adeopo, 2005). The programme was reinvigorated in 1999 by the privatisation and commercialisation Act No. 28 of May 1999, which established the National Council on Privatisation (NCP) with the Vice President of the FRN as Chair: the Council is the policy-making body during

programme<sup>40</sup> implementation, while the Bureau of Public Enterprises (BPE), formerly TCPC, is charged with operationalising these policies and providing secretarial support to the Council (Omoleke and Adeopo, 2005).

Chief Olusegun Obasanjo, former Nigerian president, listed benefits of privatisation at the inauguration of the NCP in 1999 as: helping government focus resources on its major duties and responsibilities; making government enforce the rules of the game by enabling markets to function efficiently and effectively; enabling government to provide enough security and necessary infrastructure to ensure access to basic services like education, health and environmental protection; removing the financial burden of parastatals from government's shoulders; aiding socio-economic recovery; ensuring competition, regulating the market for fairer pricing, providing quality services and enjoying globalisation's benefits via technology, managerial competence and capital from the developed world (Mohammed, 2008).

Ariyo and Jerome (1999) contend that commercialisation failed due to political interference in parastatal management, privatization being largely of smaller parastatals, the big ones continuing to draw off government resources, shares of privatised parastatals being held only by the rich, and the privatisation programme being poorly executed.

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<sup>40</sup>The stated objectives of the programme as per the Council's 2001 handbook (3rd edition) are to render Nigeria's private sector an engine of economic growth, to send a clear message to local and international communities that a new transparent Nigeria is now open for business, to restructure and rationalise the public sector so as to substantially reduce dominance of unproductive government investment in the sector, to re-orient all public enterprises engaged in economic activities towards a new horizon of performance improvement, viability and overall efficiency, to raise financing for socially-oriented programmes in such areas as poverty eradication, health, education and infrastructure, to ensure positive returns on public sector investments in commercialised enterprises, through more efficient private sector-oriented management, to check the present absolute dependence on the treasury for funding by otherwise commercially-oriented parastatals and so encourage their approach to capital markets to meet funding needs, to initiate the gradual transfer to the private sector of public enterprises better operated in that sector and to create jobs, acquire new knowledge, skills and technology, and expose Nigeria to international competition.

### **3.16 Governance and accountability in the Nigerian context**

The review of literature revealed that there are few studies carried out on corporate governance of parastatals in Nigeria. One of the scholars who carried out a study on privatization/commercialization of State-Owned Enterprises (SOEs) in Nigeria, looking at the strategies for improving the performance of the economy in 1995, was Ebenezer C. Urgoji (Urgoji, 1995). He examined Nigerian's privatization and commercialization program-focusing on the development and performance of Nigeria's parastatals; the criteria, nature, objectives and implementation process of Nigerian's privatization and commercialization program. The result shows that Nigerian government economic activities are inimical to economic growth; also there is excessive mismanagement of public resources; low returns on public investments and high level of corruption are common features of Nigerian parastatals; and therefore, there is a great need for the government, according to Urgoji, to denationalize.

Etukudo (1997) examines privatization and restructuring of State Owned Enterprises (SOEs) in sub-Saharan African countries. The findings show that parastatals do not make returns on investment but continue to draw from government purse; they are overstaffed and with high public debt and unsustainable public expenditure. For these reasons, the Nigerian government needs to privatize parastatals.

Ahunwan (2002) investigates the nature of corporate governance in Nigeria and prospects of reforms contributing to responsible governance. The result shows that for Nigeria and other developing countries to compete in the global economy, they have to introduce programs of economic liberalization and deregulation, introduce reforms that will strengthen their governance, liberalize their capital markets, and privatize their parastatals. The result also shows that for corporate governance to succeed, the Nigerian

government should embark on broader governance reforms encompassing entire Nigerian State.

Okike (2007) looks at the mechanism for corporate governance including the requirements of the established code of best practices for Nigerian public companies and the roles of the government, the Corporate Affairs Commission, the Securities and Exchange Commission, the Nigerian Stock Exchange, and the representatives of the shareholders of the companies (directors, Auditors and the Audit committee) in the governance process. He also examines in the study whether the governance mechanisms in Nigeria are adequate in the face of the changes and challenges in the global corporate scene. The result shows that the Nigerian code does not identify corruption as an issue. Moreover, the findings reveal that enforcement mechanisms are weak and ineffective, and no penalties exist for companies that flout the company legislation. Another finding shows that appointments into leadership positions in Nigeria, which are important for good corporate governance, are highly questionable because of what is called “Nigerian Factor” and therefore subject to further investigation.

Inyang (2009) investigates the history of corporate governance system and the mainstream issues in nurturing corporate governance in Nigeria. The findings reveal that there is dearth of literature on corporate governance in Nigeria. He notes also that corporate governance issues began in Nigeria when Companies and Allied Matters Act of 1990 (CAMA 1990) was enacted. The result shows also that corporate governance principles are not directed at parastatals despite the fact that parastatals are the “worst abusers” (p.10) of corporate governance principles in Nigeria. The result further reveals that parastatals are bedevilled with corruption, deliberate accounting fraud, poor

managerial capacity, and lack of market discipline in relation to transparency and accountability.

Nworji et al. (2011) examine the issues, challenges and opportunities connected with corporate governance and banks failure in Nigeria in order to see if there is significant relationship between corporate governance and banks failure. 11 commercial banks in Lagos were randomly chosen for investigation. Data were collected from the staff of these banks using a structured questionnaire. The result shows that the new code of corporate governance for banks has all it takes to curb banks failure. The result of the findings also reveals that the main reasons for Banks failure are because of inappropriate risk management, corruption of banks staff and over expansion of banks.

In general, these studies lacked a proper theoretical base. Moreover, many of the published materials on governance and accountability so far have concentrated on corruption<sup>41</sup> and inefficient performances of parastatals, and have called for simple solution of privatisation for parastatals without looking in more holistic detail the root cause of parastatals' failure (Urgoji, 1995; Etukudo, 1997; Mwaura, 2007). From the above literatures examined, both private and public sectors in this respect have the same problem of corruption (see also Klitgaard, 1997; Anwar and Sam, 2006; Wanyama, et al., 2009). This thesis argues that if appropriate and meritocratic appointments are made at the leadership levels of parastatals, there might be no need for privatization. Here, through an in-depth analysis, a simple perspective is replaced by a complex one, taking into account an array of contextual and historical factors and dimensions.

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<sup>41</sup>Corruption is a common feature of both private and public sectors (see Ugorji, 1995; Klitgaard, 1997; Anwar and Sam, 2006; Wanyama et al., 2009).

The current study is the first that focuses on governance and accountability issues in Nigerian parastatals as there are paucity of literatures in the subject area. The paucity of studies examining parastatals is related to the notion of many researchers in this area that governance and accountability are areas meant for the private sector (IFAC, 2001; ECSAFA, 2004). The empirical findings in this study using case study interviews, semi-structured interviews and questionnaires (case analyses being previously under-utilised); contribute in filling this gap as do the theoretical framework (see chapters 4, 6 and 7).

This present study dwells holistically on governance and accountability issues in parastatals as a basis for an in-depth study of why ASCL has not been completed after three decades of its establishment, how governance and accountability are executed in Nigerian parastatals, and how they can be enhanced. Also, this present study concentrates on governance and accountability issues in Nigerian parastatals and uses an interpretive theory with a critical orientation, concerned to advance governance and accountability in relation to an appreciation of neopatrimonialism (explained in the next chapter).

Finally, since the parliament is the centre of accountability in the public sector (Mulgan, 1997; Sendt, 2002; ECSAFA, 2004), this present study on governance and accountability issues in parastatals fills the gap of accountability between the parliament and the taxpayers/stakeholders.

### **3.17 Summary and Conclusion**

In this chapter prior studies on governance and accountability were reviewed. The defining of governance (especially with consideration of parastatals) and accountability was reviewed. A key definition of governance was that of Hope (2005): governance as discharging responsibility acquired through appointment or election in the public domain or in the area of commerce. Issues of governance and accountability articulated in

mainstream theory were reviewed. Theory highlights that parastatal managers are self-interested individuals who promote their cause at the expense of the owners. Politicians and Bureaucrats in parastatals pursue their personal interest thereby abandoning stakeholder interests. Prior studies on Africa, focusing in on Africa and Nigeria, were reviewed.

The literature implies that good governance, accountability and transparency in a country's parastatals will lead to maximisation of value for the stakeholders. Bad governance does not. The principles of good governance in the public service which include: selflessness, integrity, objectivity, accountability, openness, honesty, and leadership are crucial to good governance in parastatals and will benefit all stakeholders if consistently followed with other laws. While these principles are fairly entrenched in the private sector, their adoption in parastatals is limited. One of the reasons for this in African countries is neopatrimonialism. This concept is discussed in the next chapter in order to provide a theoretical framework for the examination of the case of Ajaokuta Steel Company as a parastatal in Nigeria.



## **CHAPTER FOUR**

**Developing the Theoretical Framing: an Interpretive Theory with a  
Critical Orientation inform by Insights from Neopatrimonialism**

## CHAPTER FOUR

### **Developing the Theoretical Framing: an Interpretive Theory with a Critical Orientation inform by Insights from Neopatrimonialism**

#### **4.0 Introduction**

This chapter elaborates the theoretical framing (see Sinclair, 2007; Sekaran and Bourgie, 2013) of the study. An open and interpretive theoretical perspective with a broadly conceived critical orientation is articulated. This perspective is concerned to develop a contextual and in-depth appreciation of the issues at ASCL and the governance and accountability manifestations at ASCL, thus providing for a deeper appreciation of possible ways forward. The critical orientation within the interpretive and open framing encompasses gaining insights into the problematics of governance and accountability at ASCL in relation to a broad vision of how governance and accountability are supposed to work – this is because, if one is developing a critical theme about practices one has an at least implicit vision of their better state. Hence, part of this framing here is concerned to elaborate or provide an outline of key aspects of such a broad vision of principles of governance/accountability. In relation to theorizing problematics of governance and accountability in the case, some emphasis is placed here on the concept of neopatrimonialism.<sup>42</sup>

In chapter five, the theoretical framing, understood to be positioned in the interpretive paradigm of Burrell and Morgan (1979), is then translated into a methodological

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<sup>42</sup>Slevin and Basford (1999, p. 298, in Sinclair, 2007) note that the following questions should be borne in mind when one wants to carry out research: what do I know about what I want to study? What appropriate theory is there to guide me? A theory gives new insights and broadens one's understanding of a phenomenon (Anfara and Mertz, 2006).

perspective and the actual methods used in the study are then discussed and justified. The structure of the chapter here is thus as follows: Section 4.1 gives an outline positioning of the theoretical perspective. Section 4.2 examines an overview of neopatrimonialism in relation to the critical orientation of the study. Section 4.3 explores the theory of neopatrimonialism. Section 4.4 outlines how neopatrimonialism undermines good governance and accountability. Section 4.5 explores why neopatrimonialism is considered for this study; and section 4.6 provides a summary and conclusion of the chapter.

Here in relation to a key dimension of Laughlin's (1995) overview of approaches to theory construction or development; an overview of neopatrimonialism in relation to the critical orientation of the study and the concern to provide an in-depth account of the Ajaokuta case.

#### **4.1 An outline positioning of the theoretical perspective**

Laughlin (1995) outlines theory construction and development and gives some emphasis to a continuum or spectrum that contrasts approaches that tend to work with a loose openness with those concerned to build upon or simply try to support or refute a tightly defined prior theoretical position. Like Laughlin, who advocates 'middle-range' theory, this researcher occupies a position somewhere around the middle of this outlined continuum. There is no naïve commitment here to a pure openness, as if one could approach research with no pre-conceptions. On the other hand, this researcher is committed to a non-dogmatic approach that is open to refining outline positions through openness to theory development via empirical research and a spirit of interest in finding things out: there is a great deal of detailed empirical analysis in this study. In outline, the theory here is interpretive (and in the next chapter, discussing the methodology and method of the study, the approach is positioned in the interpretive paradigm of Burrell

and Morgan, 1979) although within this the theory has, again in terms of the spectrum of possibilities within that paradigm, a critical orientation. In broad terms, the researcher means by this critical orientation here that his prior theoretical conception is that parastatal governance and accountability in Nigeria is that it is problematic and that it can be substantively changed for the better. In turn, this prior conception implies on the one hand a view of good (better) governance and accountability principles for the public sector (considered to have been broadly elaborated through prior work in the previous chapter) and on the other an understanding of outline critical themes in terms of the problematic. Regarding the latter, the researcher finds it especially useful to draw from an appreciation of neopatrimonialism as a way of characterising governance.

#### **4.2 An overview of neopatrimonialism in relation to the critical orientation of the study**

A good situation for parastatals to operate is to follow the principles of good governance as examined in sections 3.3 and 3.4 of this study. Nigeria, as enumerated in section 3.14, has on the face of it many laws to strengthen good governance but the suggestion here is that substantively neopatrimonialism has made this difficult. In appreciating practice the study draws from an understanding of the neopatrimonialist context. Agency and accountability theories are frequently given emphasis in corporate governance studies (Wanyama, 2006; Bondamakara, 2010; Fox, 2010; Solomon, 2010). The theory of neopatrimonialism is drawn upon here to substantively inform the theoretical lens for this study.

Neopatrimonialism is a theory which is used to explain why there are under-development, economic, and socio-political problems facing society (Roth, 1968; Hellriegel and Slocum, 1992; Barton and Martin, 1998; Erdmann and Engel, 2007). The

seal of African regimes is neopatrimonialism where administrators govern by personal (discretion) patronage rather than using rules and regulations or ideas; people have respect for a person rather than the office he/she occupies; and leaders occupy offices to acquire personal wealth and status rather than performance (Bratton and Van de Walle, 1994; Wren and Bedeian, 2009). These characteristics of neopatrimonialism are not limited to African countries but neopatrimonialism is a generic issue affecting both developing and developed world (Erdmann and Engel, 2007).

Organizations must be managed on rationality and not on the arbitrariness of owners and managers (Bartol and Martin, 1998). This, according to Bartol and Martin (1998), led Max Weber to react to the “norms of class consciousness and nepotism” (p.43). Weber, Bartol and Martin (1998) saw that only persons from aristocratic birth can become officers in the Prussian Army and they are the only persons who are qualified to be given higher positions in the industry and government establishments, which was considered by Weber as partiality and making other intelligent human resources non-participative and dormant. In addition, Weber’s belief is that managing an organisation by employing those the managers know and not having regard to what the potential employees know and engaging in nepotism affect the organization negatively (Bartol and Martin, 1998).

Weber notes also that people in the organization carry out their tasks in two ways: namely, by power or authority (Ivancevich et al., 1994). Weber, per Ivancevich et al. (1994), describes power as when people are forced to obey while authority is when people are persuaded to obey voluntarily. In organizations, subordinates consider authority to be legitimate and it can be used through example and practice (Ivancevich et al., 1994). Max Weber, per Hellriegel and Slocum (1992), Cole (1993) and Erdmann and Engel (2007), in his work recognises three types of legitimate authority while giving analysis of

organization. They are: Charismatic authority, traditional authority and legal-rational (bureaucratic) authority.

#### **4.2.1 Charismatic authority**

Charismatic authority means obedience that comes as a result of a ruler's personal special qualities other people see in him which make him to be outstandingly different from ordinary people (Hellriegel and Slocum, 1992; Ivancevich et al., 1994). According to Hellriegel and Slocum (1992), subordinates will comply without question to the authority of a charismatic leader. This is when an individual has exceptional personal supernatural endowed qualities rendering them naturally leaders, "the gift of grace" (Wren and Bedeian, 2009, p.230), the qualities of people like Joan of Arc, Gandhi and Martin Luther King (Hellriegel and Slocum, 1992). Political power (authority) in terms of charisma in Africa was not successful (Le Vine, 1980; Erdmann and Engel 2007).<sup>43</sup>

#### **4.2.2 Traditional authority (Patrimonialism)**

Traditional authority means obedience to those in authority that emanates from tradition and custom (Hellriegel and Slocum, 1992). Traditionalist and personal dominations (authorities) are collectively known as patrimonialism (Roth 1968), where traditional domination means "traditionalist legitimation and hereditary succession to the throne" (p.196) and personal rulership domination means "loyalties that do not require any belief in the ruler's unique personal qualification, but are inextricably linked to material incentives and rewards" (Roth, 1968 p.196). Under this system of authority (patrimonialism), there is no differentiation between private and public realms; government is based on a personal ruler; political offices are regarded as fiefdoms and

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<sup>43</sup>In business organizations, charismatic authority is not equally relied upon but managers like Steven Jobs, Mary Kay Ash and Walt Disney used their charisma to motivate and influence those that they worked with (Hellriegel and Slocum, 1992).

patronage by state officials; the system operates through patron-client networks and the exercise of public authority is to serve the personal pleasure of those in authority (Ikpe, 2000; Erdmann and Engel, 2007; Wren and Bedeian, 2009). Nawaz (2008) argues that patrimonialism is “a social and political order where the patrons secure the loyalty and support of the clients by bestowing benefits to them from own or state resources” (p.2). Under patrimonialism authority, obedience is to the person occupying the position of authority and not to the constitution or any rules and regulations (Erdmann and Engel, 2007).

Brinkerhoff and Goldsmith (2002) summarise the following as the characteristics of patrimonialism: (i) bureaucrats are employed or appointed, promoted as reward for having good relationship with political leaders and can be dismissed without reason; (ii) there is no spoken or written hierarchy of authority and no reporting channels; (iii) important orders are not documented but given verbally; (iv) there is no distinction between the public and private realms; (v) the salaries of bureaucrats are augmented by bribes and kickbacks; (vi) the organisation is decentralised making administrators to take personal discretion on the job; (vii) personal judgement and subjective reasoning are allowed to permeate through all the procedures; (viii) rules and regulations are partially applied with some citizens going scot-free without being punished for breaking the law; (ix) no documents to support government contracts, procurement and sales; (x) internal controls are neglected; (xi) documentations are spotted with important matters omitted from the records; and (xii) customers have no alternative for poor service.

#### **4.2.3 Legal-rational (bureaucratic) authority**

The third type of legitimate authority identified by Max Weber is legal-rational authority. It is obedience not to a person but to an office as spelt out in the rules and other

procedures governing an organisation in the pursuit of its objectives and goals (Wren and Bedeian, 2009). This is where the chief executives of parastatals and other organizations “interpret and enforce these rules and other controls by virtue of their position” (Wren and Bedeian, 2009 p.230). Weber calls this bureaucracy and it is defined as “a management approach based on formal organisational structure with set rules and regulations that relies on specialization of labour, an authority hierarchy, and rigid promotion and selection criteria” (Ivancevich et al., 1994 p.49).

Under legal-rational bureaucracy or modern authority (domination), “formal structures and rules do exist” (Erdmann and Engel, 2007 p.105) that prescribe how organization should operate (Heriegal and Slocum, 1992). Under Weber’s bureaucratic arrangements, per Ivancevich et al. (1994), organizations will be characterised by “efficiency, precision, speed, unambiguity, continuity, unity, and strict subordination” (p.49). Legal authority (bureaucracy) was intended by Weber to give protection to organization’s workers, give them equal treatment and opportunity, and end their exploitation (Wren and Bedeian, 2009). Bureaucracy is per Eisenstaedt “neo” or “modern” (Erdmann and Engel, 2007, p.97).

Weber identified six features of ideal bureaucracy. First, bureaucrats are employed on the basis of technical qualifications examined by tests, education or training; and employees are appointed and not elected (Erdmann and Engel, 2007; Wren and Bedeian, 2009). Wren and Bedeian (2009) argue that employees are engaged and continue to enjoy promotion based on merit, experience, expertise. Employment is not based on patronage and promotion is only approved after the bureaucrat has proved that he can handle the competence required of the next rank (Hellriegel and Slocum, 1992). What organisations should take into consideration before employing a bureaucrat are his physical, mental,



moral capabilities and also his general education, special knowledge and experience (Wren and Bedeian, 2009).

Second, bureaucracy as given by Weber is division of labour. Division of labour is where duties and responsibilities are clearly defined; jobs are divided into simpler and areas of specialisation; and proper trained persons are assigned duties based on area of specialisation (Hellriegel and Slocum, 1992; Wren and Bedeian, 2009). The employment of persons into their areas of specialisation will lead to efficiency (Wren and Bedeian, 2009). Unskilled labourers will be given jobs that are easy to learn and do (Hellriegel and Slocum, 1992).

The third feature of Weber's bureaucracy is formal rules and procedures. Rules are to guide bureaucrat's behaviour while on the job (Hellriegel and Slocum, 1992). In the performance of their tasks in the organisation, the bureaucrats are to obey the rules and regulations to ensure proper direction and uniformity of procedures and operations which will lead to organisation's stability and success (Hellriegel and Slocum, 1992).

Fourth, Weber gave impersonality as one of the features of bureaucracy. Rules are to be applied uniformly to all no matter the status of any person in the organisation and obedience is owed to the rules and procedures and not to personality (Wren and Bedeian, 2009). This will eliminate personal bias, personal preferences, and arbitrary behaviour of the superior towards their subordinates (Wren and Bedeian, 2009).

The fifth characteristic of bureaucracy is hierarchical structure. A hierarchical structure "ranks jobs according to the amount of power and authority" (Hellriegel and Slocum, 1992, p.42). Hellriegel and Slocum (1992) note that a hierarchical structure helps in the control of the behaviour of bureaucrats. This is because they know that the lower rank employees are controlled and directed by the higher level positions.

The sixth characteristic of bureaucracy per Weber is career orientation. Employees are professionals and not politicians and expected to be trained and pursue careers in their fields (Wren and Bedeian, 2009). It is a lifelong career commitment; they obtain fixed salaries and have right to pensions (Hellriegel and Slocum, 1992; Erdmann and Engel, 2007).

Brinkerhoff and Goldsmith (2002) give the following as the features of rational-legal Bureaucratic authority: (i) officers are appointed on merit, experience, and professional basis and cannot be dismissed without a cause; (ii) authority is based on hierarchy which is on division of labour and a clear reporting channels; (iii) all important decisions and orders are documented; (iv) there is complete separation between the public and private realms; (v) bureaucrats are not allowed to supplement their salaries with kickbacks and bribes; (vi) bureaucrats are not allowed to take personal decision while performing their duties; (vii) bureaucrats' decisions are predicable since he has to be objective and follow normal procedures; (viii) there is no preferential treatment as everybody receives equal treatment; (ix) all government procurements and sales are based on legal binding contracts; (x) internal controls are dogmatically followed; (xi) records are properly recorded, maintained and regularly audited; and (xi) should there be poor service, there are channels to appeal by citizens.

Bureaucratic authority encourages efficiency and consistency as many routine duties are to be performed (Hellriegel and Slocum, 1992). Bureaucracy is however criticised for rigid adherence to rules making it difficult for bureaucrats to innovate (Hellriegel and Slocum, 1992).

### 4.3 Neopatrimonialism

As noted earlier while discussing legal-rational authority, Eisenstadt called legal-rational (bureaucracy) authority “neo” or “modern” and added it to patrimonialism to form what is known as neopatrimonialism (Erdmann and Engel 2007). Neopatrimonialism is the joining together of patrimonial and legal-rational bureaucratic authority (Erdmann and Engel 2007). Under “neo” or “modern” authority, there is complete distinction between public and private realms but not always observed; under patrimonialism there is no distinction between private and public realms; and also under neopatrimonialism there is no distinction between public and private realms (Uddin and Hopper, 2003; Erdmann and Engel 2007). Erdmann and Engel (2007) maintain:

The patrimonial penetrates the legal-rational system and twists its logic, functions and output, but does not take exclusive control over the legal-rational logic. That is, informal politics invades formal institutions. Informality and formality are intimately linked to each other in various ways and varying degrees; and this mix becomes institutionalised (p.105).

Erdmann and Engel (2007) argue that neopatrimonialism is characterised by insecurity and is a term that is used to explain a danger to peaceful development of the society. Under neopatrimonialism the exercise of power is erratic and unpredictable; public norms are formal and rational; and it is related to authoritarian politics (Erdmann and Engel 2007).

Clapham (1985) defines neopatrimonialism as:

A form of organisation in which relationships of a broadly patrimonial type pervade a political and administrative system which is formally constructed on rational-legal lines and officials hold positions in bureaucratic organisations with powers which are formally defined but exercise those powers so far as they can, as a form not of public service but of private property (p.48).

Nawaz (2008) argues that neopatrimonialism is “a system of governance where the formal rational-legal state apparatus co-exists and is supplanted by an informal patrimonial

system of governance” (p.2). Nawaz maintains that it is a system of governance where state functions especially as regards resource distribution rests with the politicians, their friends and others who are not part of state structure but take decisions about the state.

Neopatrimonialism has elements of clientelism, patronage, presidentialism, nepotism, prebendalism, bribery, corruption, favouritism, and ethnicism which are the characteristics of African leaders (Roth, 1968; Lemarchand and Legg, 1972; Ikpe, 2000). These characteristics of neopatrimonialism are explained in the order in which they appeared above.

First, clientelism is a relationship that exists between the big man and small man that result in give and take of public resources for their personal benefits (Le vine, 1980). Erdmann and Engel (2007) describe clientelism as one involving personal network of a politician and transferring of public goods and services by the big man (patron) to the small man (client) for favours based on personal relationship. Ikpe (2000) defines clientelism as:

A system in which state officers (patrons) distribute benefits to strategically placed individuals lower than themselves (clients) in returns for support, service and loyalty, and to those higher than themselves (patrons), for the continuous protection of their positions and tenures (p. 148).

Brinkerhoff and Goldsmith (2002) give the following as the features of clientelism: (i) authority is personal who exercises it without using the law; (ii) leader self-importance; (iii) leaders wield much influence and accountable to no one; (iv) leaders are unfaithful to their promise and unreliable; (v) leaders replace themselves with their children, relations or friends; (vi) leaders hold onto power by providing personal favours that secure loyalty of key followers; (vii) policy decisions are taken in secret without public discussion or involvement; and (viii) political parties are formed around personalities (ix) political parties are formed around individual; (x) there are no laid down procedures to replace

leaders; (xi) decision making procedures are opaque and without the involvement of stakeholders; and (xii) clientelism makes leaders to personally enrich themselves.

Second, patronage is politically motivated distribution of favours to groups as distinct from individuals and is “mainly ethnic or sub-ethnic groups” (Erdmann and Engel, 2007 p.107). It is a relationship, according to Erdmann and Engel (2007) that exists between leaders and a bigger group. The difference between clientelism and patronage is that clientelism deals with individual while patronage deals with wider community (ethnic/tribal group) (Erdmann and Engel, 2007). Example of patronage are supply of water, electricity, provision of scholarship to persons from a community, distribution of ministerial position, and other political and administrative posts like board membership ((Erdmann and Engel, 2007; Nawaz, 2008).

Third, another characteristic of neopatrimonialism is presidentialism. Bratton and van de Walle (1997) describe presidentialism as when a leader delegates only trivial decision-making duties. Neopatrimonial states avoid parliamentary system of government and adopt presidential system of government, which according to Van de Walle (2003), is to enable them take the advantage of the rules that:

Weaken the hand of the legislature and allow the president to make the key decisions without legislative approval. Power is highly centralised around the president, he is literally above the law, controls in many cases a large proportion of state finance with little accountability, and delegates remarkably little of his authority on important matters (p.309 &310).

Fourth, nepotism is where appointments and elevations are given because of relationship or familiarity (Erdmann and Engel 2007). For instance, it is where favouritism is shown to relatives or friends by giving to them jobs or contracts (Dike, 2005). Dike (2005) defines nepotism as “bestowal of patronage by reason of ascriptive relationship rather than merit”

(p.1). Nepotism is a state where the public office holder excludes his or her kinsmen and family from certain laws in order to allow them to have access to state goods and services (Dike, 2005)

Fifth, prebendalism is another element of neopatrimonialism. Ikpe (2000) notes that prebendalism is when politicians take their political offices as inheritance and have discretion to use it as they want and for the benefit of those who support them.

Sixth, bribery is the use of a reward to pervert judgement by a person in a position of trust (Dike, 2005). Bribery is prevalent in neopatrimonial countries as a result of rigidity of bureaucratic procedures and wide powers given to a single person to take decisions and also due to lack of reward for honesty and competence (Brinkerhoff and Goldsmith, 2002).

Seventh, corruption is the violation of rules and regulations in order to acquire wealth for oneself, friends, and family through illegal means at public expense (Dike, 2005). Dike (2005) maintains that corruption involves misusing of authority given to someone for personal gain. Corruption, per Kale (2001): “Threatens the rule of law, democracy and human rights, undermines good governance, fairness and social justice, distorts competition, hinders economic development and endangers the stability of democratic institutions and the moral foundations of society” ( p.28). Corruption makes the rich richer but the poor poorer leading to underdevelopment of many countries (Englebert and Tull, 2008; De Maria, 2009). It poses a threat to national security, facilitates international crimes and constrains free trade and foreign investment (Leiken, 1996). Corruption has been defined by Everett, et al. to “distort standards of merit, erode the respect of law and result in higher public investment and lower quality of infrastructure” (p. 513).

For Sturges (2008, p. 4): “Corruption can inhibit national development by removing wealth from the economy by those with offshore accounts; lower national morale; divert energy from productive economic activities and discourage outside investors, lenders and donors”. GOPAC (2005) and Uneke (2010) group corruption’s effects into four areas: administrative consequences - entailing loss of professionalism, discouragement and frustration of the few honest civil servants; political consequences whereby the legitimacy of the political process is undermined, political opponents are repressed, national development is hindered due to political instability and uncertainty, government is prevented from implementing laws and policies, the image of politicians is damaged and people enter politics to amass wealth while qualified people are dissuaded, trust of politicians is rendered difficult, international communities lose confidence in a government, political instability, coups and civil wars are rendered more probable; economic consequences, such as inefficiencies in market operations, a focusing of government expenditure on spending that will bring in large bribes, increases in costs to direct foreign investment and project costs (Uneke, 2010, here cites African steel projects, stating that many are re-awarded two or more times); social consequences such as separation of poor from rich and observers from the players, division of ethnic groups and communities and promotion of rivalries and jealousies, enhanced distrust, suspicion, selfishness and a breaking down of social cohesion and discouragement of collective action.

Government resources are spent on projects offering abundant corruption opportunities (Shleifer and Vishny, 1993; Uneke, 2010). In Africa, public projects are awarded to the same contractor or its parent company two or three times or to new contractors without completion (Uneke, 2010). ASCL, the focus here, is a case in point: industrialisation and

jobs have been held back since the 1990s.<sup>44</sup> While African countries are busy borrowing money for development and keep on repaying the debts, the money is laundered back to the developed world (Uneke, 2010): e.g., in 1991, the United Nations published in its report that \$200 billion was swindled out of African treasuries by the ruling class to the developed world, while African debt stood at \$300 billion (Lawal, 2007). Lawal notes that this money taken from Africa is more than the money coming in as foreign aid.

Eighth, favouritism is partial distribution of state resources to friends, families, and others who do not merit them (Dike, 2005). Dike (2005) states further that favouritism is abuse of power which involves biased distribution of public goods and services.

Ninth, ethnicism involves being loyal to one's ethnic group than one's country (Agbibo, 2012). This is where there is high demand from one's ethnic group for "gifts of money, for jobs and for securing the provision of amenities for his area" (Agbibo, 2012 p.334).

