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Standards and Practice of Corporate Governance in The Public Sector in Nigeria

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Abstract: Selflessness, integrity, objectivity, openness, honesty, rules, regulations, processes, laws, structures, standards, best practices, customs, policy, leadership, transparency, accountability and responsibility are the basic pre-requisites for good governance in the public sector. This paper is rooted on the artificial entity theory together with the disclosure of standard principles and practices of corporate governance in the public sector. Reports on anecdotal studies of public sector governance are highlighted with the recommendation of the adoption of the Lagos state good governance practices to the Federal Government of Nigeria (FGN), the other 35 state governments including the 774 local councils of the federation, the Federal Capital Territory (FCT) Council, government ministries, departments and agencies to stop the ongoing leakages and waste in the public sector in Nigeria.

JEL Classifications: G34, G38, H11

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1. Introduction

The Expenditure Revenue Committee (ERI) has described the Federal Government of Nigeria bureaucracy as unsustainable arising from the profligacy in public sector governance that were unable to provide prompt and efficient services for which they were established (Kumolu, 2012). The Presidential Advisory Committee had expressed concern over the increasing cost of governance and advised reduction in the number of government ministries, department and agencies.

Ekponodi (2007) disclosed that major donors and international financial institutions are increasingly basing their aids and loans to governments and civil societies on the condition that reforms which will ensure good governance are undertaken.

Public sector organizations in developing countries, including Nigeria, are perceived to be inefficient and wasteful at the expense of the citizenry.

2. Conceptual Issues and Theoretical Framework

To proceed further on this paper on standards and practice of corporate governance in the public sector in Nigeria, will require the definition of public sector corporate governance, the components of its standards and the composition of the public sector in Nigeria together with the theoretical foundation on which this paper is rooted.

2.1 Corporate Governance in the Public Sector?

Although "Corporate Governance" is a private sector concept, it shares identical meaning with "Good Governance" commonly used in the public sector particularly in fledgling democracies in Africa, the Caribbean and other regions of the world.

Selflessness, integrity, objectivity, openness, honesty, rules, regulations, processes, laws, structures, standards, best practices, customs, policy, leadership, transparency, accountability and responsibility are words interchangeably associated with "corporate governance" in the private sector.

Badejo-Okusanya (2011), defines "corporate governance in public sector" as

> "*an embodiment of processes and systems by which corporate entities are controlled and held to account, including the relationship amongst the many stakeholders involved in each corporation and the goals for which they were established*".

In a nutshell, corporate governance is to the private sector what good governance is to the public sector and it is possible for each sector to cross-pollinate with the other.

2.2 Standards and Practice of Corporate Governance in Public Sector?

According to Ekpenobi (2007), the standard and practice of corporate governance guides good governance in the public sector as published by the Independent Commission for Good Governance in the United Kingdom in 2004 included in the following with supporting principles and guidelines on how these might be applied in practice.

- Focusing on the organization's purpose and its outcome for citizens and users of organization services. Clarity about the purpose of the organization and its intended outcome for citizens and service users in ensuring that users receive high quality services and tax payers get value for their money.
- Performing effectively in clearly defined function an roles ensuring clarity of responsibilities which should be properly carried out. There should be no ambiguity in the relationship between the governors and the public.
- Promoting organizational values and demonstrating good governance through behaviour in practice.
- Taking information and transparent decisions and effectively managing risks by using good quality information, advice and support.
- Developing the capacity and capability of the governing body to be effective by making sure that governors gave the skills, knowledge and experience to perform well and individuals are equipped for governance responsibilities through training.
- Engaging stakeholders and making accountability real by taking an active and planned approach to dialogue with and be accountable to the public together with engaging effectively with institutional stakeholders.

2.3 Public Sector Governance in Nigeria?

Public sector governance is an embodiment of the Federal Government of Nigeria (FGN), the Federal Capital Territory (FCT) Council –Abuja, the 36 state governments comprising Abia, Adamawa, Akwa-Ibom, Anambra, Bauchi, Bayelsa, Benue, Borno, Cross Rivers, Delta, Ebonyi, Edo, Ekiti, Enugu, Gombe, Imo, Jigawa, Kaduna, Kano, Katsina, Kebbi, Kogi, Kwara, Lagos, Nasarawa, Niger, Ogun, Ondo, Osun, Oyo, Plateau, Rivers, Sokoto, Taraba, Yobe and Zamfara with Executive Governors and unicameral legislatures. As shown in Figure 1 below, Government

Ministries, Department and Agencies (MDA) form an integral part also. There are 774 local government councils with Executive Chairmen and supervisory councillors.