In Nigeria, political parties are formed on ethno-regional lines (Akinola, 1988; Salawu and Hassan, 2011). For instance, in the 1979 federal election, the National Party of Nigeria (NPN) was a northern based political party; the Nigerian People's Party (NPP) was a south-eastern based political party; the Unity Party of Nigeria (UPN) was south-western based political party and so "ethnicity is the hub around which political support revolves" (Akinola, 1988 p.444).

The major reasons put forward by Salawu and Hassan (2011) for ethnic rivalry in Nigeria are (i) competition for power and wealth; (ii) mutual suspicion and fear of domination by one ethnic group; (iii) monopolisation of power by the major ethnic group, which results in the marginalisation of the minority groups; (iv) poverty and unemployment; (v) lack of

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<sup>44</sup> 20,000 workers would have been employed at the upstream sector, 30,000 workers at the downstream sector and 10,000 workers employed directly to work in the steel (Mohammed, 2002b).



good leadership to unite the ethnic groups; and (vi) competition for employment and political manipulation by politicians using ethnic rivalry to win at polls. This ethnicism influences the location of projects and ultimately results in the neglect of projects in Nigeria, including ASCL (Agbu, 2007; Okafor, 2007).

Iyoha (2008) argues that many Nigerian leaders from 1960 to 2000 have diverted government projects, jobs and improvement in infrastructures to their ethnic base. This action, according to Iyoha (2008), promotes ethnicism, political patronage, nepotism and other neopatrimonial acts. Iyoha (2008) contends that the siting of industries is often based on ethnic considerations, which have led to neglecting of many investment projects when a new government comes to power.

#### **4.4 How neopatrimonialism undermines good governance and accountability: developing a framing for the analysis**

In 1999, Kofi Annan (then UN Secretary-General) argued that good governance means: Promoting the rule of law, tolerating minority and opposition groups, transparent political processes, an independent judiciary, an impartial police force, a military that is strictly subject to civilian control, a free press and vibrant civil society institutions, as well as meaningful elections. Above all, good governance means respect for human rights (United Nations, 1999). For Leftwich (1993), good governance entails:

An efficient public service, an independent judicial system and legal framework to enforce contracts; the accountable administration of public funds; an independent public auditor responsible to a representative legislature; respect for the law and human rights at all levels of government; a pluralistic institutional structure and a free press (p.610).

The United Nations Development Programme (UNDP) and United Nations Universal Declaration of Human Rights (UNUDHR) presented the following as how good governance should be as per Graham et al. (2003):

*Participation:* everyone, both men and women, should have opportunity of being heard in a decision-making that involves collective action, either directly or through anybody that represents their interest and this involvement in decision-making is based on freedom of association and speech, as well as capacities to participate constructively (UNDP, 1997). UNDP argues that such involvement in all matters that concern everyone is the foundation of good governance. UNUDHR states that everyone has the right to opinion and expression, peaceful assembly, be part of government and has duties to their communities.

*Consensus Orientation:* good governance helps to achieve consensus agreement in the best interest for the attainment of the goal of a group or community (UNDP, 1997). People will be the authority of the government and people shall only be limited by law (UNUDHR).

*Strategic vision:* leaders and the public should have idea of the meaning and importance of what good governance and human development are (UNDP, 1997). Political leaders and managers of organisations should establish a motivating and reliable vision, persuade people to uphold the vision and provide the needful resources to make the vision to succeed (UNUDHR).

*Responsiveness:* institutions and processes must respond positively to all stakeholders without prejudice (UNDP, 1997). Tolerance must be exercised in dealing with people's complaints and criticisms (UNUDHR).

*Effectiveness and efficiency:* institutions and processes must produce outcome that will meet the needs of all stakeholders making the best use of available resources (UNDP, 1997).

*Accountability:* those who take decisions in government, the private sector and civil society organisations are to give account of their stewardships to the taxpayers, shareholders, or institutional stakeholders as appropriate (UNDP, 1997).

*Transparency:* transparency is based on the free flow of information. Processes, institutions and information must be accessible to those who need and use them; and the information must be clearly presented for the stakeholders to understand (UNDP, 1997).

*Equity:* everybody must be given equal opportunities to improve or maintain their well-being (UNDP, 1997). All human beings have equal rights and dignity (UNUDHR).

*Rule of law:* legal and regulatory frameworks should be fairly and impartially enforced (UNDP, 1997). All human beings are equal before the law; should be protected by the law; have right to fair hearing before an impartial tribunal and should not be deprived of their properties (UNUDHR).

The dominance of neopatrimonialism in Africa affects African development, good governance and accountability (Akokpari, 2004). Neopatrimonialism is a threat to African governance and accountability and even a threat to the society in general (Erdmann and Engel, 2007). Neopatrimonialism creates fiscal crises making development problematic and also creates personal loyalty that leads to undue favour to ethnic and sub-ethnic groups at the expense of the general public (Bratton and Van de Walle, 1994) thus leading to bad governance. This means that the state will transfer public resources partially to its supporters leaving other people in the country in want and poverty (Nawaz, 2008). When governance is built on personal loyalty rather than on rules and regulations on which good governance stands, it will lead to societal crises or collapse (Bratton and Van de Walle, 1994). Another consequence of neopatrimonialism is that leaders will starve opponents resources and therefore “lack of resources often prevents honest and capable leaders from coming to power” (Nawaz, 2008 p.5). Note also that:

“Not only do neopatrimonial systems provide limited accountability for resource distribution to a small group of constituents, it also damages the development of democratic accountability mechanisms in the long run” (Nawaz, 2008 p.1).

Another way in which neopatrimonialism undermines good governance is that in neopatrimonial state the government in power monopolise the government power, control the Judiciary and the law enforcement agencies, limit access to resources thereby making voters to have no choice but continue to vote them in (Nawaz, 2008). All these will lead to failure of the rule of law and lack of access to information-which are governance issues (Nawaz, 2008).

Further, neopatrimonialism undermines governance and accountability by preventing the state to collect its full revenue (Soest, et al. 2011). In neopatrimonial countries, the appointments of tax officers are patronage appointments who are only accountable to their patrons and will be protected from prosecution if they are caught (Soest, et al. 2011).

Moreover, a military regime which means a strong man appears to rule without charismatic authority or traditional authority is a personal rule – because in a military rule, there is no separation between the public and private realms; there is corruption; military rules by decrees while constitution is suspended; military promotes ethnicism and patron/client relationship; and military oppresses opposition and violates human rights – and ultimately military rule leads to bad governance and lack of accountability (Ikpe, 2000). Military regimes’ demand total obedience and veneration from the citizens without argument is a characteristic of neopatrimonialism (Ikpe, 2000). E.g General Abacha regime was said to be neopatrimonial in that he:

“Used everything against Nigeria interest, against the Nigerian people, and only for himself, his family and his cohort. Not just the security apparatus, even the political system, the economic system,

everything that was there was used for him, his family and accomplices” (Obasanjo, 1998 p.10 in Ikpe, 2000 p.158).

Another way in which neopatrimonialism compromises governance and accountability is where a president is above the law and controls the state resources with little accountability (Van de Walle, 2003). In this case, according to Van de Walle, 2003, even the middle level bureaucrat in the presidency controls the permanent secretary. The next section will consider the reasons for using neopatrimonialism as the theoretical lens for this study.

#### **4.5 Why the theory of neopatrimonialism is drawn upon in this study**

The two common theories used in corporate governance are agency theory and accountability theory (Wanyama, 2006; Bondamakara, 2010; Fox, 2010; Solomon, 2010), mainly based on the notion that ownership of organisations is separate from the management (Berle and Means, 1923; Jensen and Meckling, 1976).

Although in the public sector, those managing the affairs of parastatals are assumed to be doing that on behalf of taxpayers it is helpful to think of them managing the State goods and services as if they were their personal properties. This is because those in government erroneously reason that government and whatever it has are “ours and private sector theirs” (Etukudo, 1997 p.1). This means that since there is no requirement to give account of what one possesses; those that are occupying governance positions in parastatals may see they owe no accountability to anyone. Neopatrimonialism is a theory giving insights in this context.

Neopatrimonialism involves personalising public affairs (Medard, 1982); government is based on personal ruler; State officials personalise State goods and services; State officials take political offices as personal fiefdoms and patronage; State jobs operate

through patron-client networks; and public office serves the purpose of the person occupying that office (Ikpe, 2000). In this regard, neither agency theory nor accountability theory is appropriate for this study but neopatrimonialism is capable of giving insights to what is going on in ASCL and other parastatals in Nigeria and beyond. Neopatrimonialistic State provides little accountability (Nawaz, 2008) and if given, it is cosmetic (Wanyama et al., 2013).

Moreover, the main reason for this study is to investigate the reasons why ASCL which was established in 1979 and substantially complete in the 1990s has not started producing steel. The theory of neopatrimonialism is found suitable to be used as search light to bring out the reasons why ASCL has not been completed after three decades of establishment and then to realise the objectives of this study. The theory of neopatrimonialism is mainly used to know why there is under-development in developing countries and therefore suitable for unveiling the reasons behind ASCL's problems.

Finally, neopatrimonialism provides for substantively critical framework for the analysis of governance and accountability practices as some previous studies have articulated (Bratton and Van de Walle, 1994; Ikpe, 2000; Brinkerhoff and Goldsmith, 2002; Erdmann and Engel, 2007; Nawaz, 2008). Particular features of this theorising promise to add to our appreciation of the governance and accountability practices in Nigerian parastatals and beyond. In this respect, the emphasis of neopatrimonialism on leader patronage and leader personal interests in governance are important as well as the focus on ethnicism and corruption. At the same time the thesis seeks to develop upon the generic framework through a contextual and historical analysis using a case study to explore the detail of processes.

## 4.6 Summary and Conclusion

The chapter explores theoretical frameworks used to explain or bring to light why ASCL has not been completed since 1979. Section 4.1 outlines the positioning of the theoretical perspective. Section 4.2 gives an overview of neopatrimonialism in relation...to the critical orientation of the study. Neopatrimonialism relates to a situation where officer of a state uses personal discretion instead of rules to administer, people in positions use their offices to acquire wealth thereby leading to under-development, economic and socio-political problems bedevilling a society. It is divided into charismatic authority, legal-rational authority and traditional authority (patrimonialism). Section 4.3 analyses the word “neopatrimonialism” which is the combination of patrimonialism and legal-rational bureaucratic authority. The section also lists the characteristics of neopatrimonialism to include clientelism, patronage, presidentialism, nepotism, prebendalism, bribery, corruption, favouritism, and ethnicism. Section 4.4 explores how neopatrimonialism undermines good governance and accountability. Neopatrimonialism is a threat to good governance and accountability. In a neopatrimonial State there is disrespect for the rule of law; intolerant of minority and opposition groups; lack of transparent political processes; judiciary is not independent; the law enforcement agents are obedient to government in power and lack of free press. Section 4.5 explains why the theory of neopatrimonialism is drawn on this study. Neopatrimonialism involves personalising public properties and goods. In the public sector, those managing the affairs of parastatals believe that government and whatever it has belong to them. This then makes them to take their positions and public goods as their personal possessions and owe no accountability to anyone. Neopatrimonialism is a theory giving insights in this context.

This chapter has in broad terms articulated an open and interpretive theoretical position with a critical orientation (see Laughlin, 1995). This chapter has presented a framework of neopatrimonialism informed by Weber's work on legitimate authority. The legitimate authority was originally intended by Weber for good governance of organisations and society. Bureaucratic arrangements propounded by Weber have the benefits of leading to efficiency, precision, speed, unambiguity, continuity, unity, and strict subordination.

Neopatrimonial rule, which is the combination of patrimonial authority and legal-rational authority, is the legacy that the colonial masters left for Africans who were ruled by kings, chiefs and elders before the advent of colonialism (Erdmann and Engel, 2007). Africans were ruled through intermediary system known as indirect rule (patrimonial rule); legal-rational dimension was limited to the centre of power in the colonial capital; Legal-rational bureaucracy was extended to Africa after Second World War (Erdmann and Engel, 2007). The combination of Weber's traditional authority and legal-rational authority makes neopatrimonialism. Neopatrimonialism hinders the vulnerable in the society, limits access to public resources, leads to insecurity, and is a danger to peaceful development of a society.

The neopatrimonial approach provides a basis for studying ASCL that has the capability of exposing some of the primary problems veiling the steel project. The theory of neopatrimonialism used in this study is to shed lights and answer the following research questions:

- Why has ASCL experienced serious delays in steel production over the period from 1979 to date in relation to practices of governance and accountability?
- How are governance and accountability executed in Nigerian parastatals?
- How can governance and accountability of parastatals be enhanced in Nigeria?



The next chapter explains the study's design by examining research methodology and methods.

## **Chapter Five**

### **Research Methodology and Methods: The Design**

## Chapter Five

### Research Methodology and Methods: The Design

#### 5.0 Introduction

The previous chapter articulated at a broad level the commitment of this study to an open interpretive theory (see Laughlin, 1995). The critical orientation was articulated in terms of a theoretical framing drawing from neopatrimonialism as a way of gaining insights into what is happening in parastatals in Nigeria. Neopatrimonialism, which highlights the combination of Weber's traditional authority and legal-rational authority, is a theory that blurs the distinction between the private and public realms.

The broad interpretive theory is located in the interpretive paradigm of Burrell and Morgan (1979). This is elaborated here to articulate the methodology and methods of the study. This chapter thus outlines the research approach adopted in this study in terms of methodology and methods. The four paradigms of Burrell and Morgan (1979) will be explored. Along with contextual appreciation, a case study is used as a research strategy to answer the key question with some support from a questionnaire.

Kerlinger (1986) argues that research design is a plan of what the researcher will do to obtain answers to his research questions and problems or evidence to support an argument. Research design assists the researcher to know what, whom, how, and why to observe, how to record and analyse observations and what inferences can be drawn (Cauvery, 2005; Kumar, 2011).

This chapter is structured as follows. Section 5.1 explores basic beliefs in social science research; section 5.2 looks at perspectives for accounting research; section 5.3 outlines

the paradigm and methodology underpinning the present study; section 5.4 explores the research methods; section 5.5 examines triangulation; section 5.6 concludes the chapter.

### **5.1 Basic beliefs in social science research**

Some phrases like “how things really are,” “how things really work” or what is the nature of the “knowable?” Or, what is the nature of “reality?” are basic ontological beliefs and questions (Guba, 1990 p.18-19). On the other hand epistemological beliefs address the question “what is the nature of the relationship between the knower (the investigator) and the known (or the knowable)?” (Guba, 1990 p.18). The ontological and epistemological principles of an investigator guide the approach to investigations (Burrell and Morgan, 1979; Chua, 1986; Laughlin, 1995; Hannah, 2003). Paradigm (worldview) is “a basic set of beliefs<sup>45</sup> that guide action” (Guba, 1990, p.17; Creswell 2007, p.19; Collis and Hussey, 2009). One’s belief and experience guide one’s actions and one’s attitude to life may be as a result of one’s experiences, background and upbringing which guide and direct how one conducts oneself (Creswell, 2007). These assumptions are related to the nature of reality (ontology); the relationship of the researcher to that being researched (epistemology); the role of values in a study (axiology); and the process of research (methodology).

It is important to note that “all theories of organisation are based upon a philosophy of science and the theory of society” (Burrell and Morgan, 1979 p.1). The assumptions about the nature of social science are the issues relating to ontology, epistemology, human nature and methodology.

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<sup>45</sup>These beliefs are called different names by different scholars such as paradigms, philosophical assumptions, epistemologies, ontologies, research methodologies, and alternative knowledge claims (Crotty, 1998; Mertens, 1998; Neuman, 2000; Lincoln and Guba, 2000; Creswell, 2007).

### **5.1.1 Assumptions about the nature of social science**

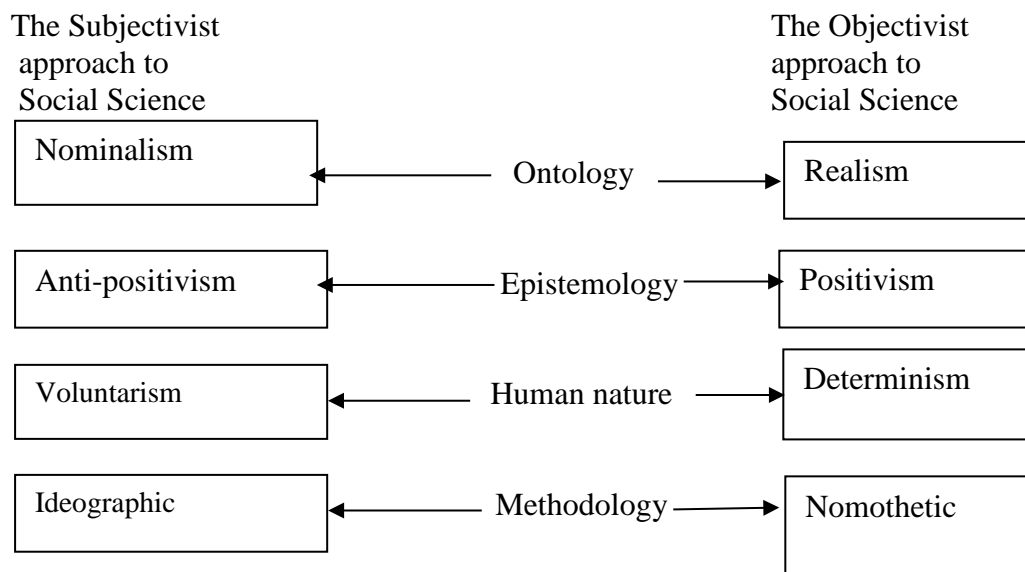
Ontology deals with objects or beings to be investigated, their nature, how they really are and how they work (Burrell and Morgan, 1979). Epistemological assumption is a philosophical assumption that investigates the nature, origin, methods, validity and the limit of the knowledge of human beings (Burrell and Morgan, 1979). In general, epistemology deals with how you understand the world (Burrell and Morgan, 1979). Crotty (1998) declares that “epistemology is a way of understanding and explaining how we know what we know” (p.8). Associated with ontological and epistemological views is the assumption of human nature which is the relationship of human beings with their environments (Burrell and Morgan, 1979). Does the environment in which he domiciles control him or does he control his environment (Burrell and Morgan, 1979)?

Finally, the researcher’s ontology, epistemology and human nature affect his methodology. Methodology according to Taylor and Bogdan (1984) is “the way in which we approach problems and seek answers” (p.1). It is a process of developing knowledge (Berry, 1983). Methodology concerns itself with the way in which one attempts to investigate and obtain knowledge about the social world (Burrell and Morgan, 1979).

Burrell and Morgan (1979) divide different theories relating to the nature of social science and nature of society into two dimensions. The nature of social science has a subjective-objective dimension; and the nature of society has a regulation-radical dimension.

Figure 5.1 below shows the subjective-objective dimension of the nature of social science.

**Fig. 5.1: The Subjective-Objective dimension**



**Source:** Burrell and Morgan (1979, p. 3).

Figure 5.1 shows Burrell and Morgan’s (1979) appreciation of the subjective–objective divide. Nominalism, to individual understanding is that the social world is just names, concepts and labels that are used to structure reality (Burrell and Morgan, 1979). The names are artificial creations used as tools for description, sense making and to negotiate the outside world (Burrell and Morgan, 1979). On the other hand, realists believe that there is real structure in the external world which comprises hard, tangible and unchangeable structures (Burrell and Morgan, 1979). This reality exists externally independent of human beings and is powered by unchangeable natural laws (Burrell and Morgan, 1979). It is the duties of the “scientists to discover the true nature of reality, how it works, then predict and control natural phenomenon” (Guba, 1990 p.19).

Moreover, positivism describes what happens regularly or causally and that will help to explain or predict the outcome of the phenomenon, which will enable scientists to

logically prove or verify something scientifically (Burrell and Morgan, 1979; Senik, 2009). Burrell and Morgan (1979) argue that positivists “seek to explain and predict what happens in the social world by searching for regularities and causal relationships between its constituent elements” (p.5). Burrell and Morgan (1979) argue that under positivist epistemology, growth of knowledge is enhanced by addition of new knowledge to prior knowledge cumulatively with false knowledge excluded. The anti-positivist believes that knowledge can only be gained through active participation, experience, and interpretation, rather than the separated analysis of positivism. For instance, Burrell and Morgan (1979) maintain that “the social world can only be understood from the point of view of the individuals who are directly involved in the activities which are to be studied” (p.5).

Burrell and Morgan (1979) argue regarding human nature<sup>46</sup> that the determinist position regards man as a product of the environment in which he stays and the voluntarist views man as independent of his environment and self-willed. The voluntarist view, according to Burrell and Morgan (1979), sees man not tied down by his environment and in this regard to some extent controller and master and not a puppet of the environment in which he stays unlike man in the determinist view who is controlled by his environment.

Finally, there are methodological tendencies associated with the ontological and epistemological assumptions. An ideographic methodological or typically qualitative approach to social science entails getting close to or getting inside the object being investigated to get first-hand knowledge, detailed background and life history of the subject under investigation by using observation, in-depth interview, document diaries, biographies, journalistic records and newspapers (Burrell and Morgan, 1979). Burrell and Morgan (1979) maintain that the ideographic method “stresses the importance of letting

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<sup>46</sup> Human nature and activities can be deterministic in that his experience and activities are products of his environment; depends on his environment; and submissive (Burrell and Morgan, 1979).

one's subject unfold its nature and characteristics during the process of investigation" (p.6). On the other hand, the nomothetic methodological or typically quantitative approach to social science "lays emphasis on the importance of basing research upon systematic protocol and technique which focus upon the testing hypotheses in accordance with the canons of scientific rigour"(Burrell and Morgan, 1979 p.6). Nomothetic methodological or quantitative approach to social science is typically followed in natural sciences where surveys, questionnaires, personality tests and standardised research instruments of all kinds dominate (Burrell and Morgan, 1979).

### 5.1.2 Basic beliefs about the nature of society

Lockwood (1956) and Darendorf (1959) propounded an order-conflict theory of society. Burrell and Morgan (1979) transformed this into a theory articulated in terms of regulations and radical change. Table 5.1 below overviews Dahrendorf's (1959) order-conflict theory.

**Table 5.1 Order-Conflict of Dahrendorf  
Two theories of society: 'order' and 'conflict'**

The 'order' or 'integrationist' view of society emphasises:	The 'conflict' or 'coercion' view of society emphasises:
Stability	Change
Integration	Conflict
Functional co-ordination	Disintegration
Consensus	Coercion

**Source:** Burrell and Morgan (1979, p.13)

Burrell and Morgan (1979) suggest regulation-radical change rather than this to enable a clearer understanding of order-conflict distinction between the research interests of those investigating social sciences. For Burrell and Morgan (1979), those researchers who adopt the sociology of regulation perspective are of the opinion that there should be regulation



of human activities to ensure stability, maintenance of the accepted social order (Burrell and Morgan, 1979). On the other hand, according to Burrell and Morgan (1979), those researchers who adopt the sociology of radical change position want to set man free from the oppression, depression and structures which limit and restrict his growth materially, mentally and spiritually and for this reason reject the status quo. The difference between the two sociologies is illustrated in a format as shown in table 5.2 below:

**Table 5.2 The regulation-radical change dimension**

The Sociology of Regulation is Concerned With:	The Sociology of Radical Change is Concerned with:
a. The status quo	a. Radical change
b. Social order	b. Structural conflict
c. Consensus	c. Modes of domination
d. Social integration and cohesion	d. Contradiction
e. Solidarity	e. Emancipation
f. Need satisfaction	f. Deprivation
g. Actuality	g. Potentiality

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**Source:** Burrell and Morgan (1979, p.18).

Laughlin (1995) translates this dimension of Burrell and Morgan (1979) in a way that facilitates understanding. He suggests a continuum between conservative and critical positions. Burrell and Morgan (1979) combine the two dimensions of the assumptions about the nature of social science (subjective-objective dimension) and the assumptions about the nature of society (regulation-radical change dimension) to form four paradigms in social science research. The four paradigms are in quadrants of a matrix as shown below.

**Fig. 5.2 Four paradigms for the analysis of social theory**

**THE SOCIOLOGY OF RADICAL CHANGE**

<b>SUBJECTIVE</b>	<b>'Radical Humanist'</b>	<b>'Radical Structuralist'</b>	<b>OBJECTIVE</b>
	<b>'Interpretive'</b>	<b>'Functionalist'</b>	

**THE SOCIOLOGY OF REGULATION**

**Source:** Burrell and Morgan (1979, p.22).

The four paradigms show four views of the social world. To be in a particular paradigm means you view the social world in a particular way (Burrell and Morgan, 1979). The four paradigms provide a map for negotiating one's subject area and help the social theorist to know where he is and provides a tool for mapping intellectual journeys in social theory (Burrell and Morgan, 1979). One can move from one paradigm to another but cannot operate in more than one paradigm at the same time and a movement from one paradigm to another over time is seen as something of a conversion experience (Burrell and Morgan, 1979). Given the nature of the dimensions as setting up a continuous field, being in the same paradigm does not mean that the theorists agree on everything. There are more or less extreme positions within a paradigm. For instance, two researchers could be in the interpretive paradigm but one could be more critical than the other, i.e. one could have more of a critical orientation (Burrell and Morgan, 1979). Note that Burrell and Morgan (1979) see the paradigms as mutually exclusive, which reflects that the scheme is a classification scheme. Below each paradigm is reviewed.

In the radical humanist paradigm, theorists' intellectual foundation can be traced to some of the same source as that of the interpretive paradigm. The main aim of the radical

humanists is to free humanity from limitations that inhibit his true fulfilment, criticise the status quo, overthrow the existing arrangement, and transcend the spiritual bonds and fetters (Burrell and Morgan, 1979). It places emphasis upon human consciousness and freedom to enable him realise his full potentials (Burrell and Morgan, 1979).

There is a belief in the radical structuralist paradigm that there are structures in the society which oppose themselves and the pursuit of members and different interests lead to conflict (Burrell and Morgan, 1979). These conflicts generate radical change through political and economic crises and the crises, criticisms, conflicts and the change lead to freedom of men from the social structures which have held them captive (Burrell and Morgan, 1979). The paradigm has the same view with the radical humanist (Burrell and Morgan, 1979).

The functionalist paradigm's main aim is effective regulation and control of social affairs and applying the models and methods of the natural science to study human affairs (Burrell and Morgan, 1979). It is pragmatic in orientation and concerned with providing practical solutions to practical problems; it entails reasoned human action and accepts that organisational behaviour can be understood by testing hypothesis; it encourages social engineering as a means of change and considers understanding, order, equilibrium and stability in society as very important and ensures that this is maintained; and it uses quantitative method to explain the phenomenon under study (Burrell and Morgan, 1979; Hopper and Powell, 1985; Chua, 1986).

The theorists in the interpretive paradigm are interested in understanding the social world as it is and try to explain the regulation and order of society from the standpoint of subjective experience (Burrell and Morgan, 1979).

The main focus of interpretive paradigm is to understand the phenomenon under investigation. To have a deeper understanding of the social world, one must have first-hand, detailed knowledge to gain insight into the situation that is being explored (Burrell and Morgan, 1979). Interpretive researchers try to immerse themselves in on-going activities to understand human behaviour and the spiritual nature of the world (Burrell and Morgan, 1979).

The interpretive paradigm is considered the best approach to provide a better understanding of the socio-political and economic influence in parastatals in Nigeria including ASCL. To explore the behaviour of individuals in a human organization like a parastatal requires a subjectivist approach by the researcher.

## **5.2 Perspectives for accounting research**

Hopper and Powell (1985), Chua (1986), Laughlin (1995), and Ryan et al. (2002) built upon Burrell and Morgan's general sociological research framework. They depended on Burrell and Morgan's works to build alternative methodological approaches from an accounting research point of view. Chua (1986) identified three alternative approaches that provide a foundation for accounting research. These are mainstream accounting research, interpretive accounting research and critical accounting research. Chua (1986) combined the radical humanism and radical structuralism paradigms of Burrell and Morgan (1979) to form critical accounting research because their separation "is not well supported within sociology itself, being based on a contentious reading of Marx's arguments" (Chua, 1986 p.627). Chua (1986) criticises Burrell and Morgan's (1979) transplanting of a substantively unmodified framework from sociology (see also Ahrens, 2008). Chua (1986) labelled mainstream accounting research, critical accounting research

and interpretive research as accounting perspectives instead of Burrell and Morgan's paradigms.

Laughlin's (1995) reasoning is consistent with Chua (1986), although he adds the continuum, discussed in the previous chapter, related to the degree of openness of the prior theory. He also emphasises the sense in which the dimensions categorising different perspectives or paradigms are continuous dimensions, so that a continuous field is constituted.

### **5.3 Paradigm and methodology underpinning the present study**

This study is situated within the interpretive paradigm of Burrell and Morgan (1979) and Chua (1986). In Laughlin's (1995) terms, as we have already discussed, the position adopted is more subjectivist than objectivist and is an approach very open to finding new things out (it is anti-dogmatic). Within the interpretive paradigm (a continuous field of possibilities in terms of the above logic), the perspective does have a critical emphasis or critical orientation. The methodological positions of this study tend, then, to nominalism, anti-positivism, voluntarism and gives preference to an ideographic methodology.

The aim of this study is to investigate governance and accountability issues in Nigerian parastatals with the case of Ajaokuta Steel through an interpretive lens with a critical orientation drawing from appreciation of good governance and accountability and an appreciation of neopatrimonialism in the theoretical framework to guide the research. Parastatals are here seen as human organisations that can be better understood by a more subjectivist approach to research. Human behaviour cannot be predicted or generalised (Puxty, 1998), so there is a need to understand individual's views of societal order in the organisational situation. To gain appropriate insights, the researcher has to visit the site he is investigating in order to have first-hand knowledge of what he is investigating. This

study entails visiting ASCL and other parastatals in Nigeria several times before approval for interviews was granted. The researcher went to ASCL for interviews and the distribution of questionnaires twice. A questionnaire was also distributed (providing some space for general comment) to support the interview/case study methods, as the researcher sought to extend and triangulate certain aspects of the analysis. Some of those who declined to be interviewed were prepared to complete the questionnaire.

Case study reflects the strong commitment to interpretive and qualitative research because obtaining the views of those inside the organisation is the key part of this study. The study also reflects that qualitative and quantitative methods can be combined (Creswell, 2002; Tashakkori & Tweddie, 2003; Roberts, 2004; Johnson and Christensen, 2012) to tap the advantages of both to unravel the veil behind the reason why ASCL which was incorporated in 1979 and yet to commence production despite substantive investment.

As Morgan (1983) himself acknowledges, location in a particular paradigm does not determine in a strong sense choice of method but rather influences the researcher's preferences over method and how the researcher values different methods. Further, there are arguments for mixed methods research and triangulation in terms of adding further evidence and insights.

#### **5.4 Research methods**

In order to obtain knowledge, one has to be actively involved in the phenomenon under investigation to enable one to have first-hand knowledge of what is being investigated (Burrell and Morgan, 1979). The current study used many methods to gather data. These are observations, semi-structured interviews, questionnaires, case study and documents analysis which are explained below.

### **5.4.1 Observation**

Sekaran (1992) defines observation as “the application of the sense of the vision to gather information about people in their natural work environment” (p.215). It can be participant observation when the researcher participates in the activities of the group being observed or non-participant observation when the researcher does not participate in the activities of the group (Kumar, 2011). Observation is used in a sense in this study as heads of departments and administrative staff were seen busy in their offices with paper work and were interviewed by the researcher. In contrast, there was little to see on the production line and many workers were sitting idle in their offices.

### **5.4.2 Interviews**

Burgess (1982) notes that “an interview is the opportunity for the researcher to probe deeply to uncover new clues, open up new dimensions of a problem and to secure vivid, accurate inclusive accounts that are based on personal experience” (p.107). Interview enables the researcher to probe further to get clarification on answers given and sensitive questions can be asked using interview but may be costly<sup>47</sup> (Umoru, 2005). Interview is considered important and very appropriate for this research given access opportunities and the possibilities. Interviews could be structured, semi-structured or unstructured (open-ended) (Hannah, 2003).

#### **5.4.2.1 Structured interviews**

In a structured interview, “the researcher asks a predetermined set of questions, using the same wording and order of questions as specified in the interview schedule” (Kumar, 2011 p.145). The tone is not conversational as the interviewee is typically only allowed to

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<sup>47</sup>The interview may be costly when the cost of transportation, coverage and time are put into consideration.

respond yes, no or a limited set of phrases compiled by the researcher (Hannah, 2003). It has the advantage of uniformity facilitating the collection of data with high comparability (Kumar, 2011). A highly structured interview was deemed not suitable for this study given the concern to interact with interviewees to access deeper insights consistent with an interpretive approach.

#### **5.4.2.2 Unstructured interviews**

In this type of interview, the interviewee enters into conversation with the interviewer about the topic with little direction (Hannah, 2003). Here the interviewer asks question in which the interviewee is then “allowed to respond freely, with the interviewer simply responding to points that seem worthy of being followed up” (Bryman and Bell, 2007 p. 474). This type of interview is important if the interviewer is interested in eliciting detailed information about someone’s life history from the interview (Hannah, 2003). The advantage, according to Hannah (2003), is that the interview is adjusted to the level and condition of the interviewee but it is time consuming and expensive. It is also known as uncontrolled, unguided or undirected interview (Mishra, 1986). It is not used, appropriate or adopted for this study.

#### **5.4.2.3 Semi-structured interviews**

Bryman and Bell (2007) argue that a semi-structured interview is when:

“...the researcher has a list of questions on fairly specific topics to be covered, often referred to as an interview guide, but the interviewee has a great deal of leeway in how to reply. Questions may not follow on exactly in the way outlined on the schedule (p.474)”.

Some questions that may not be in the interview guide may be asked if the interviewer wants to pick up on things said by the interviewee and this therefore allows flexibility and



can give rise to more personal and in-depth answers from interviewees (Hannah, 2003). This makes this type of interview suitable, important and appropriate for this study. The interviewer used this method of interview to elicit responses from politicians, journalists, academics, medical doctors, civil servants, lawyers, members of the labour union, and members of the management staff of ASCL. They were interviewed because of their experience and knowledge of parastatals in Nigeria. The interviewer found it relatively easy to proceed with this type of interview because respondents were eager to use it as a medium to elaborate their views. Most of the interviewees agreed that their voices should be recorded. The researcher recorded their voices using a digital recorder.

Data for this research were collected in two phases. After the approval was given by ASCL to conduct interview, ASCL was visited twice because of the sensitive nature of the steel company. The first time was December 2010 to March 2011; 16 people were interviewed: 13 stakeholders and 3 ASCL management staff. The second phase of data collection was in December 2011 to February 2012; 17 people were interviewed: 10 stakeholders and 7 ASCL management staff. In all, 33 people were interviewed apart from informal discussions with several people that were not recorded. The breakdown of the interviews is as shown in the table below.

**Table 5.3 List of Interviewees (first phase)**

<b>Interviewees ( December, 2010 – March 2011)</b>	<b>Number</b>
Journalist	2
Civil servant	5
Politician	1
Political commentator, analyst and academic	1
Chamber of Commerce (DG)	1
Academic	3
ASCL Management Staff	3
<b>Total</b>	<b>16</b>

**Table 5.4 List of Interviewees (second phase)**

<b>Interviewees ( December 2011 – February 2012)</b>	<b>Number</b>
Academic	2
Human right activist	1
Legal practitioner	1
Representative of UNDP, World Bank and non-governmental Organisation	1
Civil Servant	2
Politician	1
Nigeria Labour Congress (NLC)	1
Journalist	1
ASCL Management Staff	7
<b>Total</b>	<b>17</b>

In the first phase, the interview schedule was divided into three sections. The first section deals with questions for politicians, specifically members of parliament from Kogi state where ASCL is sited; the second section deals with questions for the taxpayers/public<sup>48</sup> and the third section deals with questions for the management of ASCL.

In the second phase, the interview schedule is divided into two parts: the first part is a semi-structured interview for other stakeholders who are journalists, academics, politicians, labour unions and lawyers. This first part is further divided into five themes which are: (a) Governance and Accountability in Nigeria; (b) Governing Board of Parastatal organisations; (c) Stakeholders; (d) Perspective on accountability and neopatrimonialism; (e) Ajaokuta Steel Complex. The second part of the interview schedule is the semi-structured interview prepared for the management and staff of ASCL. This part is further divided into four themes and they are governance and accountability in ASCL, governing board of ASCL, privatisation and the ASCL stakeholders. Both parts of the interview were brought to an end by the question “what do you think should be done to bring the needed change?”

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<sup>48</sup> The taxpayers/public in this case are the civil servants, journalists, lawyers, academicians, doctors, and others who know much about parastatals.

The interviewees gave the researcher considerable time and supplied the researcher with relevant documents. The interviews lasted for approximately 45 minutes each and were recorded after the consents of the interviewees were sought. These were transcribed and analysed in the next chapter.

#### **5.4.2.4 Documents analysis**

Documents analysis which is secondary data/second hand information is relevant to every case study topic because it corroborates and adds evidence from other sources, thereby increasing validity (Yin, 2009). The use of documents is very vital to this study. This is because ASCL has not started producing steel and therefore various documents relating to what is happening needed to be obtained. Many documents were collected from ASCL. The documents collected from ASCL for this study are letters from the Ministry of Iron and Steel Development to ASCL, government policies and pronouncements on ASCL, parliamentary debates on ASCL, progress reports, accounting statements, CEO's presentation to the governing board, Memorandum and Articles of Association, internal and external documents, labour union documents as regards ASCL, newspapers reports and the company's website.

#### **5.4.3 Questionnaire Survey**

A questionnaire contains a list of questions prepared by a researcher to elicit information from respondents and is meant to answer research questions which originated from theory and after a careful review of literature (Umoru, 2005). Since questions in the questionnaire are to be interpreted and completed by the respondents themselves, the researcher should ensure that the questions are clear; easy to understand and read; questions should be ordered sequentially and developed in interactive style (Kumar, 2011).

A survey questionnaire is cheaper to administer than interview because the cost of time and monetary value that it will take the interviewer to travel from one place to another will be more than using postal questionnaires; and it provides a greater anonymity than an interview (Kumar, 2011). This becomes important if sensitive questions are to be asked to the respondents. ASCL has become sensitive because of the time it is taking to complete the project. The researcher used questionnaires in addition to interviews and a case study approach in order to elicit in-depth insights from those who did not want to say something that would endanger their jobs and personality. Some of the respondents who completed the questionnaires refused to complete the demographic aspect of the questionnaire in order to hide their identities and also refused to be interviewed.

There are different ways of administering questionnaires (Umoru, 2005; Falgi, 2009): (i) self-completing questionnaires- respondents complete the questionnaires themselves; (ii) postal questionnaires - the questionnaire is sent to the prospective respondent by post; (iii) telephone questionnaire- this is a form of structured interview where the respondent gives his response through the phone; (iv) face-to-face questionnaire where the interviewer will be present when the respondent is completing the questionnaire to clarify issues that the respondent may not understand. The one adopted by this researcher is the self-completing questionnaire.

Questionnaires can be structured or unstructured (Umoru, 2005). In a structured questionnaire, according to Umoru (2005), the respondent is given a list of questions and options to tick or circle one of the options given. An unstructured questionnaire is one in which the respondent is given the opportunity to explain his position after choosing from the options given (Umoru, 2005). It means that the respondent will be given opportunity to raise further issues that he considers necessary for the interviewer to know (Umoru,

2005). The present study asked respondents to comment on other issues in questions K and L that were not mentioned in questions D to J.

The researcher decided to adopt mixed methods of research in order to gain the advantages of qualitative and quantitative methods of research and to support in-depth and triangulated research. The questionnaire recipients are ASCL staff, politicians, lawyers, medical doctors, civil servants, Ajaokuta community, academics, labour unions, managing director of a private company, journalists and human rights activists. Table 5.5 below shows those who completed the questionnaires.

**Table 5.5 Respondents of the questionnaire.**

<b>Respondent</b>	<b>Number</b>
ASCL Staff	18
Academics	8
Journalists	4
Civil servants	12
Managing Director of a private company	1
Politician	1
Lawyer	1
Human right activist	1
Labour union members	2
Others	2
<b>Total</b>	<b>50</b>

Questions A to C are for the respondents to provide their personal details. Questions D to J used 5 point Likert scale in which the respondents ticked their answers to the extent that they agreed or disagreed with the statement. The 5 point Likert-scale is 1: Strongly agree; 2: Agree; 3: Undecided; 4: Disagree; 5: Strongly disagree. Questions K and L asked unstructured questions in which the respondents were asked what they think could be done to bring the needed change (K) and any other comments (L). The questionnaire was piloted on PhD students in Accounting and Finance within the School of Business, University of Dundee and all errors were corrected at this stage before being administered to the stakeholders as shown in table 5.5 above.

#### 5.4.4 Case study

In this study, a case study research approach was used to analyse the governance and accountability issues in Nigerian parastatals with Ajaokuta Steel as the case. Yin (2009) defines a case study as “an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident” (p.18). Creswell (2007) believes it is:

...a qualitative approach in which the investigator explores a bounded system (a case) or multiple bounded systems (cases) over time, through detailed, in-depth data collection involving multiple sources of information (e.g., observations, interviews, audio-visual material, documents and reports), and reports a case description and a case-based theme (p.73).

ASCL is one of the parastatals owned by the FGN which was established in 1979 to produce steel but has not produced steel since its establishment. It is a parastatal believed to be almost complete by the 1990s but has since been neglected. Case study research was considered to be the best approach to gain an in-depth understanding of what is happening in ASCL over three decades.

A case study is, according to Yin (2009), preferable when why or how questions are to be asked and answered; when the problem is currently an on-going event which allows the use of different evidence like documents, artefacts, interviews and observations for an in-depth investigation (retrieving data in their natural settings); the event in which the researcher has little or no control; and where there is a well-contrived theoretical framework. A case study is appropriate when the problem involves actions of human beings (Yin, 2009). For instance, the remaining uncompleted components of ASCL is due to human action, which needs to be investigated using interviews, documents, questionnaires and observations to unearth the mysteries behind its non-completion. A

key point is that it allows in-depth findings, through an intensive focus on a particular case.

Case studies are however said to be not as rigorous as scientific experiments; procedures are not systematically followed; and a case study findings cannot be used to generalise about the population except to expand and generalise theories (analytical generalisations) (Yin, 2009). A case study is also criticised for taking a long time to come out with data and for producing too many documents that are often difficult to read (Bryman and Bell, 2007; Yin, 2009). Access to the chosen case will not be easy and the interpretations of the information and facts supplied by respondents may be misleading or misinterpreted by the researcher (Yin, 2009). Access was given to interview ASCL management staff and other informal interviews with other staff, the steel workers' union chairman and other executive members. Approval for the interviews was given by ASCL management in response to a letter written by the researcher's supervisor. The approval letter given by the ASCL is attached to this study as appendix 1.

A case study can be single case study or multiple-case studies; use quantitative evidence; use the mixture of qualitative and quantitative evidences; have a place in evaluation research; and can be conducted and written with diverse motives (Yin, 2009). This study is a case study and used the mixture of interviews and questionnaires. Stake (1995); Ryan et al. (2002); Creswell (2007); and Yin (2009) detail the following as the procedures for carrying out case study research:

The first step the researcher of case study will take is to ascertain the research problems, aims and questions and then the decision to use the case study. The researcher should review some case study literatures and examine some studies on case studies to serve as a model.

The next step is to arrange for access to the case which may be individual, organisation, event, behavioural condition, ailment or anything dealing with human beings promising to keep confidential any data collected. At this stage it will be necessary to choose the theory which will guide the researcher in data collection and analysis. The investigator is to decide whether to use a single case or multiple case studies in which he may decide to keep in his case holistic or embedded sub-cases.<sup>49</sup> A visit was made to ASCL to seek for access in June 2010 and the approval was received in July 2010. The study should be well designed to achieve reliability and validity. In quantitative research, reference is made to reliability, validity and generalizability but in a case study, reference is made to procedural reliability, contextual validity and transferability.<sup>50</sup>

The next step is the training and skill of the investigator. The investigator must have good skills in asking questions, ability to listen carefully to the respondents and must be flexible.

The fourth stage of conducting case study research involves the collection of data. The researcher must show evidence for his work. These sources of evidence are documents, direct or participant observation, archival records, physical artefacts and interviews. The evidence that was used for this study is collected by semi-structured interviews, direct observation, questionnaires and documents from within and without ASCL, including newspapers and the company's website. Research questions, theoretical frameworks and the review of relevant literature will help direct which evidence the researcher will have

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<sup>49</sup> If you are conducting a research on an individual or organisation, you are engaging on single/embedded case study but it becomes multiple/embedded study when two or more individuals or organisations are being studied (Yin, 2012). Holistic study is taking the whole case as a unit of analysis - that is when logical subunits cannot be identified (Yin, 2012).

<sup>50</sup> Procedural reliability means the adoption of appropriate and reliable research methods and procedures; contextual validity means the credibility of the case study evidence and conclusions that are drawn from there and transferability means transferability of the findings from one context to another (Ryan et al., 2002).



to collect. The researcher should tape-record his interviews if agreed by the respondents and should take note while the interview is going on because memories fade quickly. Informal interviews help to corroborate the source of information and records; notes and all the evidence collected should be kept in a safe place for consultation if it becomes necessary.

The next step in a case study research is the analysis of evidence from data collected. Data analysis “consists of examining, categorizing, tabulating, testing, or otherwise recombining evidence to draw empirically based conclusions” (Yin, 2009 p.126). In analysing data, interpret the data collected, analyse according to subject (theme) of discussions (issues), put up provisional conclusions and arrange for final report.

The final stage of the case study research is to report the results and findings. It is the phase at which the researcher reports the knowledge gained from the case. This stage will identify the audience and display enough evidence for readers to reach their own conclusions. The researcher should take the report as if it were a story, look for ways in which the story is incomplete and discuss the work with people.

In conclusion, the depth and the richness of a case study make it possible to be used in this study in order to take a holistic approach to unravel the mysteries behind an organisation which was substantially complete in the 1990s (more than two decades ago) but is still not functional. From this, ways forward might be better suggested.

#### **5.4.4.1 Generalisation of a case study**

Generalisation is not the main objective of this study but to examine ASCL that was established in 1979, which has not started production of steel three decades after. This view is acknowledged by Punch (2005) that the objective of research projects should not

necessarily be to generalise. A case because it is interesting, unusual, unique, important or misunderstood can be studied in-depth in its own right (Punch, 2005). This is done to clear the coast of our shallow, fragmentary and incomplete knowledge of the situation of things (Punch, 2005). This is applicable to the case of ASCL which was established in 1979 and was substantially complete in 1990s but a shadow of its potential. Secondly, according to Punch (2005), a case study can also be undertaken where it becomes necessary to study a negative case. Negative in the sense that the case is completely opposite or the general pattern of the case is significantly different from other cases thereby giving rise to investigating the reasons why the case is different from others. Besides, multiple case studies dilute the overall analysis in that the more the cases to study the less in-depth the study, unlike one case study where a full and holistic study will be carried out (Creswell, 2007). That is there are great in-depth insights possible from the focussed study of a particular case.

Researchers like Lincoln and Guba (1985), Roslender (1992), Ryan et al. (2002), and Yin (2009) argue that the findings of a case study cannot be used to generalize to a population, replicated or used for prediction for the reason that the data is not statistically representative of the universe or population. However, case study can be used to generalise findings if evidence from similar studies agree with the findings (Hammersley, 1992). Findings of a case study can be generalised to existing theory (Yin, 2009).<sup>51</sup> Other researchers can replicate the pattern found in the case study, if the theory from the original case study is strong and acceptable to be used by other researchers (Yin, 2009). In this study a loose generalisation (Hannah 2003; Collis and Hussey, 2009) may be made by transferring what is happening in ASCL to Nigerian parastatals and beyond including

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<sup>51</sup> It is often called theoretical or analytic generalization (Yin, 2009).

with the use of mixed methods which combine qualitative and quantitative methods thus deriving advantages of both.

## **5.5 Triangulation**

Triangulation here means using several methods and sources of data to confirm research findings (Denzin (1970) (in Bryman and Bell, 2007). Collis and Hussey (2014) define it as “the use of multiple sources of data, different research methods and/or more than one researcher to investigate the same phenomenon in a study” (p.71). These multiple results strengthen confidence or credibility to research findings (Johnson and Christensen, 2012). Where many methods are used, the advantages of one method or source will counteract the disadvantages of another (Ryan et al., 2002). For instance, those who were afraid to comment verbally through interview on the reasons for the serious delays in producing steel at ASCL preferred to tick the option given in the questionnaire. In addition, triangulation makes research findings from a case study more generalizable (Normann, 1970; Hammersley, 1992; and Scandura and Williams, 2000). Case study findings or conclusions can be more reliable and credible if they are based on many sources of information (Yin, 2009). In this study, the literature review, documents analysis, case study, survey questionnaires, theoretical framework and interviews confirm that data, theory and method triangulations have been accomplished.

## **5.6 Conclusion**

This chapter examined the philosophical assumptions of the study as a way of introducing the research methodology and methods adopted. This study follows a perspective within the interpretive paradigm that is critically oriented. The study uses observation, interviews, questionnaires, case study and document analysis. The interviews, questionnaire and case study are presented and elaborated in the next two chapters.

## **Chapter Six**

### **Findings: Semi-Structured Interviews with Stakeholders in Nigeria**

## Chapter Six

### Findings: Semi-Structured Interviews with Stakeholders in Nigeria

#### 6.0 Introduction

Chapter five examined the philosophical assumptions underpinning this study. Interpretivism with criticism and case study method were adopted for this study. The present chapter details the findings of the semi-structured interviews<sup>52</sup> conducted in Nigeria from December 2010 to March 2011 and the second interviews<sup>53</sup> which were conducted from December 2011 to February 2012. The interviews were conducted two times because of the sensitivity of ASCL. The objective of these interviews was to obtain the reasons for persistent governance and accountability issues in parastatals in Nigeria with the case of ASCL in particular; which was established in 1979, substantially complete in the 1990s, but has not produced steel products to date. Interviews were conducted in English language as this is the official language of Nigeria. All interviews with those outside ASCL are outlined in this chapter while the next chapter discusses the interviews with the management staff of ASCL and questionnaire survey. Interviews were highlighted, presented and analysed based on the issues that emerged out of the interviews and documents collected from interviewees.

Table 6.1 below contains the list of participants from outside ASCL numbering about 13 interviewees from December 2010 to March 2011 for the first interviews. Table 6.2 shows the list of 10 interview participants between December 2011 and February 2012 for the second interviews. Interviewees were investigated with the understanding that they were in the best position to give unbiased account of what they know about governance

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<sup>52</sup> See appendix III and IV for interview guide (first phase of interviews)

<sup>53</sup> See appendix VI for interview guide (second phase of interviews)

and accountability issues in parastatals in Nigeria and ASCL. Interviews were reported anonymously to protect the identities of the interviewees. Table 6.1 and Table 6.2 below show the list of stakeholders interviewed in the first and second phases.

**Table 6.1 List of interviewees outside ASCL-for interviews conducted from December 2010 to March 2011 (first interviews)**

Code	Interviewee	Years of experience	Remarks
A1	Journalist	28	Radio House
A2	Journalist	26	Newspaper
A3	Civil Servant	25	Nigerian Television Authority (NTA)
A4	Civil Servant	28	Min. Of Trade and Industry.
A5	Civil Servant	27	Chambers of Commerce, Industry, Mines and Agriculture (CCIMA)
A6	Politician	30	Government Investment Company
A7	Civil Servant	27	Ministry of Finance
A8	Academic	28	Tertiary Institution
A9	Academic	22	Tertiary Institution
A10	Non-academic	34	Tertiary Institution
A11	Civil Servant	31	Ministry of Information
A12	Academic	24	Tertiary Institution
A13	Academic/ Political commentator/analyst	26	Tertiary Institution, Management consultant

Note: Table 6.1 shows the stakeholders interviewed from December 2010 to March 2011 (first interviews).

**Table 6.2 List of interviewees outside ASCL-for interviews conducted from December 2011 to February, 2012 (second interviews).**

Code	Interviewee	Years of experience	Remarks
B1	Academic	27	Former head of a parastatal, present chairman of a board of a parastatal and an academic.
B2	Academic	25	Management staff of a tertiary institution.
B3	Human right activist	15	A private company
B4	Civil servant	21	Chamber of Commerce, Industries, Mines and Agriculture (CCIMA)
B5	Academic, Management consultant, Policy analyst, Representative of non-governmental org., UNDP, World Bank.	15	Academic and management consultant.
B6	Civil Servant	31	Former head of a parastatal and presently a director in a ministry
B7	Politician	15	Chairman, board of a parastatal
B8	Civil Servant	20	Director of a parastatal
B9	Civil Servant	21	Nigeria Labour Congress (NLC)
B10	Journalist	25	Radio House

Note: Table 6.2 shows the stakeholders interviewed from December 2011 to February, 2012 (second interviews).

Code A indicates those who were interviewed in the first phase of the interviews. Code B indicates those who were interviewed in the second interviews.

The key issues identified from the semi-structured interviews are outlined in this chapter as follows: section 6.1 examines lack of political will; section 6.2 looks at international and local politics; section 6.3 analyses military interventions in politics; section 6.4 examines corruption; section 6.5 explores location of ASCL; section 6.6 examines the dissolution of NSDA; section 6.7 examines ASCL technology, considered to be an out-dated technology; section 6.8 examines lack of consistency in government policies; section 6.9 assesses appointments in parastatals based on political inclination; section 6.10 examines lack of accountability to all stakeholders; section 6.11 examines the

ineffectiveness of anti-corruption agencies; section 6.12 looks into privatisation of parastatals and section 6.13 gives the summary and conclusion of the chapter.

### **6.1 Lack of political will**

The majority of interviewees attributed the non-completion of ASCL to lack of political will<sup>54</sup>. They argued that the Nigerian government has the political power and resources to complete ASCL if it chooses to. This is because, according to the interviewees, Nigeria is rich in oil and mineral resources<sup>55</sup> that can be used for the completion of ASCL. For instance interviewee A13 stated that “the revenue realised from the excess crude oil can be used in the completion of ASCL.” Excess revenue from crude oil that has not been part of the budgeted revenue can be used to complete the project. Interviewee A1 stated that it is one thing to have a desire and another thing to implement that desire and that “lack of political will, patriotic zeal, and commitment on the part of the government has stalled the completion of ASCL.” These interviewees argued that if ASCL is completed it will be a source of employment to Nigerians. For instance, interviewee A12 explained that:

ASCL is a source of employment; a source of income to people in terms of salary, petty trading, and a lot of other commercial activities; a source of social activities; a source of social integration to all Nigerians; and other nationalities coming from all over the world. On my own part lack of political will is fundamental, ordinary people may say it is corruption but my own stand is lack of political will.

Interviewees B2, B3, B5, B6, B8, and B10 maintained that it is political will that has kept ASCL from being completed. For example, according to interviewee B10, “it is lack of

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<sup>54</sup>Political Will is defined as, “sustained commitment of politicians and administrators to invest political resources to achieve specific objectives” (Rose and Greeley, 2006 p.5). The argument here is that political will is tied to outcomes and it is the political power and resources that will be used to achieve these outcomes (Post et al. 2010).

<sup>55</sup> Nigeria is very rich in human and natural resources but “one of the poorest in terms of human development and poverty” (Okafor, 2007 p.124). Okafor (2007) further argues that Nigeria is a “country which has everything and produces nothing, and Japan which has nothing produces everything” (p.124).



political will on the part of the government for the uncompleted part of the project is too insignificant for ASCL to remain uncompleted.” The remedy to lack of political will as asserted by Mohammed and Yusuf (2004) is that Nigerians and those who govern her should rank their love for the country higher than themselves, families and friends. This, according to Mohammed and Yusuf (2004), will hasten the completion of ASCL.

Interviewees A1, A6 and A13 identified lack of political pressure to stir up the political will of the government as one of the reasons why ASCL has not been completed. The question is, who is to mount up the political pressure that will result in political will? For example, interviewee A6 contended that “protest is done to achieve result but if it cannot yield result, you don’t need to use it because if you are not lucky it will consume you. Instead use peaceful and appropriate channels.” Interviewee A13 suggested mobilisation of traditional rulers in the 3 Senatorial Districts, the 3 Senators, the 9 members of the House of Representatives from Kogi State and other prominent sons and daughters of Kogi State to mount up the political pressure on the government to get ASCL on the path to completion.

## **6.2 International and local politics**

International and local politics have been identified by the interviewees as other reasons for the non-completion of ASCL. Interviewee A6 argued that “the issue of international conspiracy is out of place because if there is a strong political will, the FGN doesn’t need to pay attention to international or local politics.” This interviewee stated further that what is needed is a strong political will and patriotism because competition exists in all areas of life both locally and internationally. The world powers like USA and other European countries will not like other products to compete with theirs in African markets

(interviewee A1). But interviewee A13 asked, “were there not international conspiracies before the company was 98% complete?”

International conspiracies, interviewees insisted, are among the strong reasons why ASCL has not been completed. They maintained that countries with steel industries that export their steel products to Nigeria are not in support of Nigeria completing her own steel industry because they want to fill African markets with their own products. These countries divert Nigerian leaders’ attention by directing her to other areas of development. For example, this was the case when Nigeria decided to establish steel in 1958 but was advised to concentrate on agriculture (Mohammed, 2002b; Agbu, 2007).

Interviewee A5 referred to Nigeria as the most populous country in Africa and every household in Nigeria must use steel products. He asked that if Nigeria completes her steel company, Nigeria being a big importer of steel products, where will those other countries sell their steel products? Interviewee B9 gave example of international trade that was held during Shagari’s administration. According to interviewee B9, ASCL went there with white cables and iron rods and buyers started abandoning China’s and Japan’s products for ASCL’s products. Interviewee B9 stated further that it was then said that if ASCL is allowed to be completed, then they will be thrown out of business and since then ASCL’s completion became a figment of the imagination.

Interviewee B9 asked the interviewer, did you hear anything about ASCL from IMF or the World Bank? This is because they advised Nigeria initially not to build integrated steel but a rolling mill but Nigeria went ahead to invite the Russians who built integrated steel for her and now they are advising Nigeria to dispose it (interviewee B9). For example, the World Bank in 1987, according to Mohammed Sanusi, insisted that Nigeria should carry out the assessment of its steel companies and also suggested to the

government the company that will carry out that assessment. Hacht Associates, according to Mohammed, a Canadian firm did the assignment and came up with the report that it is cheaper for Nigeria to import steel products than to use Ajaokuta steel technology to produce steel (Ayorinde, 2012). In 2001 again the same Hacht Associates, Mohammed maintained, was invited through a privatisation agency and reported again that Ajaokuta Steel was not worth it and that ASCL should be turned to a power generating plant (Ayorinde, 2012). In the same vein the United Kingdom Department For International development (DFID) evaluated the economic viability of ASCL as marginal (Chukwu, 2013). In 1990, according to the interviewee A1, Japanese experts were invited to assess the viability of ASCL. Interviewee A1 stated that the experts suggested that the company should be dismantled for it to be revived. Another discouragement came when the World Bank Chief, Nicholas Stern, visited Nigeria in July 2002. He said during his four-day official visit to Nigeria that the Soviet-era (1970s) technology is a drain on a nation's resources. He maintained that most countries that produce steel have changed their technologies. He stated further that if Nigeria should continue with ASCL, she should be ready to spend more money (Botha, 2002).

Some of the interviewees attributed ASCL stalled state to the politics between Western bloc and Eastern bloc. This, according to some of the interviewees, is making the World Bank and other Western agencies to describe ASCL technology as drains on resources and its economic viability as minimal. For instance, the former Soviet Ambassador to Nigeria, Vladimir Snegirev, in 1983 declared that, "we agreed to build this project for your country at a time when no other country in the world wanted to" (Alli-Ballogun, 1988 p.623).

Interviewees also mentioned local politics as another reason for non-completion of ASCL. For instance, interviewee B4 opined that those importing steel products connived with the minister of the Mineral and Steel Development and the chairman of the committee in charge of steel industry in the National Assembly to kill the bill of completing ASCL and advised that ASCL should be sold as scrap. The reason, according to interview A5, is that “what will those importing generators do if ASCL starts working?” Interviewees A1 and A2 advanced internal conspiracy as another reason for non-completion of ASCL. This, according to them, is the invitation of GIHL, a great competitor of ASCL, to run ASCL. Interviewee A1 further remarked that “the company removed equipment running into billions of Nigerian Naira from ASCL under the guise of replacing them with modern ones.” Some of the interviewees asked during the interviews, what is withholding Nigerian government from inviting Tyazhpromexport of Russia that built ASCL to complete it? Interviewees A6 and B10 contended that government should invite the builder of Ajaokuta (Tyazhpromexport of Russia) to complete it, for they know where they stopped (Interviewee A6).

### **6.3 Military interventions in politics**

Moreover, military intrusions in Nigerian politics have been identified by interviewees A13, B1, B5 and B9 as a core reason for non-completion of ASCL. These interviewees argued that majority of the work done at ASCL was done by a civilian administration of Alhaji Shehu Shagari who ruled Nigeria from 1979 to 1983. He took ASCL, according to interviewees A13, B1, B5 and B9, to the presidency where he was overseeing the steel company directly and visited ASCL regularly. He was overthrown in a military coup on 31 December 1983 by Major-General Muhammed Buhari. Interviewees A1, A5 and A9 insisted that military incursions in politics in Nigeria destroyed ASCL. Interviewee A9

said, “they took over; they did not pay attention to Ajaokuta Steel Company; and they did not contribute anything to ASCL except the administrative block they built”. Interviewee B8 argued that there was no improvement to what President Alhaji Shehu Shagari did. Interviewee B5 contended that “military regime is illegitimate” since they don’t have the mandate of the people. Interviewee A13 maintained that various military regimes in Nigeria are responsible for ASCL problems as they do not give representation to any people. For instance, “A military regime is not good at governing and whatever they do is grace and favour because in a military regime there is no voice for the voiceless” (P13).

General Ibrahim Babangida “decentralised corruption” but General Sani Abacha “centralised it” (Ribadu, 2006 p.1; Sowunmi et al., 2010 p.8) thereby making ASCL “a conduit pipe through which resources allocated to ASCL in the budget to be siphoned” (Interviewee A13). For instance, between 1988 and 1994, a dedicated and special account with the Central Bank of Nigeria (CBN) amounting to \$12.4 billion<sup>56</sup> depleted to \$200 million in June 1994 (Apter 2005; Agbiboa, 2012). The fund, according to Apter (2005) and Agbiboa (2012), was meant for three major special development projects which are the Shiroro Hydro-Electricity project, ASCL and National Iron Ore Mining Company (NIOMCO), Itakpe. The account and its contents were discovered when the FGN set up a panel headed by Dr Pius Okigbo in 1994 to investigate the activities of the CBN and to recommend measures for the re-organisation of the apex bank (Nnochiri, 2012; Tsa, 2012). General Ibrahim Babangida, however, said that the \$12.4 billion meant for ASCL and others was not stolen but used for “regenerative investment and critical infrastructure” such as building of Abuja City and Lagos Third Mainland Bridge (Daniel, 2015).