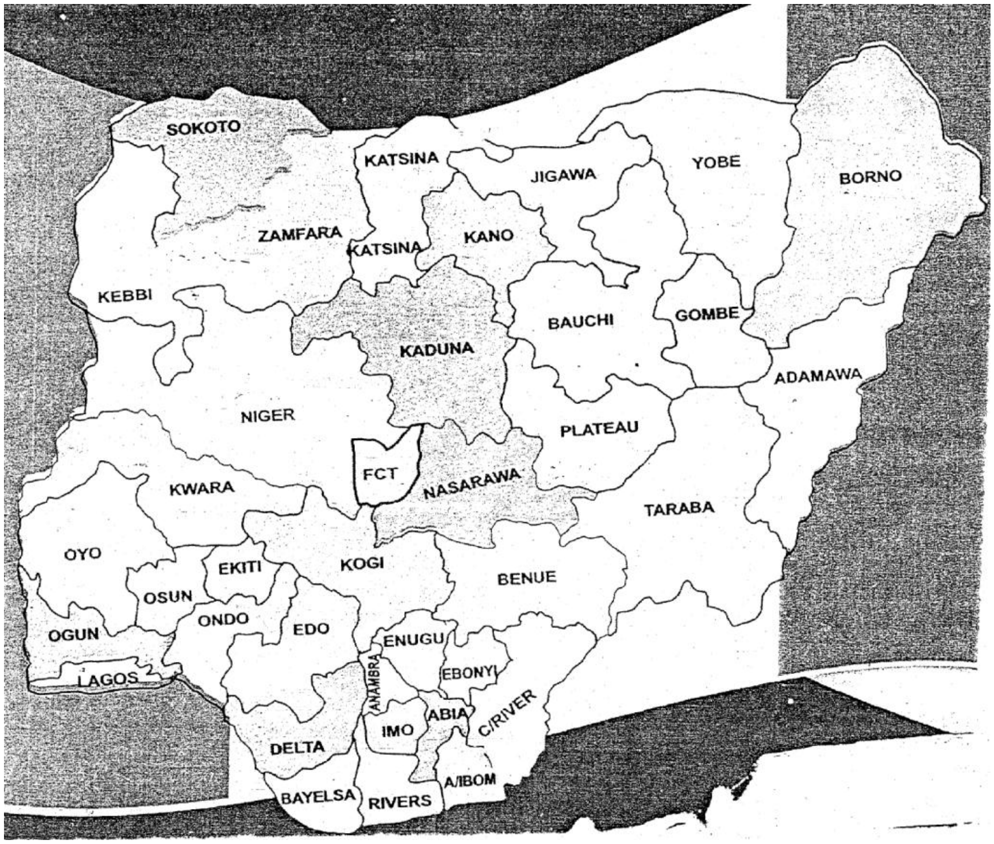

Figure 1. Nigeria's 36 states and the Federal Capital Territory (FCT)

Source: Joint Admission and Matriculation Board . Unified Tertiary Matriculation Examination Brochure. 2010/2011 Academic session. Abuja. Registrar's Office.

2.4 Theoretical Framework

The Artificial Entity Theory is the theoretical basis of this paper. The theory posits that when a state's legislature that recognizes a corporation, it prescribed its powers and purposes which was normally for public benefit such as churches or schools. Because the state was formally responsible for the corporation's existence, the British and early American Law referred to corporations as "artificial entity" (Thomas 2010). This is applicable to developing nations including Nigeria, with long history of military dictatorship created artificial entities such as state, government ministries, departments and agencies.

In 1967, General Yakubu Gowon's regime created 12 states from the existing regions (i.e. North, East, West and Midwest regions). General Ibrahim Badamosi Babangida increased the number of states in 1992 to 36. The authority of the state to impose economic regulation on natural and artificial subject alike is derived from the state's inherent power to regulate public welfare. Perhaps, the justification for the Nigeria Securities and Exchange Commission Code of Corporate Governance is rooted on this premise.