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<sup>56</sup> This \$12.4 billion being the excess revenue from the crude oil sold during the Gulf War in 1991

General Abacha “paralysed the machinery of governance and pauperized the citizenry in five years of dictatorship and frenetic looting” (Fagbadebo, 2007 p.31). For instance, Abacha, according to scholars, fronted a debt buy-back involving ASCL. In 1996, he withdrew the sum of \$2.5 billion from the Central Bank of Nigeria (CBN) meant to settle the debt owed the Tiazhpromexport of Russia for building ASCL. But he negotiated with the Russians for a debt buy-back in which he gave \$500 million to the builders of ASCL and took \$2 billion (BBC NEWS, 1998; Oyediran, 1998; Obadina, 1999; Daniel and Freeman, 2007; Agubamah, 2009; and Administrator, 2011). This action by General Abacha, according to interviewees, affected the completion of ASCL.

#### **6.4 Corruption**

Interviewee B8 defines corruption as “the conversion of government properties into one’s own while performing one’s normal duties.” Interviewee B5 defines it as “any inordinate thing” or where “people are not doing the right thing.” Interviewee B7 argued that:

Corruption has to do with man, material and money. Anything done that is inconsistent with normal thing is corruption. Corruption is not limited to money or Nigeria. It is practised all over the world except that it is rampant in Nigeria. If you are corrupt you are bad. You are doing a wrong thing in a wrong place.

The majority of the interviewees affirmed that corruption is on the higher side in Nigeria. Interviewee B1, who was a former CEO of a parastatal and at the time of the interviews a chairman of a parastatal, acknowledged that corruption is the major problem of parastatals. This is because corruption of parastatals can be likened to “a tap that is always open” (interview B1). Interviewee B1 further stated that “I agree that the major problem of parastatals is corruption; our leaders are corrupt and the followers are also corrupt”. Interviewees B1, B2, B5, B9; and B10 described Nigerian environment, lack of value system, Nigeria uncontrolled population, illiteracy, greediness, and poverty; and also

eagerness to employ relations; ethnic inclination and indoctrination; and the urge to secure positions for themselves, their children and children's children as drivers of corruption.

One of the interviewees (B8) stated that the fundamental problem of Nigerians is corruption. He further stated that corruption runs down from the top to the bottom. For instance, according to interviewee B8, corruption runs down to the extent that a trader disguises the instrument of measurement in the market places. This instrument which appears fine as you behold it is devoid of just weight and balances for underneath is full of weighty materials.

Interviewee B5 opined that there is corruption everywhere in the world but its level in Nigeria is very high. The Asian financial crisis of 1997-1998 (Anwar and Sam, 2006); Robert Maxwell's scandal in UK (Melville, 2007; Solomon, 2010); and Enron, WorldCom, and Global Crossing in US (Yang, 2006) are examples of corruption in other parts of the World. Interviewee B7 argued that:

Corruption is practised everywhere in the world and not only in Africa or Nigeria. Nigerians used to excel in whatsoever they do. Though it is true that corruption is rampant in Nigeria it is not limited to Nigerians but inherent disease in human body like sin which is inbred affecting the whole human race.

Corruption manifests itself in different ways. Interviewee B3 stated that corruption is perpetrated in four different ways - through inflation of contracts; lack of transparency and accountability; due process covered with favouritism; and the norm of uncompleted projects in order to be re-awarded. Interviewee B2 opined that it is not easy to re-award ASCL, the reason it has not been completed. Interviewee B4 argued that "it costs more to construct a road in Nigeria than to construct the same road in Ghana."

Asked how corruption can be linked to non-completion of ASCL, some of the interviewees could not identify any type of corruption that can specifically be linked to ASCL. However, interviewees A1, A2, A6, and B1 pointed out that the process of concession of ASCL to GIHL is fraudulent and GIHL manifested that fraud through the cannibalisation of the company's equipment. For instance, interviewee A6 contended that "I went to India to investigate whether Global Infrastructure Holdings Limited (GIHL) is a genuine organisation and discovered that GIHL is a genuine organisation but was surprised at its failure and the cannibalisation of ASCL's assets."

As corruption is a human trait that has defied human most severe laws, and all efforts at combating it using western ways have failed in Nigeria, a professor of political science, Professor Chinedu Nwolise has suggested that African ways of fighting corruption should be adopted. This he said will lead to a fatal consequence should a leader failed to abide by the oath he took during the swearing-in ceremony before entering his office. He contended that:

We need to apply efficacious oath, not with just the Bible and Quran used during swearing in ceremonies but a Bible or Quran blessed by a real man of God or a machete taken straight from the shrine of Ogun. The stereotypical words in the oath should be changed to words which would include curses; in case such a leader dabbles in corruption (Falayi, 2012).

However, one of the interviewees remarked that corruption is good for Africa. For instance, interviewee B7 opined that it was said that "the more the stealing the more the development."

## **6.5 Location of ASCL**

An industry is always located in a place where it can have access to raw materials, labour, land, power and capital. For this reason, the location of ASCL was carried out after feasibility studies were carried out by the Russians (Mohammed, 2002b; Agbu, 2007).



Interviewee A6 argued that “because government saw Ajaokuta’s potentials: environmental factors, rivers, large land and accessibility to raw materials favoured the siting of the integrated steel company at Ajaokuta.” Another interviewee, A5, confirmed that all the relevant natural resources for the siting of a steel industry are available in Kogi State.

However, Agbu (2007) argues that ASCL was located at Ajaokuta by political permutation of politicians. For this reason, interviewees A1, A2, A3, A5, A7, A8, B1, B2, B3, B6, B7, B9 and B10 considered the location of ASCL as one of the reasons for its non-completion. These interviewees argued that, if ASCL were to be located in one of the three major tribes, it would have been completed long ago. This is because of the political heavy weights of the major tribes which would have been brought to bear in facilitating its completion. For example, interviewee A1 contended that, “the site of the company acts as its drawback because Kogi State is not one of the favoured states in Nigeria.”

## **6.6 Dissolution of Nigeria Steel Development Authority (NSDA)**

NSDA was established in 1971 on the advice of the Russian experts (Federal Republic of Nigeria, 2008). The duties of NSDA was to plan, construct and operate the steel plants; carry out geological surveys, study market, metallurgical research and training of staff overseas (Mohammed, 2002b; Agbu, 2007). NSDA was dissolved in 1979 and gave birth to ASCL thereby having the Ministry of Mines and Steel Development as ASCL’s supervisory ministry (Mohammed, 2002b). For instance, Mohammed (2002b) opined that:

Unfortunately the Federal Government dissolved NSDA; the only viable agency that could have scientifically managed the situation. Their functions were returned to the non-technical bureaucrats of a new ministry of steel. A lot of activities were then haphazardly embarked upon; lots of inflated subsidiary projects were being simultaneously chased (p.1).

NSDA is similar to Temasek Holdings Limited (THL) owned by Singaporean government (Anwar and Sam, 2006). Its duties are to maximise the social benefits for the government and the citizens of Singapore but it is independent of government control (Anwar and Sam, 2006). THL has made Singaporean parastatals to be successful and they are inviting other countries to come and learn from their success, though cultures are different and one size does not fit all (Anwar and Sam, 2006).

### **6.7 ASCL technology, considered to be an out-dated technology**

There seemed to be a mixed reaction of interviewees as to out-dated Russian technology of ASCL. While some interviewees said Russians were looking for a place to dump their obsolete equipment, others said no, that they are happy with what is on ground and that government should complete ASCL. For example, interviewee A12 claimed that people appeared to suggest that the Russians were looking for a place to dump their out-dated machines. Also interviewee B10 argued that “the machines are obsolete; supposed to be upgraded; and we don’t need such gigantic or massive technology.” In addition, the World Bank Chief, Nicholas Stern, in July 2002 said, Soviet-era (1970s) technology is a drain on a nation’s resources (Botha, 2002, see section 6.2).

However, interviewee A13 said that no technology is old or obsolete that cannot be improved upon. “No country in the world has ever closed down her technology instantly to get another one but a gradual process and through feasibility studies” (P13). He went further to ask the question that, if Soviet-era technology is an out-dated technology, why then did GIHL in 2004 produce iron rods and cables using the machines installed by the Soviet experts in the four completed rolling units? He maintained that technology is being improved or built upon and not that it is old or obsolete. Interviewee A13 argued that no technology is obsolete, it must be modernised to suit the need of the present. He stated

that the Russians who installed those machines have not gone to seek for other technologies for their country and are considered to be one of the powerful nations in the world using their own technology. The Russians themselves, according to interviewee B4, declared that Nigeria should not discard ASCL because she “can still excel with ASCL technology.” Moreover, Nigerian Association of Technologists in Engineering (NATE, 2009) gave assurance to Nigerians that ASCL technology is a rugged installed technology which was confirmed sound after repeated examinations. Interviewee A9 argued that there can be improvement instead of abandoning the Russian technology.

### **6.8 Lack of consistency in government policies**

Governance should be seen as a system that continues from government to government in a democratic society. However, the spate of project abandonment in developing countries when a new government comes in is alarming. For example, there are about 11,886 neglected projects in Nigeria according to the reports of the Presidential Projects Assessment Committee (PPAC), set up in March 2011 by President Goodluck Jonathan to look into the cases of neglected federal government projects in Nigeria since independence in 1960 (EL-Rufai, 2012). Interviewee A1 argued that “lack of political will, lack of patriotic zeal, or lack of commitment to achieve a goal lead to inconsistency in government policies.” Some of the interviewees were of the opinion that lack of consistency is common in public ownership than with private ownership. A new government, according to interviewee B8, may not like to continue or improve on what the previous government did. Interviewee B10 declared also that “when an individual set up a steel company it will function but ASCL’s government owned steel refused to function.” New governments, according to the majority of those interviewed, should

continue with the projects embarked upon by their predecessors. Interviewee A7 argued that:

In Nigeria, what a new government used to do is to neglect the previous government's initiated policies and projects and start its own projects as if government business is a personal project. Dangote Cement PLC started producing cement at Obajana when it was 75% complete while ASCL was 98% complete but could not produce steel, why? This is because Nigerian government is merging politics with policies and becoming inconsistent. Other countries' new government build on the policies of their predecessors but Nigerian leaders come and draw another line because of selfish interest as if government policies or businesses were personal affairs.

Interviewee A8 maintained that, "governments should be sincere in their pronouncements and execute their policies, programmes, and projects". Interviewee B7 stated that the problem with Nigerian politicians is that they don't always honour their promises. This is because, according to interviewee B7, when they are voted in they will forget their promises and do a different thing.

One of the reasons put forward by some of the interviewees as the reason why projects are abandoned by a new government is the belief that there will be no benefit accruing to a government that completes an old project. Interviewee A2 remarked that:

The new government's attention will be drawn from the old projects since kickbacks cannot be given from the old projects if they were to be continued by the new government. The old projects can only continue if they can be re-awarded and the new government can be assured of getting kickbacks.

The majority of the interviewees gave another reason for neglecting projects as locating the project in their ethnic origin by leaders in order that the contract for the project to be re-awarded to their relations, children, friends or classmates. Other reasons, according to El-Rufai (2012), Olalusi and Otunola (2012), & Ubani and Ononuju (2013), include non-continuation of policies and priorities as occupiers of political offices change; nepotism; corruption; re-awarding of projects to political supporters as generous campaign gifts at inflated prices; paying contract sum to political big-wigs; frequent changes in

government; environmental degradation and devastation due to wrong location; and lack of skilled personnel and technical experts among others.

### **6.9 Appointments in parastatals based on political inclination**

Interviewees B1, B3, B7, B8, and B10 described the roles of the boards to include: formulation of policies; approving the promotion of staff; considering and approving budgets of parastatals; awarding contracts; approving the disciplines of staff; suing and being sued and generally regulating the activities of parastatals. The board, by the above roles, governs parastatals. Governance is defined by interviewee B10 as “a process of administering organisations, people or society using the resources available to ensure that the resources are properly used” Or simply put “administering people and resources to achieve certain results.”

The members of parastatals governing boards are appointed by the government of the day (interviewee B5 and B7). However, all the 10 interviewees in the second interviews declared that the appointments of members of parastatals governing boards are politically motivated. Their appointments, according to the interviewees, are based on political patronage, tribal sentiment, religious bigotry, ethnic balancing, party strongman, and political rewards for their active participation in political campaigns. For instance, interviewee B3 argued:

“It is a political patronage. It is a winner takes all. You cannot be appointed into a board without being a party member. It is not based on merit. It is based on ethnic, religious and party considerations.”

The appointment of members of boards is politically motivated. For example, according to interviewee B6 who was a former head of a parastatal:

You must be a party strongman before you are appointed to a position in a parastatal. All board members are political appointees. The appointment is used

to compensate them for campaigning for their master. How do you think they will perform? They are there to serve their godfathers who recommended them to that position and to make returns to them.

Interviewees B5 and B8 contended that, there is complete disregard for integrity, character, professional competence and qualification, values, years of experience, and track records of antecedents of the person being appointed.

Parastatals' success in Singapore is traced to capabilities; the best person for the job notwithstanding the person's background and nationality; the high calibre of people on the board and the strength of people in-charge of parastatals (Anwar and Sam, 2006)<sup>57</sup>.

Equally, the appointment of the CEO of parastatals may be politically motivated. Interviewee B3 and B8 confirmed that the appointments of the chief executive of parastatals are politically motivated; based on political party or on ethnic balancing. Interviewee B3 contended that "the appointment of chief executives of parastatals is not based on merit but on ethnic balancing and at the discretion of the President or a State Governor".

The majority of the interviewees appeared to suggest that one of the reasons for non-completion of ASCL is that those appointed members of ASCL board and CEO are politicians or their agents. For instance, interviewee B1 who is a former CEO of a parastatal for years and a chairman of the board of a parastatal at the time of interview stated that a historian was made CEO of ASCL. He argued that an engineer who knows much about steel or engineering/metallurgy should have been a better choice and regarded

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<sup>57</sup> Dhanabalan in Anwar and Sam (2006) suggested that for a parastatal to succeed, the character of the political leadership; appointment of people of honesty, probity, and meritocracy; and the character of people and the competence of the people who lead the organisation at the board and management levels must be put into consideration.

the appointment of a non-professional person to head a steel company as a politically motivated appointment.

### **6.10 Lack of accountability to all stakeholders**

Accountability means giving explanation for actions taken on behalf of people on their resources. For instance, interviewee B5 argued that accountability means you are holding an office or resources for others and you will be called upon to explain while you are in that office and after you have left that office. He further stated that accounting for your stewardship does not involve only money but also how you tackled the matter of deregulation, poverty, welfare, rule of law and fundamental human rights. Interviewee B3, a human right activist, argued that “accountability is giving account of your service, giving report of your stewardship or feedback to the people who gave you the opportunity to serve”.

Accountability to the National Assembly means accountability of parastatals has been discharged to the taxpayers (Sendt, 2002). However, interviewee B8 contended that government must be accountable to the people because “it is the government of the people for the people and by the people.” Therefore, for this reason, the accountability of the government, according to some of the interviewees, should be made public through the media for people’s consumption and not only to the National Assembly. Interviewee B8 argued that even the accountability to the National Assembly is not altogether complete. This is because, according to interviewee B8, “accounting books are not properly kept in parastatals.”

The 1999 Nigerian Constitution (as amended) mandates the National Assembly to monitor parastatals for the purpose of accountability. Section 88(1&2) of the 1999 Nigerian Constitution (as amended) provides that the National Assembly shall cause

investigations to be made on any person, authority, ministry, or government department (parastatal) charged with disbursing or administering moneys appropriated or to be appropriated by the National Assembly to expose corruption, inefficiency or waste in the execution or administration of laws within its legislative competence and in the disbursement or administration of funds appropriated by it. However, accountability to the National Assembly is flawed with fraudulent manoeuvres. For instance, a committee of the Nigerian House of Representatives on capital market headed by Representative Herman Hembe is being accused of corruption. The committee was investigating the reason for the near collapse of the capital market when it was accused of demanding for a bribe amounting to N44 million from the Director-General of the Securities and Exchange Commission (SEC). The Director-General of SEC argued:

Hembe is corrupt and lacks credibility. For instance, he collected estacode and other travel allowances from Securities and Exchange Commission (SEC) to travel to the Dominican Republic on a capacity enhancement conference for capital market regulators. He did not go neither did he returned the money collected. Also, he asked the commission to contribute N39 million towards the on-going charade of a public hearing and demanded another N5 million cash on Tuesday, march 13, 2012. He made both demands by proxy (Agande and Eboh, 2012).

Section 88(1&2) of the constitution mandates the National Assembly to investigate to expose corruption but the same National Assembly that supposed to expose corruption is demanding for bribes making accountability system difficult.

The majority of the interviewees complained about lack of accountability. For example, interviewee B4 remarked that “they supposed to organise a forum where they can explain to people yearly or half-yearly what has happened to their resources but nothing like that comes from them.” Interviewee B7 argued that they are only accountable to the “Cabal” who put them there and that the general public don’t know how their resources are being managed. According to some of the interviewees, even if there is no forum or media in



which to give account, the seller/buyer good relationship of parastatals/stakeholders can be taken to be accountability. For instance interviewee B8 stated that:

“There is no forum to give account. If a parastatal organisation is going on holiday or electricity is going off the next five days, people should be informed but people are not given such information before electricity goes off and even after it goes off.”

### **6.11 Ineffectiveness of anti-corruption agencies**

There are two main anti-corruption agencies in Nigeria. They are Independent Corrupt Practices and other related offences Commission (ICPC) established in 2000 and Economic and Financial Crimes Commission (EFCC) established in 2004<sup>58</sup>.

Majority of the interviewees argued that these anti-corruption agencies are weak as a result of government intervention. For instance, interviewee B1 pointed out that:

Corruption is still there with EFCC and ICPC. They are not effective. Those former governors who were accused of corruption and arrested were released without being brought to book. The judicial system is weak. The law is there on paper and okay but implementation is poor.

Some of the interviewees maintained that these anti-corruption agencies teach people how to put across their cases to gain their freedom and also hire senior lawyers to defend them in courts. For instance, interviewee B10 contended that:

We have EFCC, Code of Conduct Bureau and ICPC. They are more corrupt than any other person in Nigeria. When there is a fraud, they raise alarm and after, sometimes, the case is dropped. Another thing is that these people who are indicted, hire Senior Advocate of Nigeria (SAN) as their lawyers who represent them in courts against the junior lawyers recruited by these institutional agencies that are shouted down by the senior lawyers in courts. They continued to ask for adjournment of cases in courts. These actions by the senior lawyers in courts incapacitate the junior lawyers' defences.

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<sup>58</sup> ICPC Act focuses on curbing bribery and corruption in the public service; enlightens the public about the consequences of corruption; reviews and modifies the activities of public bodies and institutions to expose corruption and prosecute offenders (ICPC Act 2000; Iyoha and Oyerinde, 2010). The EFCC is mandated to fight financial and economic crimes; investigate, prevent and prosecute those who engage in any corrupt malpractices (Sec.46, EFCC Act 2004).

Interviewees B2, B3, and B10 stated that these prosecuting agencies are weakened by lack of finance; interference by the government; lack of manpower especially in recruiting capable hands like experienced senior lawyers and other technical staff; fear of being killed by hired killers; lack of protection for whistle blowers; they cannot prosecute anybody except somebody initiates a case against another person; and no special court to try these cases. Interviewee B5 remarked that these weaknesses are there because of “partial treatment, impunity and lack of political will to tackle corruption headlong”.

These weaknesses lead to miscarriage of justice in favour of those who are prosecuted by the EFCC or ICPC. The very good example is James Ibori’s case who ruled Delta State from 1999 to 2007 as a governor. Ibori who was acquitted by a Nigerian court was convicted by Southwark Crown Court in London on 17 April 2012 on charges of corruption and money laundering to 13 years in prison. Retired Justice Mustapha Akanbi who was the first chairman of ICPC argued that:

It was puzzling that Ibori, who was acquitted of all the corruption and money laundering charges by a Nigerian judge, pleaded guilty and was sentenced by a British court. The conviction of Ibori is a challenge to Nigerian Judiciary. We must be able to make sure that we really fight against corruption and corrupt practices so that once we resolve the problem of corruption, a lot of problems would have fizzled out. I am happy that at least, Ibori has been convicted and hope that other corrupt people will also be dealt with accordingly (Aboluwade et al., 2012 p.11).

### **6.12 Privatisation of parastatals**

Interviewees argued that political interference in awarding contracts and politically motivated appointments into parastatals affect their performances. For example, Mohammed (2002b) noted that after the dissolution of NSDA, ASCL was returned to the Ministry of Mines and Steel Development where “a lot of activities were haphazardly embarked upon and lots of inflated subsidiary projects were being simultaneously chased” (p.1). He further stated that parastatals fail as a result of:

“Ministerial strangle-hold and insincere directives; under funding; misuse of scarce fund; over-costing of inputs; under-costing of products; and the general attitude (or lack of it) towards government-owned enterprises” (p.8).

The political interference through appointments on political patronage, according to interviewee B3, leads to corruption; inefficiency; lack of accountability; lack of transparency; and lack of political will, which affect the performances of parastatals.

Some of the interviewees contended that the non-performance of parastatals may be linked to lack of funds. This is because they may be financially starved by the government, or allocated money in the budget may not be released to parastatal and if released, it may be late. For instance, interviewee B1 who was a head of a parastatal and a chairman of a board of parastatal at the time of interview argued that:

The major problem of parastatals is that they are not financially autonomous. It is when you request for money before you get it even when it was allocated to the parastatal in the budget. It takes political manoeuvring to get what you want as a head of a parastatal. There is no deliberate attempt to release the money allocated to them in the budget.

Interviewee B4 noted that another problem affecting parastatals is their wasteful nature. For example, he cited the example of road maintenance agency where there are engineers and other staffs but when work is to be done, government will engage consultants and contractors from outside the organisation instead of their own workers. Interviewee B4 further stated that this action makes the workers to be redundant and leads to increase in government overhead expenditure. Similarly, the former CEO of ASCL, Kola Belgore, declared that 6000 employees of ASCL are currently receiving N3.4bn monthly salaries without working (Akinyemi, 2014).

Interviewees B2, B3, B4, B5, B8, B9 and B10 contended that they are not satisfied with the services of parastatals but are willing to pay extra money in order to have a constant supply of parastatals' services. For instance, interviewee B10 argued that:

Nobody is satisfied with the services rendered by parastatals. There is inefficiency and therefore, people are not satisfied. The railway transport services, electricity supply, water supply are in a bad state. We are ready to pay whatever amount to make these services available to us at all times.

Interviewee B5 contended that no parastatal is satisfying its stakeholders in Nigeria.

Interviewee B8 confirmed that people are not satisfied because they are not getting what they want. However, Interviewee B1 argued that the satisfaction of stakeholders depends on what they want. He claimed that if stakeholders are not complaining it means they are getting satisfaction.

The majority of the interviewees welcomed privatisation but not full privatisation of parastatals. For instance, interviewee A6 argued that “government has no business in business; I don’t believe in outright sale either; but complete the project and privatise it.” Interviewees A2, A3, A4, A5, A6, A9, and A10, and all the interviewees in the second phase subscribed to privatisation by way of Public Private Partnership (PPP) of parastatals. Interviewee B2 described privatisation as the transfer of ownership and management of public organisation to a private company. He further stated that government interference in public organisations will stop if parastatals are privatised and more so that in private organisations, there will be no political patronage or interference but efficiency and the employment of experienced, qualified, skilled staff.

Interviewee B5 contended that what we need now in Nigeria is a mixed economy or PPP<sup>59</sup>. As regards ASCL, interviewees A6, A13, and all the 10 interviewees in the second phase of the interviews suggested that the project should be completed and privatised. The reason for the completion of ASCL before privatising, according to the interviewees, is that the company will be privatised at a reasonable value. According to interviewee A13,

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<sup>59</sup> Public Private Partnership (PPP) is where ownership, management and risks of a business enterprise are shared between the government and a private investor (Pamacheche and Koma, 2007).

“even in developed capital economies, a steel company will have to be completed before privatising it, if not you will be selling a sick product.”

However, interviewee B9 posited that privatisation by PPP may not work after all. This is because, according to him, Nigerian Telecommunications Limited (NITEL) was functioning well before it was privatised by PPP but after privatisation, it stopped functioning and thereafter sold by Bureau for Public Enterprise (BPE). Interviewee B3 affirmed that PPP is what can help our economy now because some private companies are not effective as well. He cited the cases of Hamdalla Hotels and Volkswagen companies that have folded up as examples.

### **6.13 Summary and Conclusion**

The semi-structured interviews from the two phases of interviews were reported in this chapter. The following were themes that emerged from the interviews and on which basis the interviews were discussed. They are as follows: lack of political will, international and local politics, military intervention in politics, corruption, the location of ASCL, dissolution of the Nigeria Steel Development Authority (NSDA); ASCL technology, considered an out-dated technology; lack of consistency in government policies; appointments in parastatals is based on political inclination, lack of accountability to all stakeholders; ineffectiveness of anti-corruption agencies; and privatisation of parastatals.

In all, the weight of political will to the completion of ASCL is considered by the interviewees more than any of the causes of ASCL not being completed. This is because despite the advice given to Nigeria to concentrate on agriculture or building rolling mills, Nigeria was able to complete ASCL substantially. That strength can be used to complete ASCL if it is removed from the Ministry of Mines and Steel Development to the presidency as did by Shagari administration before the coup of 1983 (see section 6.3).

Interviewees suggested that the appointments of persons of integrity and merit into boards, CEO and staff of parastatals will do much. If all these fail, then parastatals should be privatised. Interviewees suggested that privatisation of Nigerian parastatals should be based on PPP so that government should participate in the ownership. The interviewees maintained that privatisation will ensure that government will not interfere in the activities of the privatised parastatals thus leading to independence, efficiency of the privatised organisation and satisfaction of the Nigerian public. The next chapter presents the findings of interviews for the case and questionnaire survey.

## **Chapter Seven**

### **Findings: Interviews for the Case and Questionnaire Survey**

## Chapter Seven

### Findings: Interviews for the Case and Questionnaire Survey

#### 7.0 Introduction

Chapter six presented the results of the first and second phases of interviews conducted in Nigeria from December 2010 to March 2011 and between December 2011 and February 2012 respectively, to assess the perception of stakeholders. This chapter discusses the findings of the initial interviews<sup>60</sup> conducted at ASCL and its environs during the same period at Ajaokuta to seek the views of the management staff of ASCL and questionnaires administered from December 2011 to February 2012.

ASCL management staffs were interviewed with the aim of knowing why the project has not been completed after three decades of establishment. The question is, why is ASCL experiencing serious delays in steel production since 1979 to date in relation to practices of governance and accountability? The historical overview of ASCL was given in chapter one and this chapter seeks to explore the governance and accountability considerations from the responses provided by the management of ASCL.

**Table 7.1 List of interviewees for the case (first interview)**

Interviewee		
M1	M2	M3

Note: The table shows the members of management staff of ASCL that were interviewed between December 2010 and March 2011. Their identities have been kept secret because of the sensitive nature of ASCL. All the interviews were conducted in ASCL.

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<sup>60</sup> See appendix II for the interview questions (the first phase of interviews).



The second phase of interviews<sup>61</sup> took place in ASCL from December 2011 to February 2012 with the management staff of ASCL. The list of those who participated in the second phase of interviews is tabulated in table 7.2 below.

**Table 7.2 List of interviewees for the case (second interview)**

Interviewee						
N1	N2	N3	N4	N5	N6	N7

Note: The table shows the members of management staff of ASCL that were interviewed from December 2011 to February 2012. Their identities have been kept secret because of the sensitive nature of ASCL. All the interviews were conducted in ASCL.

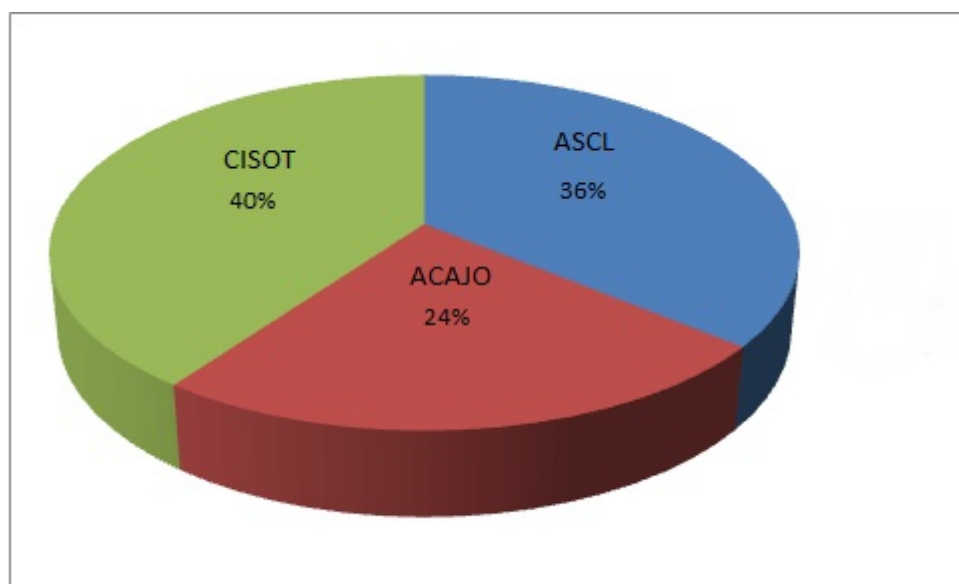
Interviews in some cases were conducted in interviewees' home to avoid distractions and also to enable them speak freely. The interview's time per interviewee lasted for about an average of 45 minutes.

The respondents from whom questionnaires<sup>62</sup> were received (Table 5.5) have been grouped into three according to their careers and status in the society for the purpose of analysis. The first group is the staff of Ajaokuta Steel Company limited (18 respondents representing 36%) and given the name - Group ASCL. The second group is academics and journalists (8 + 4 = 12 respondents respectively representing 24%) and given the name - Group ACAJO. The third group is made up of civil servants (12), managing director of a private company (1), politician (1), lawyer (1), human rights activist (1), labour union (2), traditional chief ruler (1) and other (1) = (20 respondents representing 40%) and given the name - Group CISOT. The groupings are represented in the chart below:

<sup>61</sup> See appendix VI for interview questions (second phase of interviews) and appendix V for accompanying letter.

<sup>62</sup> Appendix VIII contains the copy of the questionnaire and for accompanying letter see appendix VII

**Figure 7.1 Groups of respondents for the questionnaire**



**Source:** The chart shows the groups of respondents for the questionnaire and the percentage of each group from the field work.

Statistical Package for Social Sciences (SPSS) was used to analyse the data obtained from the questionnaires received from the respondents. The statements in the questionnaire were on a 5 point Likert-scale. This allowed for the extraction of relevant descriptive statistics of the responses. Standard deviation was used to assess the difference in responses; group means were used to reveal the behaviour of respondents towards different statements; Kruskal-Wallis (KW) test was used to discover whether there are differences in responses given by the three groups for each statement and Mann-Whitney (MW) test was used to show the difference between the responses of two groups in order to discover if they are significantly different from each other. All tests and decisions in this study were based on 95% confidence level. Also a t-test<sup>63</sup> was carried out to discover

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<sup>63</sup> For results of t-test, see appendix IX

the level of significance of the difference between the overall mean value and the mid-point at 5% significance level.

Apart from the 5 point Likert-scale in the questionnaire, there is one open-ended question (Question K) and one open statement (Statement L) for the respondents to respectively answer and comment on. Question K asked respondents what other things they think should be done to bring the needed change? Statement L requested the respondents to provide any other comments.

The key issues identified from the case interviews and questionnaires are discussed in the remainder of this chapter as follows: Section 7.1 describes steel, the key to industrialisation and development; Section 7.2 explores lack of political will; Section 7.3 elucidates ASCL technology, considered to be an out-dated technology; Section 7.4 assesses international and local politics; Section 7.5 examines lack of consistency in government policies; Section 7.6 assesses appointments in parastatals based on political inclination; Section 7.7 presents the analysis of ethnicity; Section 7.8 examines corruption; Section 7.9 explores patronage; Section 7.10 examines punishment for offenders; Section 7.11 examines lack of accountability to all stakeholders; Section 7.12 analyses the ineffectiveness of anti-corruption agencies; Section 7.13 looks into privatisation; and Section 7.14 provides the summary and conclusion.

### **7.1 Steel, the key to industrialisation and development**

Two views of the interviewees are noted here. Some of the interviewees described ASCL and what has happened so far since its establishment while others gave the reasons why ASCL was established. First, interviewee N4 who is a prominent member of the management of ASCL described what he knows about ASCL as follows:

ASCL is a product of the nation's vision at industrialisation apart from providing employment opportunities for the people of Nigeria. Nigeria occupies a very, very important place as regards her population and roles in African Union (AU). ASCL was incorporated as a private company solely owned by the Federal Republic of Nigeria (FGN). ASCL has suffered some setbacks from the very beginning. The company has at various times being given to different companies to manage known as concessional arrangement but we witnessed failures from the concessionaires. There was a concession to Solgas Energy Limited (SEL) of USA which could not continue because of lack of funds to operate. There was also another concession in which the company was given to Global Infrastructure Holdings Limited (GIHL) of ISPAT of India which worked for a while. The managers were not transparent- they had something to hide having another agenda. Many different types of machinery installed by Tyazhpromexport (TPE) of Russia were looted and carted away by the Indians who brought no spanner. The spare parts stored in a particular location by the Russians were vandalised and exported out of the country. During this period, it was the indigenous Nigerian engineers that worked and not Indians technicians that came. These were the reasons why the contract agreement was terminated. It is still in limbo and we are still waiting. After the termination, Nigerian government inaugurated a group of politicians who are external to the company as Interim Management Committee (IMC) as management of the company but the company is yet to see the light of the day. Government should overhaul the whole system and give autonomy to the company and not to have a supervisory ministry. It should not be run as a unit of the ministry of Mines and Steel Development and the builder of the company should be invited to complete the project.

Second, interviewee N1 argued that "ASCL is an incorporated company which was established to produce steel; to serve as the bed rock of Nigerian industrialization and economic development; to provide jobs and revenue for the country". Interviewee N2 described ASCL as a company which was established by the government of Nigeria to produce iron, steel, and also to provide services to other companies. For instance, the power plant of the company distributes light to Power Holding Company of Nigeria (PHCN) which it does by collecting revenue from PHCN.

Interviewee M1 declared that "steel is a life blood of a nation. A country without steel is just like a human being without blood". He maintained that a country without steel will find it difficult to develop and will depend on other nations for survival. Interviewee M2 argued that having a steel company will generate employment; the products will be used

to produce military weapons; and construction companies will use the products for building bridges, rail tracks and houses. Interviewee M3 affirmed that it will generate employment and revenue to the government. He further stated that the objectives of establishing ASCL are numerous including employment generation, economic development and quick industrialisation of Nigeria. Miachi (2001) opines that:

Apart from the foreign exchange and economic growth objectives, it was envisaged that the project would generate a myriad of socio-economic benefits to Nigeria such as increase in the productive capacity of the nation through its linkage effects and supportive roles to industries. In addition, it was expected that the project would greatly contribute to the achievement of other socio-economic goals of the nation, such as provision of materials for infrastructural development, technology acquisition, employment generation and training of labour, income distribution and regional development (p.10).

Steel is important for economic competitiveness; national security; and is the backbone of bridges, skyscrapers, railroads, automobiles and appliances (Umunnakwe, 2009).

Table 7.3 (Qfa) shows the results from questionnaires distributed and received between December 2011 and February 2012. The statement that ASCL was established to promote industrialisation, economic development and to provide employment for Nigerians and beyond received positive responses from the respondents. Among the three groups, group ACAJO (1.00) expressed the highest agreement that ASCL was established to promote industrialisation, development, and to provide employment to Nigerian and beyond. Other groups' means are group ASCL (1.12) and group CISOT (1.20). The t-test conducted showed that overall mean equal 1.12 and p. value .000. This shows respondents significantly agreeing that ASCL was established to promote industrialisation and development of Nigeria. The KW and MW tests do not reveal any significant difference. The results of the overall mean and group means show that respondents agreed that ASCL has the potentials of bringing a lot of advantages to Nigeria. For example, the advantages of technological acquisition by Nigerians; the potential markets for the by-products of the

steel; national security and pride that follow the establishment of steel are tremendous to be neglected (Chukwu, 2013).

## **7.2 Lack of Political Will**

Interviewees N1, N2, N4, N5, N6, and N7 believed that the major problem surrounding the serious delays in the completion of ASCL which was established in 1979 and was substantially completed in the 1990s has to do with the political will of the government. For instance, interviewee M1 argued that the main problem of ASCL is that there is no political will. He maintained that lack of political will means that the FGN has “no interest in steel.” Interviewee N1 contended that by the time Babangida visited ASCL, what he saw made him to write in ASCL’s visitors’ book that “the completion of ASCL is a must.” Interviewee N3 appeared to suggest that the FGN has no interest in the development of ASCL or priority in steel development. The reasons why the completion of the company lingers on for decades, according to interviewees M1, M2, and M3 are: “the priority is not there” (M1); “lack of political will” (M2); “lack of political will, international and local politics” (M3).

Interviewee M1 postulated that the World Bank is opposed to the project, “I doubt if it will agree to release money for the project.” He further maintained that ASCL will be completed if FGN takes it as a priority and decides to fund it. For instance, according to interviewee M1, FGN did not collect any money from anywhere to complete the project up to 98%, “is it the 2% that it will take loan?” Interviewee M1 maintained that as Nigeria is endowed with both mineral and human resources, the revenue from excess crude oil alone can be used to complete ASCL. That is why, according to the interviewees M1, M2 and M3, it is said that if there is priority or political will on the part of the government, ASCL would have been completed long ago.

On the statement (Qfb) that Ajaokuta Steel was not completed because government is not willing to complete it, majority of respondents agreed to that statement. Group ASCL agreed that if the government is willing with political courage, it can complete ASCL. The test conducted revealed that: group ASCL's mean is 1.82; group ACAJO's mean is 2.17; group CISOT's mean is 2.10. Group ASCL expressed the highest agreement that the FGN can complete ASCL if it wills. Some respondents argued that, it is not that government is not willing to complete ASCL but when money is budgeted and released, the money will not get down for the purpose intended. This is the statement Qfc with the overall mean of 2.44. Group ASCL (2.12) expressed the highest agreement in statement Qfc while group CISOT (2.80) expressed the lowest agreement. The result of t-test carried out showed that the responses are significantly different from their neutral values, indicating agreement that the money meant for ASCL is not always used for the purpose intended.

Dr Mohammed Sanusi who is the secretary-general of African Iron and Steel Association (AISA) remarked that the first phase of ASCL which is 1.3 million tonnes per year would have cost Nigeria not more than \$1.5 billion, but the expenditure of the first phase so far is \$6 billion and not yet completed. According to Sanusi, a contract that supposed to have cost the government N5 million will be tripled to N15 million in Nigeria (Kadiri, 2012).

**Table 7.3 Ajaokuta Steel Complex.**

Statements	No	Overall Mean	SD	Group Means			K-W P-value	M-W P-values		
				ASCL	ACAJO	CISOT		ASCL-ACAJO	ASCL-CISOT	ACAJO-CISOT
Qfa- Ajaokuta Steel was established to promote industrialisation, development and to provide employment for Nigerians and beyond.	49	1.12 <sup>†</sup>	0.39	1.12	1.00	1.20	0.17	0.40	0.26	0.10
Qfb- Ajaokuta Steel is not completed because the government is not willing to complete it.	49	2.02 <sup>†</sup>	1.18	1.82	2.17	2.10	0.86	0.58	1.00	0.65
Qfc- Government is not willing to commit more money to the multi-billion dollar Ajaokuta Steel Complex because the money will not be used for its intended purpose.	48	2.44 <sup>†</sup>	1.33	2.12	2.25	2.80	0.30	0.86	0.14	0.30
Qfd- The Russian's technology, the builder of the steel, is an outdated technology.	48	3.48 <sup>†</sup>	1.29	3.94	2.92	3.45	0.14	0.06	0.18	0.38

Note: The table (7.3) shows the results of questionnaires received from respondents. It reveals the statements made and the number that responded, overall mean, the number of respondents that agreed and disagreed to the statement, group means, Kruskal – Wallis (KW) p. value and Mann-Whitney (MW) p. values tests conducted. The table shows the mean responses to the statements at various levels: 1=strongly agree; 2 = agree; 3= neutral; 4 = disagree and 5= strongly disagree. A <sup>†</sup> indicates significance difference at 5% level for overall mean from the midpoint using t-test.



### **7.3 ASCL technology, considered to be an out-dated technology**

Interviewees M2 and M3 argued that Russian technology is a rugged technology and there is no way the USSR technology can be converted into USA technology after it is substantially completed. The problem with ASCL, according to interviewees M2 and M3 may be because it is a Russian technology and not western technology. They maintained that if government makes money and infrastructures available to them, ASCL will begin to produce steel. The USSR technology, according to M1 and M2, was used to produce iron rods by GIHL between 2004 and 2008. They further argued that one improves on technology and not to wholly jettison it.

Interviewees N2 and N3 contended that there is nothing like obsolesce in ASCL's technology. "The USSR was the highest producer of steel when they were together" (interviewee N2). Interviewee N3 contended that even if the technology is obsolete, we have to start from somewhere noting that the technology that was erected in the Soviet Union since the Second World War is still there. Interviewee N3 further explained that "even cars we use here are being used over there before they are exported to us which we use for some years before they are discarded." He maintained that we need to try this technology this way for now before we change it to any other technology. He affirmed that GIHL used Russian technology to roll out iron rods and wires using the completed rolling mill units during the concession.

The Russian technology according to statement Qfd in table 7.3 is said to be an obsolete technology but a majority of the respondents disagreed with that statement. The overall mean equal 3.48, with the group means showing group ASCL = 3.94 and group CISOT = 3.45 meaning that they disagreed with the statement that ASCL technology is an outdated technology. Group ASCL expressed the higher disagreement while Group ACAJO (2.92)

held opposite view. The result of t-test carried out shows the overall mean = 3.48; p.value = .013 suggesting that the respondents rejected that ASCL technology is an outdated technology. KW and MW did not reveal any significant difference.

Sections 6.7; 7.3; and table 7.3 (Qfd) are in agreement of the effectiveness of ASCL technology, suggesting that ASCL should not be abandoned as some people may suggest because it can still be used to turn out steel as envisioned. Nigeria Association of Technologists in Engineering (NATE) notes that technology, if it cannot meet the need of that time, can be modified to suit the need of the moment and not totally jettisoned as some may suggest (NATE, 2009). This steel professional association stated further that the ASCL installed machines are strong ones which are capable of achieving its purpose. In this case, according to these respondents, the technology can be improved upon if it cannot meet the need of the moment.

#### **7.4 International and Local politics**

The majority of interviewees of the case attributed the non-completion of ASCL to international and local politics. Internationally, according to the majority of interviewees, because when ASCL is completed its products will compete with the products from other countries of the world. The ASCL steel products will prevent Nigerians from buying steel products from other countries. The local politics dimension is because of where ASCL is located. For instance, interviewee N1 and N2 argued that the politics of the North, East and West of Nigeria have made ASCL to be neglected. However, interviewee M2 argued that international and local politics are secondary. He further contended that “even location of ASCL is not the problem. For instance, what do you say of Kaduna refinery that is in the North and Port Harcourt refinery that was situated in the south-south that are not working? Forget about it, it is political will”

## **7.5 Lack of consistency in government policies**

A majority of the interviewees affirmed that the steel project is being prolonged because of government's inconsistent policies and the practice of neglecting projects. For example, Mohammed and Yusuf (2004) opine that:

Since Nigeria took her independence, the major forces that seem to threaten the techno-organisational capacity in Nigeria emerge from inconsistency in policy administration and high level of corruption in the polity, resulting in the current insecurity of persons and investment (p.7).

Another thing worthy of note that is frustrating the development of ASCL is the Structural Adjustment Programme (SAP) introduced by the Federal Military Government in 1986. Its negative results on government projects affected Nigeria's industrialisation hence ASCL's prolonged completion (Mohammed, 2002b).

The changes in government affected the growth of ASCL greatly. For instance, interviewee M1 argued that a change of government led to a change in the management of the company. This, according to interviewee M1, affected the company's policies and priorities as government's policies and priorities changed. Interviewee M1 further stated that sometimes the company will be completely neglected when a new government comes in. He declared that immediately Shagari left in 1983, the incoming military government of General Buhari did nothing at ASCL and the company which its first phase of 1.3 million tonnes of steel per annum would have been completed in 1986, still lingers on.

**Table 7.4 Governance in parastatal organisations.**

Statements	No	Overall Mean	SD	Group Means			K-W P-value	M-W P-values		
				ASCL	ACAJO	CISOT		ASCL-ACAJO	ASCL-CISOT	ACAJO-CISOT
Qea- parastatal organisations in Nigeria have active or passive governing boards.	43	2.21 <sup>†</sup>	2.23	2.12	2.50	2.12	0.80	0.64	0.82	0.51
Qeb- appointments to these boards are based on merit.	44	3.32	1.16	3.12	3.80	3.22	0.32	0.13	0.73	0.25
Qec- appointments to these boards are based on political connections.	49	1.45 <sup>†</sup>	0.71	1.23	1.33	1.70	0.24	0.57	0.11	0.33
Qed- appointments of the chief executives into parastatals are based on merit and not on political connections.	49	3.31	1.10	3.29	3.17	3.40	0.73	0.66	0.65	0.46
Qeei-parastatal organisations' governing boards are accountable the following: Parliament.	42	1.81 <sup>†</sup>	.80	1.92	1.64	1.83	0.43	0.21	0.34	0.64
Qeeii-Taxpayers	37	2.76	1.38	3.08	2.78	2.47	0.49	0.51	0.24	0.66
Qeeiii-Customers	34	2.97	1.31	3.18	2.33	3.21	0.19	0.12	0.86	0.11
Qeeiv-Community	37	3.08	1.34	3.08	2.89	3.20	0.74	0.63	0.81	0.42
Qeev-Media	35	2.91	1.29	3.31	2.12	3.00	0.11	0.06	0.45	0.09

Note: The table shows the responses of respondents who were served questionnaires by this researcher between December 2011 and February 2012. 50 questionnaires were received. No = numbers who ticked a particular statement, overall mean, SD= standard deviation, the total number who agreed to the statement, the total number that disagreed to the statement, group means, Kruskal-Wallis (KW) p. value and Mann-Whitney (MW) p. values. The table shows the mean responses to the statements at various levels: 1=strongly agree; 2 = agree; 3 = neutral; 4 = disagree and 5= strongly disagree. A <sup>†</sup> indicates significance difference at 5% for overall mean from the midpoint using t-test.

## **7.6 Appointments in parastatals based on political inclination**

There was no governing board at ASCL as at the time of interviews. This is because the company was under concessions to Solgas Energy Limited (SEL) and GIHL from 2003 to 2008 and the Interim Management Committee (IMC) took over after the termination of the concessional agreement with GIHL in April, 2008. Before the concessions, between January 2001 and 2003, according to majority of interviewees, there was a governing board headed by General Chris Ali (retd).

The government appoints the members of the governing board of ASCL because it is the duty imposed by the Companies Act and the 1999 Nigerian constitution (as amended) on the owner (FGN) to appoint the chairman, members of the governing board, and the CEO (see also ECSAFA, 2004). The appointments of members of governing boards of parastatals, according to majority of interviewees, are based on political connection of which ASCL is one of them. For instance, some of the interviewees gave example of an Air Commander Ndasu Muhammed Umar who was appointed ASCL's CEO in 1990. The period, according to these interviewees, witnessed the collapse of production in the completed rolling mills and the fund of the project went down the drains.

The roles of governing board of ASCL according to interviewee N1 are to: formulate policies, approve promotions, demotions and contracts. Interviewee N1 further stated that all appointments, promotions and demotions that were not properly done by the management will be rectified by the governing board. He remarked that the ASCL governing board stands in the gap between the management of ASCL and the Ministry of Mines and Steel Development and met quarterly.

Furthermore, on the interview question, on what basis are the chairman of the governing board and the CEO appointed? Interviewee N1 declared that "their appointments are on

political basis and not on merit. A party faithful who has spent a lot of money during elections can be appointed the chairman of the governing board.”

On the question of whether there is political interference in the affairs of ASCL, some of the interviewees affirmed that there were political interferences when ASCL was not yet given on concession. For example, interviewee N1 opined that:

We used to have interferences here and there. If any fund is released from the ministry to the company, the ministry of Mines and Steel Development will send a list of contractors to whom the job must be given and it should not be given to any other contractor other than the ones the organisation was directed to give the job to otherwise the management will lose its job for incompetence.

Table 7.4 of the questionnaire relates to the activities of governing boards of parastatals in Nigeria. Respondents to statement Qeb of table 7.4 disagreed to the statement that appointments into boards are based on merit. The overall mean (3.32) and group means (ASCL= 3.12; ACAJO= 3.80; CISOT= 3.22) revealed that the respondents did not agree with the statement. Group ACAJO revealed the highest disagreement with the statement while group ASCL expressed the lowest disagreement with the statement. Statement Qec states that appointments into the boards of parastatals in Nigeria are based on political connections. The t-test conducted showed overall mean of Qec to be 1.45 and p.value equal .000 meaning that the respondents significantly agreed that appointments into boards are based on political connections. The entire group means also agreed with the statement that appointments into boards are based on political connections with group ASCL's mean =1.23 thus showing the highest agreement with the statement. Moreover, groups ASCL (3.29), ACAJO (3.17), and CISOT (3.40) did not agree with the statement that the appointments of Chief Executives of parastatals are based on merit and not on political connections in statement Qed. The overall mean score is 3.31 disagreeing with that statement in Qed.

Majority of the questionnaire respondents affirmed that parastatals give account to the National Assembly (parliament) (Qeei). The survey of the group means showed group ASCL (1.92), group ACAJO (1.64), and group CISOT (1.83) suggesting that parastatals give account to the National Assembly.

On the question of political interference, one of the respondents who wrote in question K noted that:

There are lots of political interferences in the running of parastatals in Nigeria. In order to bring the needed change, government should stop unnecessary interferences and give the parastatals free hands to operate successfully.

Other respondents who answered question K noted that government should ensure that appointments into parastatals should be by excellence and not on the basis of political party one belongs to. Other respondents responded to Question K in the questionnaire by noting that:

Government should encourage, promote and reward excellence. Appointments into boards of parastatals should not be based on party affiliations or political patronage in order to encourage productivity. Government should ensure that people are not appointed to offices on the basis of political party but on the basis of competence, qualification, integrity, honesty, good character, experience, and merit. Square pegs should be put in square holes.

These respondents further maintained that government should separate governance from political party permutations and due process should be followed in appointing persons into various levels of governance in parastatals.

**Table 7.5 Neopatrimonialism and Accountability**

Statements	No	Overall Mean <sup>a</sup>	SD	Group Means			K-W P-value	M-W P-values		
				ASCL	ACAJO	CISOT		ASCL-ACAJO	ASCL-CISOT	ACAJO-CISOT
Qha- These factors affect good governance in Nigeria: Qhai- Ethnicity	47	1.57 <sup>†</sup>	0.80	1.50	1.33	1.79	0.31	0.28	0.55	0.15
Qhail-Corruption	48	1.12 <sup>†</sup>	0.39	1.00	1.00	1.32	0.02*	1.00	0.02*	0.06
Qhaili-Patronage	47	1.96 <sup>†</sup>	0.98	2.37	1.25	2.05	0.01*	0.00*	0.31	0.02*
Qhailv-Religion	46	2.06 <sup>†</sup>	1.08	2.06	1.75	2.28	0.40	0.31	0.61	0.20
Governance and accountability problems of parastatal organisations can be solved if: Qhbil- The notion of ‘businesses are best run by business people’ is applied to parastatal parastatal organisations.	49	1.82 <sup>†</sup>	1.01	2.00	1.42	1.90	0.12	0.05*	0.66	0.08
Qhbil-The governing board of parastatal organisations are appointed by independent private body instead by the Government.	49	2.02 <sup>†</sup>	1.05	2.23	1.67	2.05	0.29	0.13	0.59	0.24
Qhbili-Offenders are adequately punished to serve as deterrent to others.	49	1.43 <sup>†</sup>	0.84	1.41	1.00	1.70	0.03*	0.04*	0.30	0.01*
Qhbiv-Religion, ethnicity, political interference, conflicts of interest and corruption are not applied to parastatal organisations	48	1.98 <sup>†</sup>	1.30	1.44	1.50	2.70	0.00*	0.72	0.00*	0.01*

Note: Table 7.5 shows the statistical results of neopatrimonialism and accountability with overall mean, standard deviation, the numbers that agreed or disagreed to the statement, group means, Kruskal-Wallis (KW) test which shows whether there are any differences in the means of the responses given by the three groups and Mann-Whitney (MW) test that shows whether there are significant different between the groups. A \* indicates significance at the 5% level. The table shows the mean responses to the statements at various levels: 1=strongly agree; 2 = agree; 3= neutral; 4 = disagree; and 5= strongly disagree. A <sup>†</sup> indicates significance difference at 5% level for overall mean from the midpoint using t-test.



## **7.7 Ethnicity**

Table 7.5 (Qhai) revealed that ethnicity affects good governance. The overall mean is 1.57 and the group means equal ASCL = 1.50; ACAJO = 1.33; and CISOT = 1.79 thus expressing agreement with the statement that ethnicity affects good governance. KW and MW tests did not reveal any significant difference but t-test revealed significant difference meaning that ethnicity affects good governance. While discussing Nigerian contextual analysis, it was pointed out that even political parties were formed along ethnic divides (See section 2.1).

## **7.8 Corruption**

A majority of interviewees maintained that there is corruption in Nigeria and it is affecting the completion of ASCL. Alli-Balogun (1988) argues that the size of ASCL alone makes it vulnerable to corruption. Alli-Balogun contends that in 1983 “Officials charged with the responsibility of overseeing the project to contractors handling it, everybody seems to have accepted fraudulent practice as the order of the day” (p.633). Okafor (2007) also advanced the argument that if it were not corruption, why is it that ASCL is yet to be completed which has similar design, state owned, and took off almost the same period with Pohang Steel Company Limited (POSCO) of India? POSCO, according to Okafor (2007), is the 10<sup>th</sup> largest steel company of the world today.

Besides, in 1981, ASCL became more complex because of ministerial mishandling; contracts outside the main contract were awarded at costs that were higher than the national resource could finance; and this made the FGN to default in paying the contract sum to Tyahzpromexport of Russia and European civil engineering contractors handling ASCL project (Mohammed, 2002b). This, according to Mohammed and Alli-Balogun, affected the date of completion of ASCL’s phase I of 1.3 million tonnes of steel per year and was rescheduled from 1986 to 1989; from 1989 to 1991 and from 1991 to date.

In addition, according to interviewee N5, GIHL was not one of the bidders for concession of ASCL but was given the company on concession. According to Sanusi Mohammed, the Executive Secretary of African Iron and Steel Association, GIHL got ASCL on concession through “fraudulent arrangements” (Ayorinde, 2012 p.2). Interviewee N4 argued that corruption is the major enemy of ASCL and defined it as the “greed of technocrats who are not patriotic.” He further contended that corruption was displayed in the drafting of the concessional agreement with GIHL without the input of the office of Attorney-General of the Federation (AGF) and also the actions of GIHL while managing the company portrayed corruption. For instance, the FGN set up a five member administrative panel of enquiry to investigate the operations of ASCL, National Iron Ore Mining Company (NIOMCO) and Delta Steel Company Limited (DSCL) under GIHL due to several petitions. The panel which was headed by Mallam Magaji Inuwa submitted its report in December 2007. The Panel observed the following from their investigations: (i) three years after GIHL started work, no workable business plan has been submitted to Nigerian Government; (ii) many clauses in the concessional agreement put the FGN at a disadvantage state. For example, article 3.8 of the concessional agreement states that “Ajaokuta Steel Project shall be carried out by GIHL for the account of and for the benefit of GIHL”; (iii) due to lack of records, the panel could not establish the annual turnover of the company and so there was no evidence that GIHL has ever paid the 1% concessional fee since it started work; (iv) there were other violations of the concessional agreement such as cannibalization and vandalization of plants and equipment, lack of maintenance of equipment, and exporting premium scraps imported for the project by Nigerian Government which have resulted in monumental financial loss to Nigerian Government; (v) the total statutory obligation standing against GIHL for three years was estimated at N350 million and total indebtedness of GIHL to Nigerian commercial banks pledging the assets of DSCL as collateral summed \$192 million; and (vi) no evidence of capital importation as claimed by GIHL - this was confirmed from the Central Bank of Nigeria (CBN). The panel recommended that in the future,

agreement of this nature should be drawn and vetted by the Attorney-General of the Federation and the concessional agreement should be terminated immediately (Report of Administrative Panel of Enquiry, 2007). The agreement between the FGN and GIHL was terminated in April 2008 because of its unethical practices and lack of adherence to agreement. These activities of GIHL adversely affected the completion of ASCL.

Some of the interviewees cited the activity of their former acting Managing Director, Engineer Olufunso Elewa, in the issue of auctioning of the company's properties as corruption. This, according to these interviewees, led to his removal and Dr Tom Miachi was appointed in his place as the acting Chief Executive of the company by the FGN. These issues ranging from personal interest to corruption might be the reasons while the company has not been completed. Interviewees N2, N4 and N7 maintained that ASCL was established as a conduit pipe for siphoning money, getting controls and directives from the Ministry of Mines and Steel Development. For instance, interviewee N7 argued that "our leaders have used ASCL as a conduit pipe to steal allocations to ASCL. There is no commitment on the part of our leaders. These people when detected were just sacked without prosecuting them and at the end of it, the company will be worse for it." Interviewee N1 illustrated how ASCL was always used as a conduit pipe to steal its allocations thus:

When the ministry wants to release the budgetary allocation, they will release the total amount on paper but only one third of the amount will be given physically; they are the ones to send the list of contractors to handle the work; the company has to retire the total amount and not one third physical cash received; and the managing director is a human being who will manoeuvre the one third released.

Interviewee N1 further stated that about three years ago the President approved N650m for the reactivation of ASCL but the Ministry of Mines and Steel Development said it cannot prepare a memo for the release of the approved money because “it is outside the mandate of the IMC<sup>64</sup>.”

Statement Qhail in table 7.5 examined corruption as one of the characteristics of neopatrimonialism. The overall mean of 1.12 and the group means (group ASCL= 1.00; group ACAJO= 1.00; group CISOT= 1.32) revealed that there is corruption in Nigeria. KW p.value and MW p.values are significantly different. Groups ASCL and CISOT are significantly different. Groups ASCL and ACAJO have higher agreement than group CISOT to the presence of corruption in parastatals in Nigeria. A couple of respondents wrote about corruption in reaction to question K and statement L of the questionnaire. They contended that corruption deprives individuals of enjoying decent lifestyle and it should be totally discouraged, reduced, eradicated or tackled before the country can move forward. Some of the respondents noted in statement K that:

The issue of corruption should be seriously tackled by first making political offices less attractive to Nigerians. Government should show commitment to patriotism and development by curbing corruption. Corruption should be avoided by all at all levels of the country’s governance. The perpetrators should be adequately punished and acquired properties confiscated to serve as deterrent to others. If corruption is tolerated at the top of governance it will cascade down to the ordinary workers.

## **7.9 Patronage**

The examination of table 7.5 (Qhail) revealed that patronage<sup>65</sup> affects good governance. The group means revealed that ACAJO (1.25) agreed most with that statement and also the other two groups with group means of 2.05 for CISOT and 2.37 for ASCL are in agreement that patronage affects

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<sup>64</sup> Interim Management Committee (IMC) is a committee set up by FGN after the termination of the contract between the FGN and GIHL. IMC is to oversee the day to day management of ASCL pending the approval of a substantive management for the company (GUSAU, 2008).

<sup>65</sup> Patronage is also one of the characteristics of neopatrimonialism which means politically motivated distribution of favours to ethnic groups by a leader (Erdmann and Engel, 2007).

good governance. KW test show a p. value of 0.01 which is significantly different thus showing that patronage is a problem of governance in Nigeria. MW p.values showed difference in the responses of ASCL group (2.37) and ACAJO group (Mean=1.25) and also groups ACAJO (mean=1.25) and CISOT (2.05) are statistically significant. The results showed that ACAJO group expressed the highest agreement than groups ASCL and CISOT meaning that patronage is a problem of governance in Nigeria.

### **7.10 Punishment for offenders**

Statement Qhbiii states that the problem of governance will be solved if offenders are adequately punished to serve as deterrent to others. The overall mean is 1.43 agreeing to the assertion that if people who commit fraud or flout the laws are instantly punished, others will fear and there will be sanity in the system. The assertion is supported by the group means. The results of KW p.value test and MW p.values test are statistically significant. ACAJO group expressed the highest agreement with the statement than groups ASCL and CISOT. Group ACAJO is by implication suggesting that if offenders are adequately punished others will fear. This statement supports the view of the interviewees that suggested that if a staff is caught defrauding an organisation, he should not be merely sacked but should be prosecuted (see section 7.8).

Finally, the statement (Qhbiv) that the problem of governance and accountability of parastatals will be solved if religion, ethnicity, political interference, conflict of interests and corruption are not allowed in parastatals received the overall mean of 1.98 and all the groups agreeing with that statement. The results of KW p.value test and MW p.values test are statistically significant.

### **7. 11 Lack of accountability to all stakeholders**

On the question, how has ASCL been accountable to its stakeholders? Interviewee N4 said “I cannot say ASCL gives account to all the stakeholders because there is no social contract”. The

accountability in the public sector is to the National Assembly (Sendt 2002). Interviewees M1 and M2 appeared to suggest that ASCL has no obligation to give account to any other stakeholder rather than to the Ministry of Mines and Steel Development. One of the interviewees said:

“This is a private company owned by FGN. We report directly to the Ministry of Mines and Steel Development immediately our accounts have been audited, thereafter our obligation as regards accountability has ended” (M1).

The company has obligation to its owner, the FGN and “to whom we render account” (M1). This is what the management of the company was doing, according to interviewees M1 and M2, before the concessions of the company to SEL and GIHL.

**Table 7.6 Anti-corruption agencies.**

Statement	No	Overall Mean	SD	Group Means			K-W P-value	M-W P-values		
				ASCL	ACAJO	CISOT		ASCL-ACAJO	ASCL-CISOT	ACAJO-CISOT
Qj- Nigeria has adequate structure to bring fraudsters, corrupters, money launders and other economic and financial crimes offenders to justice.	50	2.34 <sup>†</sup>	1.27	2.94	1.92	2.05	0.02*	0.02*	0.02*	0.63

Note: Table 7.6 Anti-corruption agencies show the number of respondents, the overall mean, standard deviation, the number that agreed and disagreed to the statement, the group means, Kruskal – Wallis (KW) p. value test and Mann-Whitney (MW) p. value test. KW test tries to establish whether there are any differences in means of the responses given by the three groups and MW wants to open up any significant differences between the group means. A \* indicates significance at the 5% level. The table shows the mean responses to the statements at various levels: 1=strongly agree; 2 = agree; 3= neutral; 4 = disagree and 5= strongly disagree. A <sup>†</sup> indicates significance difference at 5% level for overall mean from the midpoint using t-test.

## 7.12 Ineffectiveness of anti-corruption agencies

Table 7.6 (Qj) requested the respondents to tick one of the options from the questionnaire the assertion that Nigeria has adequate structure to bring fraudsters, corrupters, money launderers and other economic and financial crimes offenders to justice. ACAJO believes there are enough anti-corruption agencies in Nigeria to track down financial and economic crimes offenders. The ASCL group mean = 2.94, CISOT group mean = 2.05 and ACAJO group mean = 1.92 with group ACAJO expressing the highest agreement than the other two groups. However, the other two groups may be suggesting that even though there are enough anti-corruption agencies, their implementation is weak and ineffective. The result of KW showed that group ASCL and ACAJO; ASCL and CISOT are significantly different. Respondents suggested in question K that:

To bring the needed change and sanity to Nigeria, Economic and Financial Crimes Commission (EFCC) should have their own special court to punish offenders.



**Table 7.7 Privatisation of parastatal organisations**

Statements	No	Overall Mean	SD	Group Means			K-W P-value	M-W P-values		
				ASCL	ACAJO	CISOT		ASCL-ACAJO	ASCL-CISOT	ACAJO-CISOT
Qga-Political and bureaucratic interferences make many government parastatal organisations to perform poorly.	48	1.46 <sup>†</sup>	0.68	1.31	1.42	1.60	0.70	0.58	0.42	0.81
Qgb-There should be clear separation of politics from parastatal organisations.	48	1.71 <sup>†</sup>	0.97	1.71	1.42	1.89	0.40	0.37	0.60	0.19
Qgc- Businesses are best run by business people.	49	1.86 <sup>†</sup>	0.96	1.88	1.33	2.15	0.05*	0.11	0.39	0.01*
The following are the advantages of privatisation: Qgdi-It encourages domestic and foreign investments.	49	1.45 <sup>†</sup>	0.71	1.47	1.08	1.65	0.08	0.05*	0.65	0.03*
Qgdii- it generates employment.	49	1.84 <sup>†</sup>	1.01	1.76	1.75	1.95	0.57	0.47	0.63	0.32
Qgdiii- It creates increased competition that leads to decrease in prices and increase in efficiencies.	50	1.78 <sup>†</sup>	1.05	2.22	1.17	1.75	0.02*	0.01*	0.22	0.07
Qgdiv-It leads to improvement in quality of services.	48	1.50 <sup>†</sup>	0.71	1.69	1.17	1.55	0.10	0.03*	0.39	0.15
Qgdv- It enables government to focus on other areas of development.	46	1.67 <sup>†</sup>	0.99	1.69	1.25	1.94	0.24	0.09	0.97	0.16
Qgdvi- Managers' performances are closely monitored and controlled.	47	1.87 <sup>†</sup>	0.99	1.94	1.73	1.90	0.60	0.77	0.47	0.35

Qgdvii- Businesses are in the hands of professional to run.	42	1.93 <sup>†</sup>	1.00	2.27	1.87	1.68	0.35	0.42	0.15	0.84
Qgei- The following are the demerits of privatisation: Privatisation leads to selling parastatal organisations at a give-away price to oneself, friends or cronies.	48	1.75 <sup>†</sup>	1.02	1.53	1.92	1.84	0.49	0.54	0.22	0.72
Qgeii- Only the rich can afford to buy the organisation thereby leading to monopoly and making the rich get richer.	48	1.60 <sup>†</sup>	0.89	2.00	1.18	1.50	0.03*	0.01*	0.13	0.11
Qgeiii- Privatisation makes government to stop giving subvention to the organisation concerned thereby making the poor unable to afford the services provided by the privatised parastatal.	46	2.20 <sup>†</sup>	1.24	2.50	2.00	2.05	0.40	0.29	0.23	0.83

Note: Table 7.7 shows the numbers of respondents, the overall means, the standard deviation, the numbers who agreed and disagreed to the statement, the group means, KW test which shows whether there is a difference among the group means and MW test showing whether the group means are statically significant for statements Qga-Qdgeiii. A \* indicates significance at the 5% level. The table shows the mean responses to the statements at various levels: 1=strongly agree; 2 = agree; 4 = disagree and 5= strongly disagree. A <sup>†</sup> indicates significance difference at 5% level for overall mean from the midpoint using t-test.

### **7.13 Privatisation of parastatals**

Interviewees M1, M2, M3, N1, N2, N3, N4, N5, N6, and N7 suggested that privatisation may bring ASCL to life. Interviewee N7 remarked that “Government is not a good businessman.” But before ASCL is privatised, according to them, the company should be completed for it to have good sale value. Interviewees N1, N4 and N7 argued that the original builder of ASCL should be invited to complete the project and thereafter government should enter into PPP with the same organisation to run the steel company. Interviewee N1 contended that “government cannot run this company because it will be used as a sucking venture. So privatisation is okay but the company should be completed first so that it will not be sold below its value”. As insiders, some of the interviewees believe that as far as government continues to be the sole owner of ASCL, it will not perform as intended because there will be interferences from politicians. Interviewee N3 argued that:

If ASCL is privatised it is okay. It is a welcome development. Investors aim at profit maximisation. The personnel will be maximally used. ASCL will pick up without political interference. The privatised company will not look up to the government for funding and the Federal Character Commission system whereby both the qualified and unqualified persons are employed into the system based on where you come from will not be there in the privatised company. Those to be employed are those who are professionals with relevant qualifications, skills, and experience.

Interviewee N4 added voice to his admittance of privatisation and how it should be done.

He argued that:

I am an advocate of privatisation. We have also witnessed the failure of concessional agreements. Even if ASCL is to be given out, it should be completed first if government is serious about industrialisation, development and vision 20:2020. Government should not privatise a sick baby. Privatisation should be in the form of a joint venture with the government. 100% privatisation should not be now. We are products of our experiences. Even though privatisation increases efficiency, the ones we had before failed.

The former president of Nigeria, Chief Olusegun Obasanjo in his inaugural address to the National Council on Privatisation (NCP) in 1999 posited the following as regards privatisation:

State enterprises suffer from fundamental problems of defective capital structure, excessive bureaucratic control or intervention, inappropriate technology, gross incompetence and mismanagement, blatant corruption and crippling complacency which monopoly engenders. Inevitably, these shortcomings take a heavy toll on the national economy (Mohammed, 2008).

Statements in table 7.7 using questionnaire survey addressed the privatisation of parastatals in Nigeria including ASCL. The table shows in statement Qga that political and bureaucratic interferences in the running of parastatals make them to perform poorly. The overall mean is 1.46 with group means showing CISOT =1.60; ACAJO =1.42 and ASCL=1.31 agreeing with statement Qga. Group ASCL expressed the highest agreement. The t-test conducted show overall mean of Qga to be 1.46 and p.value equal .000 which means that the respondents significantly agreed to statement Qga. The tests of KW and MW show no significant difference for statement Qga.

Interference by politicians in the administration of parastatals including the appointment of their board members by politicians has negative effects in the running of parastatals. Results of statements Qgb and Qgc show that parastatals should be separated from politics because businesses are best run by business people. The calculation of Mann-Whitney test show significant difference between group ACAJO (1.33) and group CISOT (2.15) in Qgc. The responses of ACAJO group revealed their agreement that businesses are best run by business people. Kruskal-Wallis statistic was calculated to determine if there was any statistically significant difference among the three groups and the results revealed significant difference. Group ACAJO expressed the highest agreement with the statement in Qgc.

The advantages of privatisation of encouraging domestic and foreign investments, increasing competition, improving the quality of services, government focusing on other areas of development, and business being in the hands of professional people received strong positive responses. There were also significant differences in KW and MW tests carried out. A majority of the respondents argued that privatisation is a welcome development but before ASCL's privatisation, the Russian company (Tyazhpromexport) that installed those machines at Ajaokuta should be invited to complete the project. This is because, according to the majority of respondents, as the entire plant is their own technology, they will know how to handle their own technology. One of the respondents from ASCL wrote in question K that when privatising ASCL:

The Federal Government of Nigeria (FGN) should fund the project under Public Private Partnership (PPP). The private company which must be Tyazhpromexport should head the establishment and should report directly to the office of the President instead of Ministry of Mines and Steel Development as it is now.

#### **7.14 Summary and Conclusion**

This chapter sought to highlight the key findings from the case study and questionnaire survey. The chapter detailed the reasons why ASCL has not been completed including the governance and accountability limitations in parastatals; and how governance and accountability can be improved in parastatals. The findings show that ASCL has not been completed because of: lack of political will of the government; ASCL technology is considered to be an out-dated technology; international and local politics; lack of consistency in government policies; appointments in parastatals based on political inclination; and lack of accountability to all the stakeholders. The findings also show that appointments into parastatals are done based on ethnicity, partisanship and lots of political interference, thus neglecting appointments into positions based on integrity, honesty, good character, qualifications, experience and meritocracy. Findings show also

that for governance and accountability of parastatals to be improved, parastatals, including ASCL, should be privatised by PPP. ASCL should be completed before privatisation and should be under the presidency instead of the present Ministry of Mines and Steel Development.

In conclusion, ASCL was established to fulfil Nigeria's quest for industrialisation and economic development. The findings from the questionnaires support the findings from the case and the semi-structured interviews.

The next chapter will discuss the findings.

**Chapter Eight**  
**Discussion**

## **Chapter Eight**

### **Discussion**

#### **8.0 Introduction**

This thesis examined governance and accountability issues in Nigerian parastatals using the case of Ajaokuta Steel. The current study explored the reasons for parastatals' failures and ASCL's protracted struggle, through the use of semi-structured interviews, case study interviews and a questionnaire survey, and found a list of complex factors at work: lack of political will; international politics—forces and pressures—and local politics; military interventions in politics; corruption; location of ASCL; dissolution of NSDA; ASCL technology, considered to be an out-dated technology; lack of consistency in government policies; appointments in parastatals based on political inclination; lack of accountability to all stakeholders by parastatals; ineffectiveness of anti-corruption agencies; and privatisation of parastatals.

The aim of this chapter is to discuss the research outcomes within the adopted theoretical framework of neopatrimonialism using the key empirical findings in relation to the theoretical framework as presented above. The framework of this study is a critical and interpretive perspective that gives substantive consideration to neopatrimonialism. Neopatrimonialism as discussed in chapter four is the co-existence of legal-rational authority and patrimonialism. However, legal-rational authority is on the face of it in Nigeria being supplanted by patrimonialism system of governance. The research findings will be examined in the light of a critical and interpretive perspective reflecting on neopatrimonialism, governance, and accountability.



The chapter is structured as follows: rational-legal bureaucratic authority; governance by neopatrimonialism using the key issues identified in the empirical chapters; and chapter summary.

### **8.1 Legal-rational bureaucratic authority**

Many developing countries, immediately or very soon after political independence, established parastatals ostensibly to secure economic independence (Etukudo, 1997). Most of these parastatals were established due to such an economic motive. Others were officially legitimated for the welfare of the people (Etukudo, 1997). The present study focuses on the ones established for economic motives, being established by Act of the National Assembly or decree and incorporated by Company Act with memorandum and articles of associations; and having governing boards and management. This is the type of organisations where accountability, according to Sendt (2002), is from the subordinate to the next upper level up to the National Assembly and accountability to the National Assembly is understood to be accountability accomplished (Sendt, 2002). Consistent with this sentiment, interviewees from the case analysis contended that they give account to the Ministry of Mines and Steel Development after their accounts have been audited and that is the end of the matter.

In parastatals, every detailed bureaucratic process is being maintained and followed but this is a surface level, instrumental compliance (Clapham, 1985; Wanyama et al., 2013). Rules, regulations and bureaucratic procedures are followed but are in effect superseded by patrimonialistic practice (Erdmann and Engel, 2007). Every parastatal organisation has a code that guides its operations. The laws and rules are there; they are written down, but the actual work in practice is different from the work on paper. Some of the interviewees are of the opinion that if it is possible government's pronouncements, physical achievements and records should be verified to see government's sincerity. Parastatals'

documents and records always exclude important matters (Brinkerhoff and Goldsmith, 2002). In essence people are not satisfied with government's promises and achievements. It is in line with neopatrimonial governance system where patrimonial systemic practices penetrate the legal-rational system and twists its logic (Erdmann and Engel, 2007).

## **8.2 Governance by neopatrimonialism**

The findings indicate that many of the parastatals established immediately after independence were used by politicians to give jobs and contracts to their kinsmen and associates. All inefficiencies and fraudulent behaviours are shielded and subsidized by the government. That is why one of the interview participants in the case analysis remarked that some fraudulent people when discovered to have defrauded the organisation, will be merely sacked without being prosecuted. Parastatals are being used to fix it that unelected politicians fall into positions in order to close political gaps.

### **8.2.1 Lack of political will**

The problem of ASCL is understood to be lack of political will as evidenced from the semi-structured interviews; case study interviews and questionnaire survey (see sections 6.1 and 7.2). Lack of political will, according to interviewees, means lack of government seriousness, patriotic zeal, or taking ASCL as priority by maintaining a sustained commitment to using political power and available resources to accomplish the task of completing ASCL. Interviewees from the semi-structured interviews and case study believe that Nigeria is capable of completing ASCL if she chooses to because she is a very rich country. Nigeria did not borrow anything to complete the project substantially and the remaining work is relatively insignificant. The reason for lack of political will

may be because there are no pressure groups to pressurise<sup>66</sup> the government to complete ASCL. Political pressure and peaceful protest can be done to remind the government of its election campaign promises and to stress ASCL's benefits to the people. Some of the interviewees suggested using prominent members of the State to pressurise the government to complete ASCL. Respondents from the questionnaire agreed that if government is willing it can complete ASCL but however noted that sometimes when money is budgeted and released for ASCL's reactivation it will not reach where it is needed or meet the purpose it was released for. ASCL group has the higher view that if government takes it as priority, it would have completed ASCL.

One of the interviewees argued that the political will of the government is absent here because of the government inability to re-award<sup>67</sup> ASCL where it can get benefits from. Interviewees pose the question; why all the attempts to give out ASCL on concessions while it has not yet been completed or the builders not invited to complete the project first before concessions? This may be to enable leaders to distribute the State resources to friends and political associates (neopatrimonialism). This kind of leadership unfaithfulness and unreliability typifies neopatrimonialism (Brinkerhoff and Goldsmith, 2002).

Lack of political will may be because of ethnicism, which is typically one of the elements of neopatrimonialism. Politicians prefer a parastatal to be located in their ethnic area where their kinsmen and political associates will be given jobs and contracts. Since Nigerian independence in 1960, people in government have been loyal to their ethnic origin by drawing government projects and parastatals to where they come from (Akinola,

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<sup>66</sup> The reason for pressurising the government is to tell the government that this is what the people want and to remind them of the promises they made at the time of the electioneering campaigns.

<sup>67</sup> The benefits of re-awarding of projects are to award them at inflated prices to political supporters, locate them at their ethnic origin or the contractor to give them kick back (see El-Rufai, 2012; Olalusi and Otunola, 2012; and Ubani and Ononuju, 2013).

1988; Iyoha, 2008; Aluko and Ajani, 2009; Salawu and Hassan, 2011; Agbibo, 2012). ASCL may be unfortunate as the bulk of the Nigerian politicians who should have influenced its completion are from the majority tribes and not from the minority tribe where ASCL is located. Lack of political will may be as a result of politicians' and bureaucrats' self-interests, who are interested in doing only what's best for themselves, families, friends, and ethnic groups (Urgoji, 1995; Balko, 2013).

### **8.2.2 International and local politics**

Several interviewees (including those interviewed by semi-structured interviews and those in the case analysis – see sections 6.2 and 7.4) argued that ASCL is incomplete because of international and local politics – forces and pressures – and local politics. Interviewees opined generally that the Nigerian market for steel is a large market as a result of her population – but there are international and local interests that oppose ASCL. If Nigeria's integrated steel company is working the livelihood of both locally and internationally steel businessmen will be in jeopardy and therefore everything must be done to prevent ASCL's completion. The international and local steel businessmen believe that they will sell more of their steel products if Nigerian steel company is not working.

The findings also suggest that the Cold War feud between the Western and Eastern blocs is a factor which may be responsible for non-completion of ASCL. In this regard, the statement made by the Russian ambassador to Nigeria, Vladimir Snegirev, in 1983, should not be lightly ignored. He declared that “we agreed to build this project for your country at a time when no other country in the world wanted to” (Alli-Ballogun, 1988 p.623). From that statement, it may be inferred why IMF, DFID, and the World Bank are not comfortable with ASCL technology. If it is not the issue of Western and Eastern blocs, some interviewees argued; why is it that Nigeria did not invite the Russians that

mounted the technology to complete ASCL instead of companies like Solgas of US and GIHL of India that Nigeria invited? In this case, Nigeria is confused, leading to insecurity and corruption which pose danger to Nigerian development - which is neopatrimonialism (Erdmann and Engel, 2007).

The local businessmen, according to interviewees, are not in support of ASCL's completion because those of them who import steel materials like generators, motor bikes, bicycles, plates and other steel products are afraid of being thrown out of business should ASCL start working. These fears by the local steel businessmen have stopped political class to take political decision (lack of political will) to finance the completion of ASCL. The bill for the completion of ASCL, according to interviewees, was killed at the National Assembly and the National Assembly advised the government to sell ASCL as scrap. This action by local steel businessmen and politicians is an intention to personalise public affairs and take decisions without public discussion or involvement (neopatrimonialism).

Several interviewees suggested that the problem of ASCL is not international and local conspiracies but the aforementioned issue of political will. This is because nothing stopped Nigeria from substantial completion of the project.

### **8.2.3 Military interventions in politics**

Section 6.3 of this present study presented the views of interviewees pointing to the military intrusions in governance as one of the core reasons why ASCL is not completed. This is because according to the military (see section 2.2) their main reason for taking over the governance is to stamp out corruption, but corruption became the mainstay of their government (APRM report No. 8, 2009; Uneke, 2010). Some of the interviewees maintained that they took over and did not pay attention to ASCL, which will also benefit them in terms of producing military hardware and weapons. The military promotes ethnic

politics and take public offices as if they were their personal properties. For instance, (see section 6.3; Apter 2005; Agbiboa, 2012) a dedicated account amounting to \$12.4 billion (being excess revenue from the sales of crude oil during the Gulf War meant for ASCL and other two parastatals) depleted to \$200 million under the military watch. The \$12.4 billion, according to General Babangida (Daniel, 2015), was not stolen but used for regenerative investment and critical infrastructure which were not what the money was meant for. \$2.5 billion meant for the payment of debts to Tiazhpromexport of Russia was withdrawn from the CBN but only \$500 million was paid to them by the military government of General Sani Abacha (BBC NEWS, 1998; Oyediran, 1998; Obadina, 1999; Daniel and Freeman, 2007; Agubamah, 2009; and Administrator, 2011); Air Commander Ndasu Muhammed Umar, according to interviewees, was appointed the CEO of ASCL; and a retired general (General Chris Ali) was made the chairman of the governing board of ASCL before the concessions by the military. This is a neopatrimonial system whereby leaders transfer public goods and services to oneself, friends and ethnic origin for personal benefits (Le vine, 1980; Ikpe, 2000; Erdmann and Engel, 2007). The military is prebendal in that they used political office as personal inheritance and at their discretion (Ikpe, 2000).

Military government, according to interviewees, is opposed to democracy as there is no voice for the voiceless. They are neopatrimonialistic because they promote corruption, ethnicism, patronage, prebendalism, and owe no accountability to anyone (Ikpe, 2000). Their government exhibits almost all the characteristics of neopatrimonialism by personalising public infrastructures, goods, and services to the detriment of the generality of the citizenry for their own personal gain. The literature revealed that the military government is opposed to democracy because it promotes ethnic politics and personalises public offices (Ikpe, 2000). The military regime is a patrimonial regime that monopolises

power to reward friends and relations at the expense of the people without accountability. This is because for there to be accountability to the principal there must be a bond of accountability between the principal and agent (Stewart, 1984; Gray et al., 1996). Stakeholders cannot demand accountability from the military because there is no contractual, constitutional, or charismatic authority relationship. The military believe their authority is personal, displaying self-importance (Brinkerhoff and Goldsmith, 2002). They wield much influence but deem themselves accountable to no one (Brinkerhoff and Goldsmith, 2002).

#### **8.2.4 Corruption**

Sections 6.4 and 7.8 present the analysis of Corruption. Corruption, according to one of the interviewees, is like a tap that is always open in parastatal organisations. Some of the interviewees maintain that corruption is prevalent everywhere in the world but its level in Nigeria is very high because of her uncontrolled population, illiteracy, greediness, poverty, and ethnic persuasions. Interview participants declared that corruption is carried out through inflation of contracts, lack of transparency and accountability, favouritism, and the practice of not completing projects of previous governments. ASCL, according to the interviewees, was given to GIHL through fraudulent means and is being used by leaders as a conduit pipe to siphon the allocations to ASCL. Also, according to interviewees in the case analysis, the drafting of the concessional agreement was carried out without the input of AGF. GIHL left ASCL worse than it met it.

A majority of respondents of questionnaires affirmed that corruption affects governance of a country which is common in Nigeria and affecting the completion of ASCL (see section 7.8). Corruption is one of the elements of neopatrimonialism. Where policy decisions are taken secretly without public involvement, it is neopatrimonialism (Brinkerhoff and Goldsmith, 2002) – the drafting of the concessional agreement between

the FGN and GIHL. Corruption involves manipulating things in favour of oneself, friends, and family through illegal means at public expense or using public authority for personal gain (Klitgaard, 1997; Dike, 2005). Parastatals have been used by both the military and politicians to get money out of the public treasury for personal use (see section 6.3). That is why parastatals are being described as unproductive and inefficient and hence calls by the World Bank and interviewees that parastatals should be privatised (Urgoji, 1995, Etukudo, 1997).

Interviewees and scholars argued that ASCL is in the state it is today because of many inflated contracts and ministerial mishandling (Alli-balogun, 1988; Mohammed, 2002b; and Kadiri, 2012). However, one of the interviewees contended that corruption is good for the development of a country like Nigeria. This echoes some prior literature - some scholars like Shleifer and Vishny (1993) and Uneke (2010) contended that corruption is good for the development of individuals and countries. This is because, according to the above scholars, corruption lubricates the wheels of rigid bureaucracy and enables politicians to give jobs to people from their ethnic origin even if they are not qualified.

Another thing worthy of note about corruption is Klitgaard's (1997) metaphorical corruption formula (Corruption equals Monopoly plus Discretion minus Accountability:  $C = M + D - A$ ). This, according to Klitgaard, is when a public office holder has wide unlimited powers with no accountability. This thesis presents an improvement to the formula given by Klitgaard in 1997. This is:  $A = D + M + N$ . A stands for Accountability; D stands for Discretion; M stands for Monopoly; N stands for Neopatrimonialism. The formula being interpreted as Accountability equals Discretion plus Monopoly plus Neopatrimonialism. Neopatrimonialism, according to Nawaz (2008), is "a system of governance where the formal rational-legal state apparatus co-exists and is supplanted by an informal patrimonial system of governance" (p.2). Accountability is



“giving and demanding of reasons for conduct” (Roberts & Scapens, 1985 p.447). Discretion means when someone has freedom or authority to decide or judge and to act as he likes or sees fit (Collins Dictionary & Thesaurus, 2000). Monopoly means when a person has exclusive rights, control, possession or use of something (Collins Dictionary & Thesaurus, 2000). This means that when an individual has the discretion to give public goods to whomsoever he likes; has the monopoly to supply public goods at any time he wants to anybody of his choice; has power to neopatrimonialise (personalise) public goods and positions, there will be no accountability. That means when the accountability crosses the equals sign, it becomes negative (lack of accountability). In the absence of discretion, monopoly, and neopatrimonialism (negative D, M and N), there will be accountability (a positive term). The problem with Klitgaard’s formula is that he made accountability a negative term and corruption a positive term even if they cross the equals sign, the meaning in real sense is quite different from what the formula seems to convey.

#### **8.2.5 Location of ASCL**

Some of the interview participants contended that the Nigerian government considered that Ajaokuta and its environs have enough raw materials for the siting of ASCL before locating ASCL at Ajaokuta. The location of ASCL at Ajaokuta became possible as a result of feasibility studies carried out by the Russians (Mohammed, 2002b; Agbu, 2007). So, Ajaokuta was considered a very feasible site. The management staff of Ajaokuta and other stakeholders interviewed lamented that supposing ASCL were to be located in one of the three major tribes; it would have been completed long ago. Ajaokuta is located in Kogi which is one of the minority states in Nigeria. They suggested that this was key – not the feasibility of the site but that Ajaokuta was in a minority tribe area, a tribe with little influence over the central government.

Ethnic preferencing is one of the elements of neopatrimonialism. It is where the leaders draw parastatals to their ethnic origin even if the environment is not necessarily the most attractive to the parastatal, by ignoring the lack of basic raw materials or the danger posed by the environment (Akinola, 1988; Iyoha, 2008; Aluko and Ajani, 2009; Salawu and Hassan, 2011; Agbiboa, 2012).

Agbu (2007) contends that ASCL was located at Ajaokuta by political calculation of politicians. This thesis argues that industries are typically located near to raw materials, land, transport, water, markets, and source of power. ASCL is located in the Middle-Belt area of Nigeria where anybody from any part of Nigeria can get to in a day's journey, transact business and go back the same day. Ajaokuta town in Kogi State is surrounded by the needed raw materials<sup>68</sup>, as noted by Oyeyinka & Adeloye (1988 p.19) and Agbu (2007)<sup>69</sup>, and other raw materials are to be imported. The majority of the raw materials needed for ASCL are available in Kogi State where ASCL is located (Oyeyinka and Adeloye, 1988; Agbu, 2007). ASCL is located at the bank of the rivers Niger and Benue where it is possible for ships to bring in raw materials and carry out manufactured steel products to any part of the world. There are dual carriage ways from Okene to Ajaokuta and an airstrip at Adogo. ASCL is occupying a large mass of land and can even expand if the need arises in the future because of the availability of large acres of land. The researcher believes that since industries are located near to source of raw materials, power, transport, water, markets and also as a result of the feasibility studies carried out by the Russians, Ajaokuta site may not be out of places to locate ASCL.

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<sup>68</sup> Iron ore at Itakpe, Ajaba Noko, Shokoshoko, and Agbaja (all in Kogi where ASCL is located); Coal at Enugu, Okaba (Kogi), Lafia. They are to be imported because of high ash and sulphur contents making it difficult to be mined. Limestone at Jakura (Kogi) and Dolomite at Osara (Kogi). Water, ASCL is situated at the bank of rivers Niger and Benue. Refractory Clay at Onibode, Oshiele and Ozubulu (Imo). All others are to be imported or widespread (Oyeyinka and Adeloye, 1988; Agbu, 2007).

<sup>69</sup> See table 5.1 on page 46 of Agbu (2007)

However, location may not be the major problem of ASCL because even the Kaduna and Port Harcourt refineries, according to the interview participants, that are located at the majority tribe areas are not working. Non-completion of a project or lack of maintenance of projects may be intention of leaders to relocate or divert the funds meant for such projects to fund another one to be located in their ethnic origin – Neopatrimonialism (Brinkerhoff and Goldsmith, 2002).

### **8.2.6 Dissolution of the Nigeria Steel Development Authority (NSDA)**

The findings from the interviews and the case revealed that the Russians experts that built ASCL advised the FGN to establish an agency free from political interference. The agency consists of professionals who are to plan, construct and operate the steel plants and carryout geological surveys (Mohammed, 2002b; Agbu, 2007). This was suddenly dissolved by politicians in 1979 and its functions transferred to the Ministry of Mines and Steel Development. The NSDA was an agency similar to Temasek Holdings Limited (THL) in Singapore, which is independent of government control (see section 6.6).

The transfer of ASCL to the Ministry of Mines and Steel Development was to make the Ministry have full control of ASCL's resources and management. The transfer was to enable the Ministry to control and direct ASCL. The action of the government in transferring ASCL from NSDA to the Ministry, according to Mohammed (2002b), led to many of the ASCL's activities being done haphazardly and the inflation of the costs of many projects. The transfer was done in order to use the public authority to serve the personal interest of those in authority (Ministry). It therefore can be argued that the transfer was also done in order to ensure that the resources allocated to ASCL are under the control and direction of politicians, their friends and others who are not part of the State structure but take decisions about the State, aspects of neopatrimonialism (Nawaz, 2008).

The interviewees in the case analysis contended that the Ministry of Mines and Steel Development had not been considerate to ASCL's plight. Interviewees suggested that ASCL should be autonomous by removing it from the control of the Ministry. This is because apart from ministerial mishandling of ASCL, the FGN approved N650 million in March 2010 for the reactivation of ASCL and the National Iron Ore Mining Company (NIOMCO), Itakpe, but the Ministry of Mines and Steel Development distanced itself from the Interim Management Committee (IMC), saying that it has no part in its constitution and that also the N650 is outside the mandate of the IMC. If an independent agency like NSDA had been in place, as soon as the fund was approved the money would have been released to the two organisations immediately. This is in line with neopatrimonialism whereby leaders make public affairs a personal affair (Brinkerhoff and Goldsmith, 2002). Personal judgement and subjective reasoning with the intention of controlling and directing ASCL (neopatrimonialism) made politicians to transfer the functions of ASCL to the Ministry of Mines and Steel Development.

### **8.2.7 ASCL technology, considered to be an out-dated technology**

Some of the interviewees claimed that the ASCL machines installed by the Russian experts are obsolete and they were dumped by the Russians looking for a place to dump their obsolete technology (see sections 6.7 and 7.3). Other interviewees countered that if the Russian technology built at Ajaokuta was obsolete, why then did the four completed rolling units turn out iron rods and cables during its occupation by GIHL? The Russians themselves and Nigerian Association of Technologists Engineering (NATE) vouched for the efficacy of ASCL technology reporting that Nigeria can still excel with the technology. The technology could be improved upon and need not be completely jettisoned. Some of the respondents from the questionnaires did not support the argument that ASCL technology is an obsolete technology.

There are different interests in ASCL issue. Some are interested in the government abandoning the ASCL technology for another one so that they will have the opportunity of participating in re-awarding the contract. One of the interview participants argued that if ASCL would have been possible to be re-awarded, Nigerian leaders would have done it a long time ago in order to obtain the benefits of awarding it as a new contract. The re-awarding of the contract will be shaped by clientelism (an aspect of neopatrimonialism) where contracts and jobs will be given to friends, kinsmen, or for client-patronage (Ikpe, 2000). The view on the re-awarding of projects for political benefit as expressed by the interviewees is similar to the findings of El-Rufai (2012) and Ubani and Ononuju (2013).

#### **8.2.8 Lack of consistency in government policies**

There are lots of neglected projects in Nigeria (see sections 6.8 and 7.5). There have been about 11,886 neglected projects in Nigeria since independence as reported by Presidential Projects Assessment Committee (PPAC). Interviewees argued that negligence of projects is more rampant in public projects than in private projects. This is because there is no benefit accruing to a government that completes a project embarked upon by its predecessor - and a lack of respect for continuity (Okafor, 2007).

Reasonable argumentation to explain the reason for government inconsistency in policies and priorities, it seems, would involve reference to client-patronage, corruption, nepotism, and re-awarding the projects to party members and supporters as campaign gifts which are the symptoms of neopatrimonialism.

#### **8.2.9 Appointments in parastatals based on political inclination**

Governing board members of parastatals, according to the interview participants, are appointed by the government of the day and their functions are to formulate policies for the organisation; approve contracts; approve appointments, promotion, demotion and

discipline of staff; and approval of the budget of the organisation (see sections 6.9 and 7.6). The board by the above directs and controls the parastatal organisation. However, according to interview participants, appointments of staff, CEO and members of the governing boards and the awarding of contracts are based on political patronage, tribal sentiment, religion, ethnic balancing, the influence of a party strongman, and generous campaign gifts. Respondents to questionnaires also supported the interviewees by holding that appointments into boards are not based on merit, including the appointment of chief executives, but on political connections. Research findings from interviews appear to show that in parastatals there is complete neglect for experience, qualifications, men of truth, track records of good character and values.

Governance in parastatals shows the characteristics of neopatrimonialism. The characteristics of neopatrimonialism are corruption, clientelism, patronage, ethnicity, bribery and nepotism. These characteristics are manifested by the governing boards in appointments of staff and in awarding of parastatals' contracts. Governance in parastatals in Africa is said to be based on nepotism, favouritism, patronage, corruption, clientelism and ethnic balancing. This is similar to the findings of Uneke (2010) and Sarbah and Wen (2014)

#### **8.2.10 Lack of accountability to all stakeholders**

Accountability means explaining your stewardship to those who keep their resources with you (Roberts and Scapens, 1985). The findings from the interviews and questionnaires survey of the current study show that in parastatals, accountability means giving report of your stewardship to those who gave you the opportunity to serve and to the National Assembly and not to the stakeholders (see sections 6.10 and 7.11). In bureaucratic authority, the constitution requires that you give accountability to the next higher rank up to the National Assembly, and accountability to the National Assembly is accountability

discharged (Mulgan, 1997; Sendt, 2002). No attempt is made to go to their constituencies to relay this information to the taxpayers. Parastatals themselves, according to interviewees, do not treat their customers with decorum or respect by not informing them when they are going on holidays or stopping operations for a definite period. One interviewee from the case affirmed that parastatals do not give account to stakeholders because of lack of social contract. However, according to some of the case interviewees, they have the obligation of sending their audited accounts to their supervisory ministry according to law before the concessions. This is in line with the literature that parastatals give account on the basis of subordinate to the superior, CEO, board, ministry and that order to the National Assembly (Mulgan, 1997; Sendt, 2002). There is no accountability to other stakeholders through the mass media as it is being done in the private sector.

However, for there to be accountability there must be a bond of accountability between two parties: there must be giver of resources and managers (Tricker, 1983; Stewart, 1984; Laughlin, 1990; Gray et al., 1996). For instance, accountability is difficult for an undemocratic State where the military rules as accountability is not expected from them (Yinusa and Basil, 2008). This is because accountability to the National Assembly means accountability discharged (Sendt, 2002) and there was no National Assembly during the military rule and no mandate was given to them by the general public.

The accountability in parastatals is from politicians to politicians meaning the accountability to the cabals who recommended them for that position rather than the people who own the resources. Since this system of accountability works according to the principles of garbage in garbage out, it would then be logical to believe that neopatrimonialism in governance produces “neopatrimonialistic accountability.” This accountability is just to fulfil all the bureaucratic and constitutional requirements and therefore decorative. Accountability in Africa has been difficult because of the long

military rule (Yinusa and Basil, 2008). There was no mandate given to the military and because of that they cannot give account of their stewardship to anybody (Yinusa and Basil, 2008).

### **8.2.11 Ineffectiveness of anti-corruption agencies**

The two main anti-corruption agencies put in place to deal with corruption and economic crimes in Nigeria are the Independent Corrupt Practices and other related offences Commission (ICPC) and the Economic and Financial Crimes Commission (EFCC) (see sections 6.11 and 7.12). Their functions are to curb bribery, corruption, to fight economic and financial crimes; investigate, prevent and prosecute those that have committed corrupt offences (ICPC Act 2000; Sec.46, EFCC Act 2004; Iyoha and Oyerinde, 2010). These organs, according to interviewees, are weak; the judicial system is also weak and the implementation poor. The interviewees also noted that these agencies teach people what to do to get their freedom; the accused persons hire senior lawyers to defeat the cases of anti-corruption agencies in courts; government interferes in the operation of the agencies; they lack funds and manpower; there is no protection for whistle blowers; and no special court for the trial of the accused persons. These weaknesses lead to miscarriage of justice and therefore respondents suggested a special court for the EFCC.

The findings from the interviews revealed that several of the accused persons who have cases with EFCC have their cases quashed because of government interests, interventions, and showing favouritism (impunity) to some people. The actions of the government have made the ICPC and EFCC not perform effectively. This agrees with Goldsmith (2007) who notes that preferential treatments are given to those in authorities and close to them in law courts. Respondents to the questionnaires argued that there is adequate structure to deal with financial crimes but people do not see the actual implementation of those structures because of some people getting preferential treatment (Brinkerhoff and



Goldsmith, 2002). This is neopatrimonialistic practice in Nigeria. Government interference in the work of the agencies can be argued to be patron-client relationship.

### **8.2.12 Privatisation of parastatals**

The findings (see sections 6.12 and 7.13) show that parastatals have failed in Nigeria because of political patronage in appointments, corruption, inefficiency, lack of accountability, lack of transparency, lack of funds, and wastefulness (aspects of neopatrimonialism). Therefore, stakeholders posited that they are not satisfied with the services parastatals render and should be privatised to enable them have a constant supply of these services no matter the cost of those goods and services. Interviewees and respondents to questionnaires suggested that parastatals should be privatised because businesses are best run by business people.

As regards the privatisation of ASCL, interviewees of the case analysis stated that government is not a good businessman; the Tyazhpromexport of Russia should be invited to complete the project; ASCL should be removed from the Ministry of Mines and Steel Development to an agency to be overseen by the President; or ASCL should be privatised through PPP with Tyazhpromexport as a partner.

Generally, the findings from the interviews revealed that parastatals have the problems of excessive bureaucratic control, interventions or interferences, gross incompetence and mismanagement, blatant corruption and crippling complacency (aspects of neopatrimonialism) making the Nigerian economy bear the brunt of their failures. Respondents to the questionnaires subscribed to privatisation because it increases efficiency and so is the way out to reduce the burden on the government.

The findings from the interviews and case analysis revealed that what is needed now in Nigeria is Public Private Partnership (PPP). The present study argues that there should be

complete handover of parastatals by the government. Stakeholders may be ignorant of the trends the world over now as regards the privatisation of parastatals. There are completely hollowed out parastatals in the Western World and the hollowed out organisations are serving the people well. Countries that have strong private sectors will be the focus of foreign investors (Wanyama, 2006). Moreover, as seen in the literature (Etukudo, 1997), politicians will surely interfere in parastatals. This is because one of the reasons for establishing parastatals is for political motive of providing jobs by politicians to their constituents, relations, classmates, friends, giving of contracts and patronage (Ugorji, 1995) - Neopatrimonialism. The joint ownership apart from government owning shares in the company will lead to interference by politicians which then mean putting new wine into an old bottle. However, Momoh (2002) in Okafor (2007) argues that complete private sector may not be convenient for Nigeria now because:

The Nigerian private sector is one of the most inhumane, insensitive, callous and exploitative to be found anywhere in the world. Many of the private sector employers neither provide insurance nor social security for their employees. They do not obey labour laws and they sack workers arbitrarily, for good or bad reasons. Many of them do not have pension schemes etc. The private sector employers do not, in some cases, permit their employees to unionize (p.129).

That is why Uddin and Hopper (2003) argue that privatisation should not be embarked upon by developing nations because of its consequences for the citizenry.

### **8.3 Summary and Conclusion**

This chapter tries to bring together the semi-structured interviews, the case study interviews, and questionnaire survey; relate them to theoretical framework of neopatrimonialism; and the literature reviewed in chapter three. The research findings in chapters six and seven are contributions to the earlier findings on governance and accountability in parastatal organisations in Africa and Nigeria in particular.

Lack of political will is the reluctance of the leaders to mobilise men, money, and materials to complete ASCL which may be due to lack of pressure and politicians not being reminded of their campaign promises. ASCL is not completed because of international and local conspiracies, competitions and as Nigeria is a large market for steel products. Moreover, military intervention in politics for 29 years has affected governance and accountability in Nigerian parastatals. They treated parastatals as a personal fiefdom as they released large sums of money from the CBN in respect of ASCL and other parastatals without due process and which were not used for the purpose intended. Parastatals have been used as a pipe through which public money and resources are swindled into private pockets of leaders and their well-wishers. Other research findings discussed in this chapter are location of ASCL, dissolution of NSDA, ASCL as an out-dated technology, and inconsistency in government policies acting as a clog in the completion of ASCL.

Appointments in parastatals are based on political inclination. In this regard, governance in parastatals is bedevilled with patronage, clientelism, favouritism, ethnicism, nepotism, and rewards for active participation in political campaigns. There is a strong disregard for professional qualifications, experience, values and neglect of track records of good antecedents. Besides, accountability in parastatals is merely to fulfil all righteousness; anti-corruption agencies cannot fulfil the reasons for their establishment; and therefore the stakeholders suggested that for improvement of governance and accountability in Africa, parastatals should be privatised via Public Private Partnership (PPP).

Ajaokuta issue is a complex one. There are different interests in the ASCL issue. While some people's interest is as a result of competition, other interests result from the feud between the Western and Eastern blocs. Other stakeholders are interested in the government abandoning the ASCL technology to embark on another one so that they will

have the opportunity of participating in re-awarding the contract. The story of ASCL is not a simple one. The ways forward in terms of governance and accountability to respond to this complex reality are the appointment of people of good records of excellent performance elsewhere; accountability of parastatals should not be limited to their supervisory ministries and National Assembly only but accounts of parastatals should be published in the national dailies for the consumption of the public; parastatals should have an agency quite different from the ministry to control and direct the parastatals; and in the extreme case parastatals should be privatised as possible ways forward in this complex reality.

The next chapter hosts summary, conclusions and suggestions for future research.

## **Chapter Nine**

### **Conclusions and suggestions for Future Research**

## **Chapter Nine**

### **Conclusions and suggestions for Future Research**

#### **9.0 Introduction**

The previous chapter discussed the findings from the empirical analyses in chapters six and seven. The present chapter provides a brief summary of the thesis, its contributions and limitations, and suggestions for further research.

The area of research that provides the specific focus of the study here is worthy of attention for a number of reasons. There has been a colossal amount of resources spent on materials, machines and men by the FGN. Steel, moreover, remains an important commodity, the production of which is yet to take off at ASCL. Steel products are used for both local and industrial purposes; steel contributes to a nation's GDP growth, makes it possible for the exploitation of natural resources and economic activities in the upstream industries and by-products in the downstream industries; creates jobs at both downstream and upstream industries for Nigerians and beyond; makes it possible for the acquisition of technical skills, transfer of technology and the provision of machine parts and tools.

ASCL is a company solely owned by the FGN to carry out the functions of producing steel. However, the company that was established by decree 19 of 1979 and incorporated by company statute in 1979 has never attained the purpose for which it was envisioned. The study sought to gain insights into why a company established in 1979 and substantially complete by the early 1990s has not produced steel to date. The study is specifically concerned about the role of governance and accountability in the case.

This study of governance and accountability issues in Nigerian parastatals with the case of Ajaokuta Steel was carried out following frequent industrial strikes by ASCL workers

and worrisome headlines in Nigerian newspapers relating to the negligence of ASCL. That attracted the researcher to use the torchlight of neopatrimonialism as part of critical and interpretive perspective to highlight and understand the governance and accountability issues involved. The idea is to gain insight into how governance and accountability are executed in Nigerian parastatals and how governance and accountability can be enhanced.

Chapter one introduced the research focus, the 98% complete status of ASCL, the gaps in the previous work and the potential contributions of the present study, and elaborates the research objectives and questions, and the structure. Chapter two provides a contextual analysis elaborating the Nigerian economic and socio-political environment, Nigerian challenges, and the role of iron and steel development in Nigeria. Chapter three explores, as appropriate, literature on governance and accountability in Africa and beyond. Chapter four articulates the theoretical framework of the study - a critical and interpretive approach around the idea of neopatrimonialism. Chapter five outlines the methodology and methods of the thesis. In this study, a middle-range interpretive approach was adopted. Interviews, case study and questionnaire survey are the three primary methods of gathering data that were adopted and used for this study. A significant number of interviews were conducted to inform the analysis, 23 semi-structured interviews and 10 case study interviews were carried out with 50 completed questionnaires were received from respondents to inform an analysis of questionnaires that added to the findings (chapter seven). Interviews were carried out in two phases because of the sensitivity of the case. Chapter six contains the analysis of the results of the semi-structured interviews while chapter seven hosts the case study interviews and questionnaire survey, which was done to provide additional material. Chapter eight discusses the key findings reported in

chapters six and seven. In this chapter, the researcher attempts to provide summary answers to the research questions.

The research questions explored in this study (outlined in chapter one previously) are:

- Why has ASCL experienced serious delays in steel production over the period from 1979 to date in relation to practices of governance and accountability?
- How are governance and accountability executed in Nigerian parastatals?
- How can governance and accountability of parastatals be enhanced in Nigeria?

Given the surveys and analysis performed in relation to the selected case study, several policy issues and considerations can be extracted in response to the above questions.

### **9.1 Reasons for serious delays in steel production since 1979 in relation to practices of governance and accountability**

The key focal research question of this study concerns the non-completion of ASCL after three decades of its establishment. Interviewees in the case study argued that ASCL suffered setbacks from the very beginning.

A key setback in relation to Nigeria's vision of a steel industry is found in the opinion of the international development community. Early on, before ASCL was established, between 1958 and 1965, Nigeria was advised to concentrate on agriculture rather than establish a steel industry because the raw materials available could not be used in conventional iron and steel making technologies; Nigeria would not be able to acquire the manpower and skills required to maintain a steel industry; and there would be no readily available local market for the steel products (Mohammed, 2002b; Agbu, 2007). The World Bank in 1987 and 2001 opined similarly that it was more profitable for Nigeria to import steel than to use Ajaokuta technology to produce steel and that ASCL should be converted to a generating plant (Ayorinde, 2012). The United Kingdom Department For



International Development (DFID) also posited that the economic viability of ASCL was marginal (Chukwu, 2013). Another discouragement came when the World Bank Chief, Nicholas Stern, visited Nigeria in July 2002. He said during his four days official visit to Nigeria that the Soviet-era (1970s) technology was a drain on the nation's resources. He maintained that most countries that produce steel have changed their technologies. He argued that if Nigeria should continue with ASCL, she should be ready to spend more money (Botha, 2002). Stern's position begs the question: If Soviet-era technology is an out-dated technology, why then did GIHL in 2004 produce iron rods and cables using the machines installed by the Soviet experts in the four completed rolling units? And, moreover, the Nigerian Association of Technologists in Engineering (NATE, 2009) has argued that ASCL's rugged installed equipment is capable of performing the functions for which it was established.

Also, the Nigeria Steel Development Authority (NSDA), the agency comprising of professionals established in 1971 on the advice of the Russian experts to deal with steel matters professionally was dissolved in 1979. This agency is similar to Temasek Holdings Limited in Singapore (see Anwar and Sam, 2006). The function of the NSDA was returned to the Ministry of Mines and Steel Development. From this point, ASCL was less independent from the political whims of the Nigerian State and the political interference in the activities of ASCL affected the prospects for the completion of ASCL.

Further, in 1981, shortly after the transfer of ASCL to the Ministry, the situation at ASCL became more complex because of ministerial mishandling (Mohammed, 2002b). Contracts outside the main contract, according to Alli-Balogun (1988) and Mohammed (2002b), were awarded at costs that were subsequently considered by the FGN as excessive (even in relation to the national resource) and this led to the default by the FGN in paying the contract bill due to Tyahzpromexport of Russia and European civil

engineering contractors handling the ASCL project. This affected the targeted date of completion for ASCL's phase I of 1.3 million tonnes of steel per year, this being rescheduled from 1986 to 1989 (Mohammed, 2002b). The interviewees from the case study contended that the Ministry of Mines and Steel Development, understood to clearly interfere in ASCL's activities, has not been considerate to ASCL's plight. Interviewees argued that ASCL should be autonomous by removing it from the Ministry. Apart from the above ministerial mishandling of ASCL, it was noted that the FGN approved N650 million in March 2010 for the reactivation of ASCL and National Iron Ore Mining Company (NIOMCO), in Itakpe, but the Ministry of Mines and Steel Development distanced itself from the Interim Management Committee (IMC), declaring that it has no part in IMC's constitution. In effect, the Ministry did not make any effort for the release of the money from the FGN's account.

Moreover, the case study interviewees and the stakeholder interviewees generally contended that military regimes in Nigeria were responsible for ASCL's issues. The democratic government of President Alhaji Shehu Shagari worked very hard to keep the date of 1986 of the scheduled completion of the first phase of 1.3 million tonnes per year but was toppled in a military coup on 31 December 1983. The rescheduled targeted completion date of 1989 was not met and completion has still not been achieved. In addition, various amounts set aside for the completion of ASCL were withdrawn from the treasury by the military and have not been recovered to date. Also, in 1990, still under the military regime, Air Commander Ndasu Muhammed Umar was appointed ASCL's CEO. The period, according to the findings, witnessed the collapse of production in the completed rolling mills and the funding for the project was misapplied.

Another major factor that has been, according to the interviewees, responsible for non-completion of the ASCL, is the lack of political will on the part of the government. The

suggestion is that the government has not taken ASCL as a priority or seriously. Governments of all countries that have steel industries usually take the steel industry as a serious national project. It was mentioned by one of the interviewees at Ajaokuta that if the government of Nigeria intends to complete ASCL, it may not need to borrow a dime because it did not borrow any money to complete the project up to the level it is today. Unbudgeted excess revenue from crude oil can complete the project. Nigeria is very rich in human and natural resources but “one of the poorest in terms of human development and poverty” (Okafor, 2007 p.124). Okafor further argued that Nigeria is a “country which has everything and produces nothing, and Japan which has nothing produces everything” (p.124).

Moreover, international politics have been identified by the interviewees as a clog in the wheel of progress of the ASCL. Interviewees attributed the failure of ASCL to the politics between the Western and Eastern blocs. In this regard, it is of note that the former Soviet Ambassador to Nigeria, Vladimir Snegirev, in 1983 declared that “we agreed to build this project for your country at a time when no other country in the world wanted to” (Alli-Ballogun, 1988 p.623). Also another international dimension of the ASCL issue, according to interviewees, is that countries that produce steel are not interested in Nigeria completing her own but are interested in making Nigeria a perpetual huge market for their steel products. Interviewees suggested that this led the World Bank and other Western agencies to describe ASCL technology as drains on resources and as having minimal economic viability. The interviewees asserted also that steel importers have contributed to ASCL’s non-completion because of the interest in their personal business rather than public interest.

In addition, local politics is another problem identified by the interviewees hindering the progress of ASCL. Local politics in the sense that those who import steel products

connived with those in the National Assembly to discourage the FGN to complete ASCL. Moreover, ethnicity plays important roles in the siting of projects in Nigeria. Ethnicity is one of the characteristics of neopatrimonialism as substantively established in the literature. Ethnicity is one of the reasons why projects are neglected immediately after their initiators leave office in Nigeria. Agbu (2007) argues that ASCL was located at Ajaokuta by the political calculation of politicians- reflecting geo-political and ethnicity considerations. Ethnicism has pulled down projects that could have potentially benefited Nigerians. However, ASCL was perfectly located because of advantages of its nearness to raw materials, water, road and land.

Furthermore, corruption, beyond the above, is another problem in the way of ASCL's progress. Findings show that corruption in Nigeria has affected the progress of ASCL. Corruption is and has been prevalent all over the world. Corruption in Nigeria, according to interviewees, is due to mass poverty, greediness, large unmanageable population and illiteracy, which are the characteristics of developing countries and consequences of neopatrimonialism. Interviewees remarked that the drafting of concessional agreement with GIHL was done without the input of Attorney-General of the Federation (AGF) and that was identified to be corruption. Findings show that ASCL was wrongly and fraudulently given on concession to GIHL leading to cannibalization and vandalization of plants and equipment, lack of maintenance of equipment, and exporting premium scraps imported for the project by Nigerian Government. On the face of it, lack of records, cannibalisation and vandalization of assets and refusal to involve the Attorney-General of the Federation in the drafting of the concessional agreement, amount to fraud and attempts to evade accountability.

Interviewees identified also lack of consistency in government policies as a reason why ASCL is not completed. One of the factors here is the neglect of projects started by a

previous administration. From the findings, about 11,886 projects including ASCL have been neglected since Nigeria's independence according to Presidential Projects Assessment Committee (PPAC) set up by President Jonathan in 2011. This spirit of neglect of projects can be said to be one of the reasons affecting the completion of ASCL. The reasons why projects are neglected in Nigeria are that there will be no benefit flowing to a government that completes an old project – this is from their neopatrimonialistic perspective, which, especially with public funded projects, can override basic economic and financial considerations. It is when a project can be initiated and awarded that it can be appealing to the incumbent government. Some of these projects are neglected in order to start another one in another location that will favour some ethnic groups for political reasons so that the contract is awarded to their relatives, children, friends or classmates. This is patron/client relationship.

In summary, it may be argued that, the reason why the above issues are significant is because of failings in governance and accountability. For instance, the Western World want to promote their steel market and Soviet Union wants to promote her political and economic influence in Africa but Nigeria has no strong political will to go ahead to complete her steel industry. The lack of political will relates to lack of planning, transparency, accountability, control, accounting and mismanagement of funds which is as a result of failings of governance and not lack of resources. Those in public offices hold such offices as personal ones with no opposition and run such offices in accordance with the dictates of their godfathers. Furthermore, inconsistencies in government policies and dissolution of NSDA are as a result of ethnicism, personal gain and corruption – which are characteristics of neopatrimonialism. Also the appointment of military personnel as CEO of ASCL, are governance issues. Moreover, the absence of agency like NSDA to monitor and control parastatals make accountability to the

taxpayers/stakeholders to be difficult since accountability by parastatals and ministries to the National Assembly is accountability discharged. The independent agency will be able to publish their annual reports in the national dailies for the consumption of the stakeholders as is being done in the private sector. In addition, lack of involvement of the AGF in the drafting of agreement between the FGN and GIHL was evasion of the law – a failure of governance. Also lack of records, cannibalisation and vandalization of assets are accountability issues.

The attempts made to strengthen governance and accountability through various reforms failed particularly because of lack of political will and the influences of international agencies claiming that ASCL technology is an outdated technology. Neopatrimonialism was too dominant making rational-legal authority to be twisted and ignored.

## **9.2 How governance and accountability are executed in Nigerian parastatals**

Parastatals have governing boards that formulate policies, approve recommendations by management, and award contracts - providing parastatals with direction and control. The members, according to the interviews, are appointed by the government of the day and hence their appointments are politically motivated. The findings show that the appointments of the members of the board, CEO, and staff are based on political patronage, tribal sentiment, ethnic balancing, religion, and rewards for active participation in political campaigns. Also in awarding contracts, the same factors are given consideration. In this case, according to the findings, there is little regard for merit, professional qualifications and competence, experience, values and track records of credible antecedents of the persons appointed as members of the board, CEO, or staff of parastatals. These are characteristics of neopatrimonialism and therefore represent a failure of governance. In Nigeria, politicians and their agents are those who are appointed members of boards, CEOs, and staff of parastatals.

Moreover, accountability in parastatals as reviewed by the literature, involves a system whereby the junior gives account to his senior up to the National Assembly. Once the board gives accounts to the ministry and the ministry gives account to the National Assembly, the accountability of a parastatal has been discharged. Since the appointments of these people are politically motivated, accountability will only be given to those who appointed them up to the National assembly and no attempt is made to give account to the owner of the resources over which they were made stewards. Members of National Assembly who are supposed to go to their constituencies to relay the accountability of the parastatals to their people do not; parastatals themselves that are supposed to display accountability to the citizenry do not; and there are no publication in the national dailies of the activities of parastatals. These make parastatals' customers to be left in the dark, stranded and unfulfilled. The findings show that the accountability as presently given is to fulfil constitutional provisions and therefore can be taken to be cosmetic.

### **9.3 Enhancements of governance and accountability in Nigerian parastatals**

Findings show that parastatals are bedevilled with political patronage in appointments and in awarding of contracts which lead to multifarious problems like corruption, inefficiency, incomplete accountability, lack of transparency, and lack of political will. Others are wasteful nature of paying staff that are not working; giving a project on contract to contractors while there are staffs on ground to do the work; and being starved of the funds allocated to them in the budget. These problems make the stakeholders of parastatals to declare that they are not satisfied with the services of the parastatals and prefer to pay more money to have consistent supply of parastatals' services.

Interviewees noted also that governance and accountability will be enhanced if the parastatals are removed from the ministry to the presidency. This involves having an agency like NSDA which can improve their services and give proper accountability to the

stakeholders. Governance and accountability in parastatals, according to interviewees, can also be enhanced if people with good records of credible antecedents are appointed the chairmen, CEOs and staffs of parastatals. Accountability in parastatals can also be enhanced if parastatals publish their accounts in the national dailies instead of only to the National Assembly as it is presently done.

Moreover, findings from the interviews and questionnaire results show that privatisation seems to be another way out. The argument is that since parastatals do not make profit and are prone to corruption, favouritism, political interference and cannot operate successfully as government is not a good businessman, parastatals should be made to face the market system and competition in order to be effective, efficient and productive. The findings show that government can go into PPP for now. This will relieve government of financial burdens and at the same time make the services of these organisations efficient and available to the people.

#### **9.4 Suggestions by interviewees and Policy Implications**

Interviewees provided some suggestions for the improvement of governance and accountability in parastatals in Nigeria:

- Government should do more to reduce corruption. This is because corruption has great and direct impact on good governance and accountability.
- People of questionable characters should not be appointed into positions of trust. Appointments into governing boards and the appointments of CEOs should be based on integrity, experience, professional qualifications, technical competence, and a look at a track record of credible antecedents.



- Government should give full autonomy to ASCL by removing it from the Ministry of Mines and Steel Development and create an agency comprising of professionals who will supervise the steel company. In this case, parastatals should have an agency that will direct and control them.
- Anti-corruption agencies responsible for prosecuting corrupt people should be given political support; equipped with resources to employ capable hands to carry out their duties effectively without fear or favour.
- Government should summon enough political will, courage and patriotic zeal to complete ASCL. ASCL should be completed, assessed and privatised using the method of PPP.
- Government should be consistent with its policies and monitor its implementation. Government is a perpetual succession and therefore the new government should continue with the projects initiated and embarked upon by the previous government.
- The Russian contractors who installed the machines at Ajaokuta should be invited to complete ASCL since they know where they stopped work at ASCL.
- The military should face their constitutional duties and professional calling.
- Parastatals should organise a forum where they can tell their stakeholders how they managed the resources they were made steward of.

Respondents of questionnaires suggested that for the much needed change to happen: (i) ASCL should not be abandoned under the guise of being out-dated but should be improved upon; (ii) government should encourage excellence by rewarding those who have performed well; (iii) governance should be properly understood by people seeking for positions; (iv) political offices should be made less attractive to Nigerians; (v)

government should not interfere in the management of parastatals; (vi) people in government should avoid sentiment and ethnicity; (vii) competence, integrity, experience, honesty, merit and due process should be followed in appointing people into various levels in parastatals; (viii) Anti-corruption agencies should have their own special court. (ix) Government should enter into Public Private Partnership (PPP) with Tyahzpromexport of Russia and should have agency different from the Ministry of Mines and Steel Development.

### **9.5 Limitations of the study**

This present study has some weaknesses. Case study is argued not to be of value outside the case because it cannot be generalised to population, replicated or used for prediction. Moreover, the sample size of 33 interviewees and 50 questionnaires may not represent the opinion of the total number of those who have a stake in ASCL. The mixed method of data collection used helps towards a more comprehensive knowledge of the case study. The decision to restrict the study to the host state and ASCL out of 36 states of Nigeria by the researcher is a limitation of this thesis. ASCL belongs to all Nigerians who are stakeholders and who were supposed to be participants in this study. It is a limitation of this study since the opinions of all Nigerian stakeholders were not sought and received. However, Burrell and Morgan (1979) maintain that the researcher should go nearer to the phenomenon he is investigating to let “one’s subject unfold its nature and characteristics during the process of investigation” (p.6).

Also, since the study is limited to the host state and ASCL, the findings may be influenced by ethnic tones and tensions. This weakness is mitigated by the administration of questionnaires. The decision to limit the study to ASCL without comparing it with a similar company is a limitation of this research. The circumstances surrounding ASCL necessitate a holistic and an in-depth study to unearth the reasons for stoppage of work for

over two decades ago. Also the limitation of comparison with similar organisation is due to time factor, lack of resources, and difficulty in gaining access to parastatals. To gain access to ASCL was as a result of a friend who assisted the researcher. With the shortcomings of case study, to generalise this study may not be appropriate.

Also the appearance of the researcher might have influenced the answers given by the interviewees. This may be because some interviewees may not want to badmouth their organisation or expose their ignorance. Also, the sensitive nature of the case study might have influenced some interviewees to reserve their comments about ASCL. That is a limitation of this research. However, these limitations have been overcome by the administration of questionnaires.

Another limitation may be that there might be some questions which were supposed to have been asked in the interviews or questionnaire which might have been omitted by error or commission. This is taken to be a weakness of this study.

## **9.6 Contributions to knowledge**

Parastatals were established in Nigeria because of the socio-economic infrastructural capital that private organisations lacked; the risk of Nigeria asking for future economic independence; and for such parastatals to act as employers of last resort. Recent studies show that parastatals are rife with corruption; inefficiency; low level of accountability; and lack of transparency. However, these literatures failed to identify the areas that these corruptions are perpetrated which this current research unveiled, more notably relating to ASCL. The study contributes to the limited literature on governance and accountability of parastatals in Nigeria, Africa and other developing countries. This study contributes to the literature of governance and accountability of parastatals because no study of this kind has been carried out on parastatals in Nigeria, including ASCL. Existing literature relates

to advanced countries which have environments and cultures much different from developing countries like Nigeria. The sensitive nature of ASCL means that people are reluctant to carry out this kind of work. It was not easy to gain access to this company to interview the staff. The researcher was able to gain access through a personal acquaintance who is a staff member of the company and also a letter from one of the supervisors of the researcher to the company helped in gaining access. The letter of approval is attached as appendix I to this thesis.

Moreover, the theoretical framework used in this study relate to developing countries which require an in-depth study of the case under investigation. There is no study known to this researcher relating to governance and accountability in parastatals in Nigeria including ASCL, or Africa, or in the world that has used neopatrimonialism theoretical framework as a lens to investigate governance and accountability in parastatal organisations.

The study contributes to knowledge by showing that parastatals are tools in the hands of politicians which are used to further their cause without giving clear accountability. This study discovered that accountability to the National Assembly is accountability discharged and therefore no accountability to stakeholders. This current study argues that accountability of parastatals to the National Assembly should be transmitted live on the national television and radio. Nigerian national newspapers, parastatal's website, newsletters and corporate reports should publish its performance and financial accounting for the viewing of stakeholders.

Another contribution is that a serious national project should not be taken to the non-technical bureaucratic ministry. This is because the organisation will have the interference of politicians in the ministry where is the convergence of politicians. The dissolution of Nigeria Steel Development Authority (NSDA) contributed to the condition of ASCL, as

their functions were transferred to the Ministry of Steel where politicians are their supervisors.

The study contributes to knowledge in that the findings showed how political governance mixes with corporate governance. There is no complete separation between the two in parastatals, for the political class interferes in the activities of the economy. The hybrid nature of parastatals means they have two masters which lead to subsequent failure, since a servant cannot serve two masters.

The study contributes to knowledge in the area of appointments of members of the boards, CEO of parastatals, and other members of staff of parastatals. People of honesty, integrity, experience, professional qualifications, technical competence, and track records of credible antecedents should be employed.

The research, improving on Klitgaard's (1997) metaphorical corruption formula, establishes a novel formula. The novel formula for this thesis is Accountability equals Discretion plus Monopoly plus Neopatrimonialism ( $A=D+M+N$ ). Note that military regime is a neopatrimonialistic regime in its entirety and with no accountability to anyone. The improvement of Klitgaard's corruption formula by this study is another contribution of this thesis to knowledge (see section 8.2.4 for details).

### **9.7 Recommendations for future research**

Some aspects of this study can be revisited and explored further. A single case was studied but could be expanded by studying multiple cases, for comparison. This study should be conducted on other parastatals such as Zobe Dam in Katsina, Nigerian National Petroleum Corporation (NNPC), Nigerian Ports Authority (NPA), National Iron Ore Mining Company (NIOMCO) and Delta Steel Company Limited (DSCL). The study can be extended beyond the company and the host state to other states since it is a national

issue. The researcher can also use ASCL and Wempco Steel Mills Company Limited (a private company) as case studies. The study may be replicated in other African countries like Ghana, Zimbabwe, Zambia, South Africa, Uganda, Cameroun, and Benin Republic, to see if the findings will be similar, using the theory of neopatrimonialism.

The international comparison will also reveal the effect of international and local politics on parastatals' ability to accomplish their objectives.

## **9.8 Conclusions**

In conclusion, the research has detailed why Ajaokuta Steel Company Limited is experiencing serious delays in steel production in relation to governance and accountability since 1979; how governance and accountability are practised in Nigerian parastatals and how they can be improved. The findings indicate that governance and accountability in parastatals in Nigeria are bedevilled with nepotism, corruption, ethnicism, favouritism, bribery, patronage, clientelism, corruption, prebendalism, and presidentialism which are the characteristics of neopatrimonialism. Other relevant issues are political interference, lack of accountability to all the stakeholders of parastatals, and lack of transparency. Moreover, the government of the day that appoints the members of the board and CEO of parastatals, which leaves room for interference (Etukudo, 1997; ECSAFA, 2004). The suggestions by the stakeholders are that parastatals should be removed from the ministries and have an agency that directs and controls them which will be able to give accountability to all stakeholders; appointments of members of the boards, CEO, and other staff members should strictly be based on merit, professional qualifications and competence, experience, values and track records of credible antecedents; and ultimately be privatised by way of Public Private Partnership (PPP) as the last resort as government is not a good businessman instead of continuous enactment

of laws and more anti-corruption agencies. Weak accountability and transparency is a result of neopatrimonialism.

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## **Appendices**

**Appendix 1 (letter of approval of access to the case company)**

**AJAOKUTA STEEL COMPANY LIMITED**

P. M. B. 1000, Steel City - Ajaokuta, Kogi State, Nigeria

**ABUJA LIAISON OFFICE:**  
Plot No. 3255, Adjacent BPE  
IBB Way,  
Maitama, Abuja.  
Tel: 09 - 4138405; Fax: 09 - 4138402



**LAGOS COMMERCIAL OFFICE:**  
ICON House (7<sup>th</sup> Floor)  
Plot 999F Idejo Street,  
Off Adeola Odeku Street,  
Victoria Island, Lagos, Nigeria.  
Tel: 01 - 7936721, 7932500

Your Ref.: \_\_\_\_\_

Our Ref.: ASCL/COM/GM/15/I/43

Date: 7<sup>th</sup> July, 2010

Professor Jim Haslam  
School of Accounting & Finance  
University of Dundee  
Dundee DD1 4 HN  
United Kingdom.

Dear Sir,

JOHNSON OBERA

Kindly refer to your letter dated 15<sup>th</sup> June, 2010 on the above student from your University.

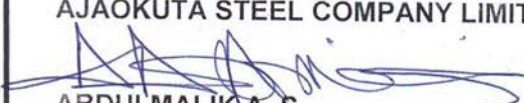
This is to inform you that the Management has given approval for him to conduct his research for his Doctor of Philosophy (Ph.D) thesis using **Ajaokuta Steel Company Limited** as a case study. The research work will be conducted entirely on his expenses.

We would like to assure you of our full support for his research work while thanking you for choosing our Organisation,

We remain,

Yours Sincerely

**AJAOKUTA STEEL COMPANY LIMITED**

  
**ABDULMALIK A. S.**  
GEN. MANAGER (COMMERCE)

ALL CORRESPONDENCE TO THE MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER Tel: 058-400540 Fax: 058 - 400152 & 400134

**Appendix II (Interview schedule for the first phase of interview-Management and staff of Ajaokuta Steel Company Limited)**



Semi-structured interview

Details of interviewee

Name:.....

Gender:.....

Department:.....

Qualifications:.....

Date of first appointment:.....

Age group: 25- 35; 36-45; 46-55; 56-65.

For Management and Staff of ASCL

- 1) When was this management put in place?
- 2) Since the establishment of ASCL, how many management have been put in place?
- 3) What are the reasons for frequent change in management?
- 4) If the government decides to finance this organisation fully, in which way do you think you can do better than the management before you?
- 5) What are the benefits of steel to your country and beyond?

- 6) It is believed that Steel is the strength of any economy. Do you agree? In which way is it the strength of a country like Nigeria in terms of military, engineering and other areas?
- 7) How many departments does your company have? Which ones are completed and which ones are 98% completed?
- 8) The World Bank Chief said in 2004 when he visited Nigeria that the Russian technology is an outdated technology. Won't this affect the performance of this organisation?
- 9) Why did the founding fathers decide to go for USSR Technology instead of Western Technology?
- 10) How is this organisation financed?
- 11) Do you owe the World Bank, IMF or any financial institutions?
- 12) Where does the budget of the company originate from? Is it from the company or from the government?
- 13) Is the budget prepared and approved for your organisation and the money released for the organisation?
- 14) How do you render accounts of your stewardship to the taxpayers?
- 15) Does the siting of this organisation at Ajaokuta have great influence on its completion?
- 16) When you compare this organisation with other Steels all over the world, this company is unnecessarily delayed. What is the reason for this?
- 17) What do you think can be done to resume full activities here?

**Appendix III (Interview schedule for the first phase of interview-National Assembly members from Kogi State, Nigeria)**



Semi-structured interview

Details of interviewee

Name:.....

Gender:.....

Department:.....

Qualifications:.....

Date of first appointment:.....

Age group: 25- 35; 36-45; 46-55; 56-65.

For members of Parliament from Kogi State, Nigeria.

- 1) Were you happy for the decision to site ASCL at Ajaokuta?
- 2) What will be the benefits of the company to your constituency if completed?
- 3) How many times have you tabled the problems of ASCL before the house and being debated upon?
- 4) Some people said that it is lack of political will on the part of the government that the completion of ASCL is still lingering. Do you agree to that?
- 5) What do you think can be done to solve ASCL's problem?

**Appendix IV (Interview schedule for the first phase of interview-Taxpayers/public)**



Semi-structured interview

Details of interviewee

Name:.....

Gender:.....

Department:.....

Qualifications:.....

Date of first appointment:.....

Age group: 25- 35; 36-45; 46-55; 56-65.

For Taxpayers/Public

- 1) Were you happy for the siting of ASCL at Ajaokuta?
- 2) What do you think will be the benefits of ASCL to you and your country?
- 3) What do you think should be the reasons why the company has not being completed up till now?
- 4) What do you think should be done to keep the company on?



## Appendix V (Letter of introduction to conduct interview from the supervisors)



School of Business

ACCOUNTING & FINANCE


To Whom It May Concern:


Re- Mr Obara Johnson O. J.

We, Professors Robin Roslender and Jim Haslam, write to introduce Mr Obara Johnson to you. He is a PhD student at the University of Dundee, UK, researching Governance and Accountability issues of Nigerian parastatals; a case study of Ajaokuta steel.

Mr Obara hopes to conduct interviews with a number of individuals in Nigeria to examine their views about the topic. Kindly assist him to carry out this work. He will treat your responses with the utmost confidentiality.

Should you require any further information, please do not hesitate to contact us.

  
Professor Robin Roslender  
School of Business  
Accounting and Finance  
University of Dundee,  
Dundee, Scotland, UK  
Email- [r.roslender@dundee.ac.uk](mailto:r.roslender@dundee.ac.uk)

  
Professor Jim Haslam  
School of Business  
Accounting and Finance  
University of Dundee  
Dundee, Scotland, Dundee.  
[j.haslam@dundee.ac.uk](mailto:j.haslam@dundee.ac.uk)

**Appendix VI (Interview guide for the second phase of interview)**



**Governance and Accountability issues in Nigerian parastatals:**

**The case of Ajaokuta Steel.**

Semi-structured interview questions.

Personal details of interviewee.

Name (optional):.....

Gender:.....

Educational qualification:.....

Organisation:.....

Work experience (years):.....

Date and time of interview:.....

Can the interview be taped?.....

Signature/Date:.....

## **Semi-structured interview**

(For the Management and Staff of ASCL).

### **A) Governance and Accountability in Ajaokuta**

- 1) What do you understand by governance? How important do you think it is to Nigeria?
- 2) What is your definition of accountability? How is it important to Nigerian people?
- 3) What do you understand by transparency?
- 4) What do you know about Ajaokuta Steel?
- 5) What do you think is the major problem surrounding the serious delay in the completion of Ajaokuta steel which was established in 1979 and was 98% completed in the early 1990s?
- 6) To what extent do you think these problems surrounding Ajaokuta steel can be linked to governance and accountability?

### **B) Governing Board of Ajaokuta steel**

- 7) Does Ajaokuta steel have active or passive governing board?
- 8) How are the members appointed?
- 9) What are the roles of the governing board and how regular do they meet?
- 10) On what basis are the chairman and chief executive officer appointed?
- 11) Is there political interference in the running of skeletal services? To what extent is the level of interference?
- 12) How can privatisation help to reduce the level of political interference and other governance issues surrounding Ajaokuta?
- 13) What in your opinion are the benefits of privatisation?
- 14) What do you think make privatisation not desirable?

### **C) Stakeholders**

- 14) Who are the stakeholders of Ajaokuta steel company?
- 15) How has Ajaokuta steel been accountable to its stakeholders?
- 17) Literature suggests that there is rampant corruption in Africa and Nigeria is on the higher side, to what extent can you link the Ajaokuta steel's problems to this scourge?
- 18) What do you think should be done to bring the needed change?

## **Semi- structured interview for other stakeholders**

(Journalists, Academicians, Politicians, Labour unions and Lawyers)

### **A) Governance and Accountability in Nigeria**

- 1) What do you understand by governance? How important do you think it is to Nigeria?
- 2) What is your definition and understanding of accountability? How is it important to Nigerian people?
- 3) What does transparency mean to you?
- 4) What are the governance and accountability problems facing Nigeria?

### **B) Governing Board of parastatal organisations**

- 1) Do parastatal organisations have passive or active governing boards?
- 2) How are the members of governing boards of parastatals appointed?
- 3) What are their roles and how regular do they meet?
- 4) On what basis are the chairman and the chief executives of parastatals appointed?
- 5) Does the appointment of the chief executive of parastatals pass through competitive examination or selection process?
- 6) Is there political interference in the running of boards and parastatal organisations? How does it affect the organisation?

### **C) Stakeholders**

- 1) Who are the parastatal organisations' stakeholders? Do they have representatives on the governing board?
- 2) How are parastatal organisations accountable to the stakeholders?
- 3) Do the stakeholders exercise their rights?
- 4) To what extent are the stakeholders satisfied with the services rendered by parastatal organisations in Nigeria?

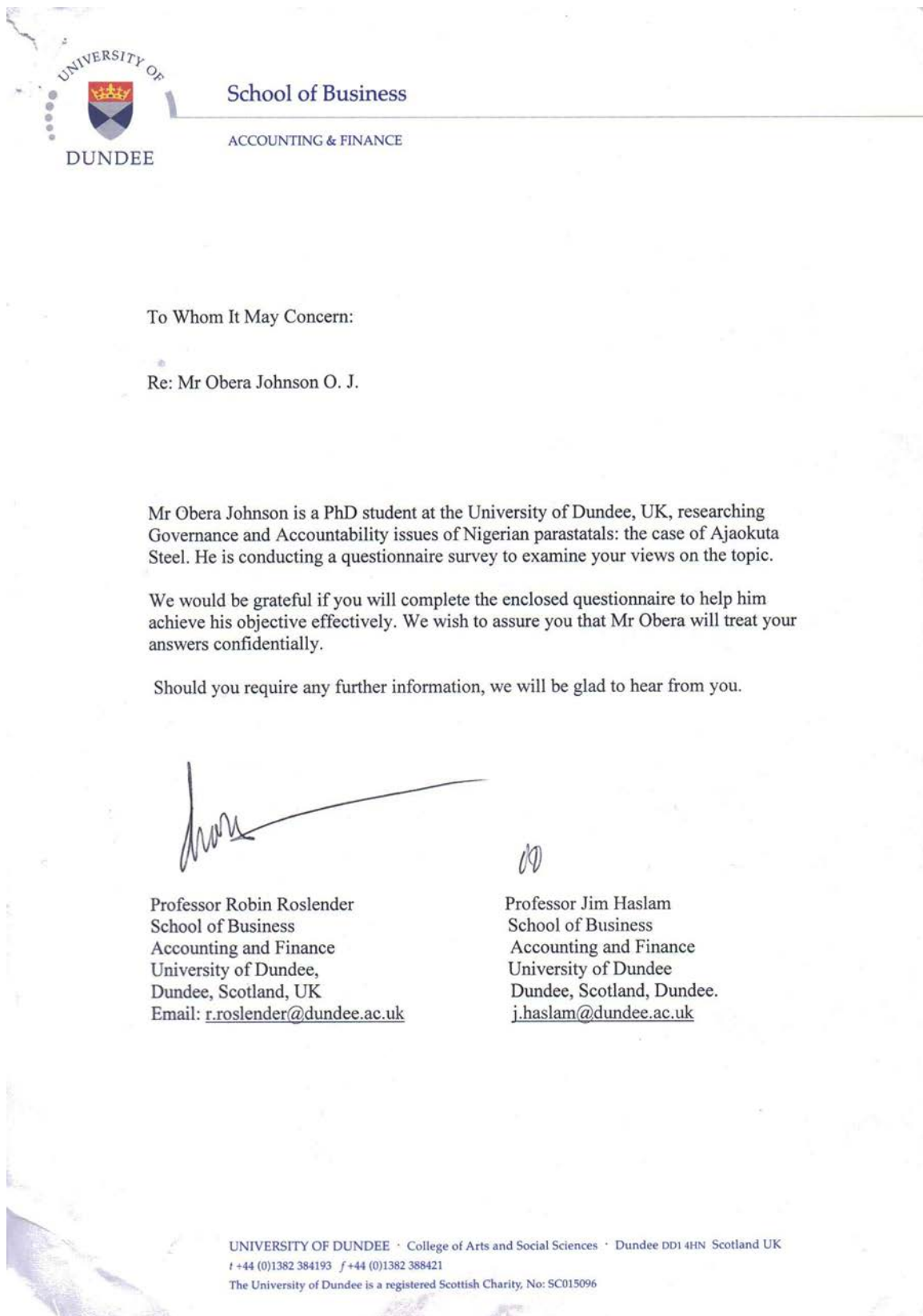
#### **D) Perspective on Accountability and Neo-patrimonialism**

- 1) Literature suggests that there is rampant corruption in Africa and Nigeria is believed to be on the higher side, how do you agree to that assertion?
  
- 2) Can the governance and accountability problems of Ajaokuta steel be linked to the levels of corruption in Nigeria?
  
- 3) To what extent do the institutional capacities put in place in Nigeria strengthen governance and accountability?
  
- 4) How do parastatal organisations in Nigeria give account of their stewardship to their stakeholders?

#### **E) Ajaokuta Steel Complex**

- 1) What do you know about Ajaokuta steel?
  
- 2) What are the governance and accountability issues surrounding Ajaokuta steel complex involving serious delay in the completion of the complex?
  
- 4) How can privatisation help to reduce the problems of interference in parastatal organisations and Ajaokuta steel?
  
- 5) What do you think should be done to bring the needed change?

**Appendix VII (letter of introduction from the supervisors in respect of survey questionnaire for the second phase of interview).**



To Whom It May Concern:

Re: Mr Obera Johnson O. J.

Mr Obera Johnson is a PhD student at the University of Dundee, UK, researching Governance and Accountability issues of Nigerian parastatals: the case of Ajaokuta Steel. He is conducting a questionnaire survey to examine your views on the topic.

We would be grateful if you will complete the enclosed questionnaire to help him achieve his objective effectively. We wish to assure you that Mr Obera will treat your answers confidentially.

Should you require any further information, we will be glad to hear from you.

Professor Robin Roslender  
School of Business  
Accounting and Finance  
University of Dundee,  
Dundee, Scotland, UK  
Email: [r.roslander@dundee.ac.uk](mailto:r.roslander@dundee.ac.uk)

Professor Jim Haslam  
School of Business  
Accounting and Finance  
University of Dundee  
Dundee, Scotland, Dundee.  
[j.haslam@dundee.ac.uk](mailto:j.haslam@dundee.ac.uk)

## Appendix VIII (Survey questionnaire for the second phase of interview)



### Survey questionnaire

School of Business  
Dept of accounting and finance  
University of Dundee  
DD1 4HN  
Scotland, UK.

Dear Respondent,

I am a doctoral degree student of the University of Dundee, Scotland, UK under the supervision of Professor Robin Roslender and Professor Jim Haslam. The title of my study is 'Governance and Accountability issues in Nigerian parastatals: the case of Ajaokuta Steel'. The objective of the research is to examine the governance and accountability issues surrounding parastatal organisations in Nigeria and Ajaokuta Steel complex. In order to do this, i need your assistance by completing this questionnaire.

I would like to assure you that all the information supplied by you will be treated confidentially and will be used only for academic purpose.

Thanks.

Obera Johnson O. J.

E-mail: [J.O.J.Obera@dundee.ac.uk](mailto:J.O.J.Obera@dundee.ac.uk)

[oberajeremiah@yahoo.com](mailto:oberajeremiah@yahoo.com)

Mobile: +447587877633

+2348037739525

A) Personal details

a) Name (optional):.....

b) Gender:.....

c) Educational qualification.....

d) Organisation;.....

e) Years of experience:.....

B) Indicate your profession:

a) Civil servant:.....

b) Lawyer:.....

c) Journalist:.....

d) Politician:.....

e) Academician:.....

f) Trade/Labour Union:.....

g) Others (specify):.....



C) You are requested to make a tick ( / ) in the appropriate box for Strongly agree (1); Agree (2); Undecided (3); Disagree (4); Strongly disagree (5) to the extent to which you agree or disagree with the statements below.

D) To what extent do you agree with these definitions?

		1	2	3	4	5
(i)	<b>Governance definitions</b>					
a	Governance is the exercise of economic, political and administrative authority to manage a country's affairs at all levels.					
b	Governance is the manner in which power is exercised in the management of a country's economic and social resources.					
c	Governance is the exercise of political power to manage a nation's affairs.					
d	Governance is the exercise of power in the management of a country's political, economic and social resources for development.					
e	Governance is the use of political authority and exercise of control in a society in relation to the management of its resources for social and economic development.					
f	Governance is the process by which organisations are directed, controlled and held to account.					
<b>D(ii)</b>	<b>Accountability definitions</b>	1	2	3	4	5
a	Accountability is explaining and taking responsibility for actions.					
B	Accountability is the process by which individuals or organisations are answerable for their actions and the consequences that follow them.					
C	Accountability is a social relationship in which an actor feels an obligation to explain and justify his or her conduct to some significant order.					
D	Accountability is a process whereby organisations or individuals are responsible for their decisions and actions including stewardships of public funds and all aspects of performance and submit themselves to public scrutiny.					

e	Other (specify)					
<b>D</b> <b>(iii)</b>	<b>Transparency definitions</b>	1	2	3	4	5
a	Transparency means to be open, seen by everybody. Having nothing to hide.					
b	Transparency is a moral virtue and entails openness, faithfulness, truthfulness, sincerity, loyalty, dependability and allegiance.					
c	Transparency is the transmitting light so that objects or images can be seen clearly.					
d	Other (specify)					

<b>E</b>	<b>Governing Boards of Parastatal organisations</b>	1	2	3	4	5
a	Parastatal organisations in Nigeria have active or passive governing boards.					
b	Appointments to these boards are based on merit.					
c	Appointments to these boards are based on political connections.					
d	Appointments of the chief executives into boards and parastatals are based on merit and not on political connections.					
e	Parastatal organisations' governing boards are accountable to the following:					
	i) parliament					
	ii) taxpayers					
	iii) customers					
	iv) community					
	v) media					
	vi) other (specify)					

<b>F</b>	<b>Ajaokuta Steel Complex</b>	1	2	3	4	5
a	Ajaokuta Steel was established to promote industrialisation,					

	development and provide employment for Nigerians and beyond.					
b	Ajaokuta Steel is not completed because the government is not willing to complete it.					
c	Government is not willing to commit more money to the multi-billion dollar Ajaokuta Steel complex because the money will not be used for its intended purpose.					
d	The Russian's technology, the builder of the steel, is an outdated technology.					
<b>G</b>	<b>Privatisation</b>	1	2	3	4	5
a	Political and bureaucratic interference make many government parastatal organisations to perform poorly.					
b	There should be clear separation of politics from parastatal organisations.					
c	Businesses are best run by business people.					
d	The following are the advantages of privatisation:					
	i) It encourages domestic and foreign investment.					
	ii) It generates employment.					
	iii) It creates increased competition that leads to decrease in prices and increase in efficiencies.					
	iv) It leads to improvement in quality of services					
	v) It enables government to focus on other areas of development					
	vi) Managers' performances are closely monitored and controlled					
	vii) Businesses are in the hands of professionals to run					
e	The followings are the demerits of privatisation	1	2	3	4	5
	i) Privatisation leads to selling parastatal organisations at a give-away price to oneself, friends or cronies.					
	ii) Only the rich can afford to buy the organisation thereby leading to monopoly and making the rich to get richer					
	iii) Privatisation makes government to stop giving subvention to the organisation concerned thereby making the poor unable to afford the services provided by the privatised parastatal.					

<b>H</b>	<b>Accountability and Neo-patrimonialism</b>	1	2	3	4	5
a	These factors affect good governance in Nigeria:					
	i) Ethnicity					
	ii) Corruption					
	iii) Patronage					
	iv) Religion					
b	The governance and accountability problems of parastatal organisations will be solved if:					
	i) The notion of ‘businesses are best run by business people’ is applied to parastatal organisations.					
	ii) The governing board of parastatal organisations are appointed by independent private body instead of the government.					
	iii) Offenders are adequately punished to serve as deterrent to others.					
	iv) Religion, ethnicity, political interference, conflicts of interest and corruption are not applied to parastatal organisations.					
	v) Other (specify)					

<b>I</b>	<b>Stakeholders</b>	1	2	3	4	5
a	Government of Nigeria always debates and communicates its decisions, actions and performances to Nigerian people.					
b	The rights of the stakeholders are established by the law in Nigeria and respected.					
c	There is adequate protection of the rights of creditors in case the parastatal organisation goes insolvent.					
d	The stakeholders are treated with dignity and respect					
e	The employees of Nigerian parastatal organisations can communicate their grievances to the governing board without the fear of being victimised.					

<b>J</b>	Nigeria has adequate structure to bring fraudsters, corrupters, money launders and other economic and financial crimes offenders to justice.					
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**K)** What other things do you think should be done to bring the needed change?

**L)** Any other comments will be appreciated.

Thanks for participating. If you need the summary of the result of this research please feel free to write your address hereunder.

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**Appendix IX (T.Test results).**

**One-Sample Statistics**

	N	Mean	Std. Deviation	Std. Error Mean
Qdia	50	1.54	.762	.108
Qdib	48	1.85	.743	.107
Qdic	45	1.93	.889	.133
Qdid	47	1.53	.620	.090
Qdie	49	1.65	.969	.138
Qdif	44	1.86	1.091	.164
Qdiia	47	1.85	.932	.136
Qdiib	49	1.47	.767	.110
Qdiic	46	2.02	.954	.141
Qdiid	49	1.24	.630	.090
Qdiie	0 <sup>a,b</sup>	.	.	.
Qdiia	49	1.49	.649	.093
Qdiib	49	1.24	.630	.090
Qdiic	46	2.63	1.306	.193
Qdiid	0 <sup>a,b</sup>	.	.	.
Qea	43	2.21	1.226	.187
Qeb	44	3.32	1.157	.174
Qec	49	1.45	.709	.101
Qed	49	3.31	1.103	.158
Qeei	42	1.81	.804	.124
Qeeii	37	2.76	1.383	.227
Qeeiii	34	2.97	1.314	.225
Qeeiv	37	3.08	1.341	.220
Qeev	35	2.91	1.292	.218
Qeevi	0 <sup>a,b</sup>	.	.	.

**One-Sample Statistics**

	N	Mean	Std. Deviation	Std. Error Mean
Qfa	49	1.12	.389	.056
Qfb	49	2.02	1.181	.169
Qfc	48	2.44	1.335	.193
Qfd	48	3.48	1.288	.186
Qga	48	1.46	.683	.099
Qgb	48	1.71	.967	.140
Qgc	49	1.86	.957	.137
Qgdi	49	1.45	.709	.101
Qgdii	49	1.84	1.007	.144
Qgdiii	50	1.78	1.055	.149
Qgdiv	48	1.50	.715	.103
Qgdv	47	1.70	.998	.146
Qgdvi	47	1.87	.992	.145
Qgdvii	42	1.93	.997	.154
Qgei	48	1.75	1.021	.147
Qgeii	48	1.60	.893	.129
Qgeiii	46	2.20	1.240	.183
Qhai	47	1.57	.801	.117
Qhaii	48	1.13	.393	.057
Qhaiii	47	1.96	.977	.143
Qhaiv	46	2.07	1.083	.160
Qhbi	49	1.82	1.014	.145
Qhbii	49	2.02	1.051	.150
Qhbiii	49	1.43	.842	.120
Qhbiv	48	1.98	1.296	.187
Qhbv	0 <sup>a,b</sup>	.	.	.
Qia	49	3.00	1.155	.165
Qib	47	2.85	1.161	.169
Qic	49	2.80	1.099	.157
Qid	48	2.81	1.142	.165
Qie	48	2.79	1.237	.179
Qj	50	2.34	1.272	.180

a. t cannot be computed because the sum of caseweights is less than or equal 1.

b. t cannot be computed. There are no valid cases for this analysis because all caseweights are not positive.

**One-Sample Test**

	Test Value = 3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Qdia	-13.556	49	.000	-1.460	-1.68	-1.24
Qdib	-10.678	47	.000	-1.146	-1.36	-.93
Qdic	-8.046	44	.000	-1.067	-1.33	-.80
Qdid	-16.224	46	.000	-1.468	-1.65	-1.29
Qdie	-9.727	48	.000	-1.347	-1.63	-1.07
Qdif	-6.909	43	.000	-1.136	-1.47	-.80
Qdiia	-8.451	46	.000	-1.149	-1.42	-.88
Qdiib	-13.977	48	.000	-1.531	-1.75	-1.31
Qdiic	-6.953	45	.000	-.978	-1.26	-.69
Qdiid	-19.496	48	.000	-1.755	-1.94	-1.57
Qdiiaa	-16.278	48	.000	-1.510	-1.70	-1.32
Qdiiib	-19.496	48	.000	-1.755	-1.94	-1.57
Qdiiic	-1.920	45	.061	-.370	-.76	.02
Qea	-4.230	42	.000	-.791	-1.17	-.41
Qeb	1.824	43	.075	.318	-.03	.67
Qec	-15.315	48	.000	-1.551	-1.75	-1.35
Qed	1.943	48	.058	.306	-.01	.62
Qeei	-9.601	41	.000	-1.190	-1.44	-.94
Qeeii	-1.070	36	.292	-.243	-.70	.22
Qeeiii	-.131	33	.897	-.029	-.49	.43
Qeeiv	.368	36	.715	.081	-.37	.53
Qeev	-.393	34	.697	-.086	-.53	.36



**One-Sample Test**

	Test Value = 3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Qfa	-33.782	48	.000	-1.878	-1.99	-1.77
Qfb	-5.805	48	.000	-.980	-1.32	-.64
Qfc	-2.918	47	.005	-.563	-.95	-.17
Qfd	2.577	47	.013	.479	.11	.85
Qga	-15.641	47	.000	-1.542	-1.74	-1.34
Qgb	-9.258	47	.000	-1.292	-1.57	-1.01
Qgc	-8.356	48	.000	-1.143	-1.42	-.87
Qgdi	-15.315	48	.000	-1.551	-1.75	-1.35
Qgdii	-8.085	48	.000	-1.163	-1.45	-.87
Qgdiii	-8.174	49	.000	-1.220	-1.52	-.92
Qgdiv	-14.543	47	.000	-1.500	-1.71	-1.29
Qgdv	-8.914	46	.000	-1.298	-1.59	-1.00
Qgdvi	-7.796	46	.000	-1.128	-1.42	-.84
Qgdvii	-6.962	41	.000	-1.071	-1.38	-.76
Qgei	-8.482	47	.000	-1.250	-1.55	-.95
Qgeii	-10.829	47	.000	-1.396	-1.66	-1.14
Qgeiii	-4.398	45	.000	-.804	-1.17	-.44
Qhai	-12.206	46	.000	-1.426	-1.66	-1.19
Qhaii	-33.075	47	.000	-1.875	-1.99	-1.76
Qhaiii	-7.315	46	.000	-1.043	-1.33	-.76
Qhaiv	-5.853	45	.000	-.935	-1.26	-.61
Qhbi	-8.172	48	.000	-1.184	-1.47	-.89
Qhbii	-6.527	48	.000	-.980	-1.28	-.68
Qhbiii	-13.070	48	.000	-1.571	-1.81	-1.33
Qhbiv	-5.456	47	.000	-1.021	-1.40	-.64
Qia	.000	48	1.000	.000	-.33	.33
Qib	-.880	46	.384	-.149	-.49	.19
Qic	-1.300	48	.200	-.204	-.52	.11
Qid	-1.137	47	.261	-.188	-.52	.14
Qie	-1.167	47	.249	-.208	-.57	.15
Qj	-3.670	49	.001	-.660	-1.02	-.30