Garner (2004) insist that government, ministries, departments and agencies which are created by law and given legal rights and duties of a human being, being real or imaginary who for a purpose of legal reasoning are treated more or less as human beings in the discharge of their responsibilities in providing public goods to the citizenry.

3. Anecdotal Studies of Corporate Governance In the Public Sector

Komolu (2012), in his study reported that the bicameral legislature of Nigeria (Senate and House of Representatives) with a total of 469 members discharge almost the same function. The Senate has more than 54 standing committees. The House of Representatives on its part has more than 70 standing committees. This over bloated number of committees is a survivalist measure for the Senate President and Speaker, respectively, who use committee positions to buy loyalty of legislators but at the public expense. The United States, US, Senate has only 16 standing committees against Nigeria's 54. The Federal Executive Council of 40 members has also helped to sustain this unwieldiness. The constitutional requirement that each state of the Federation should have a minister has not helped matters. The Federal Government, apart from the existing 42 ministries, also runs about 400 parastatals.

Furthermore, the salaries and emoluments of lawmakers is already costing tax payers money three hundred and thirty-eight billion, six hundred and forty-five million, eight hundred and forty-five thousand, five hundred and ten naira (N338,645,845,510 bn). Comparatively, a lawmaker in the United Kingdom (UK) earns $8,686 (N1.3m) while his counterpart in Sweden earns $7,707 (N1.2m) monthly. The Office of the Senate President in Nigeria gets 10 times more money than $400,000 (N62 million) US President Barrack Obama earns as annual salary. He disclosed further that an oversize Legislature and Executive are source of leakages and channels of waste in Nigeria.

The rising cost of governance in Nigeria, has unfortunately not been backed with concrete material dividend to the citizenry. As a result, it has furthered the poverty of citizens. In contrast, some countries like India, Argentina, South Africa, Indonesia and Malaysia have managed to use a modest percentage of their income between 14% to 29% on governance and with results to show for it.

Agande (2012) also reported in his study that the Federal Executive Council approval of contracts was illegal as it was in contravention of the Public Procurement Act 2007. By approving contracts, the Federal Executive Council (FEC), was usurping the powers of the National Council on procurements as stipulated by law. In further violation of the oversight function of the House of Representatives Committee on public procurement, Ministers including the Minister of Justice have failed to appear before it to explain the non-compliance of the executive with the 2007 Public Procurement Act. The President Dr. Goodluck Jonathan has compounded the matter as he has failed to constitute the board of the National Council of Procurement. This is an aberration to effective corporate governance in the public sector.

According to Badejo-Okusanya (2011), the Lagos State Government deliberate, concerted and sustained effort to bring government closer to the people exhibited faithfulness to some public sector governance principles in contrast to the Federal Government of Nigeria on accountability, the Governor gave an account of his leadership every 100 days for the Lagos State Administration to measure itself against its goals.

It is imperative for government ministries, Departments and Agencies (MDAs) not to recycle milestones. If it did not happen in the last 100 days, you are not allowed to report it. Apart from accountability, public sector corporate governance is also about openness and accessibility. All members of Lagos State Executive Council, heads of government MDAs, permanent Secretaries and other key Lagos state government officials can be reached day or night by telephone or e-mail.

To guarantee security of lives and properties, the Rapid Response Squad and the Lagos State Emergency Services are also accessible through telephone or e-mail. The access to information and contract award are available on the State Tenders Board website that have been put in place bringing Lagos state government higher on the public sector good governance index.

4. Conclusion and Recommendations

Factors militating against good corporate governance in the public sector in Nigeria include leadership problem, corruption, lack of transparency and inflexible bureaucracy. Most MDAs including parastatals are unable to provide prompt and efficient services for which they were established. This has led to the erosion of public confidence and the sincerity of public administrators who manage them.

To reverse this trend, the Lagos state government good governance and practices is recommended for adoption to the Federal Government of Nigeria, the other 35 states of the Federation including the 774 local councils, the Federal Capital Territory (FCT) Council and the government MDAs.

The Federal Government of Nigeria must reduce the overloaded size of the cabinet and the bicameral federal legislative committees to stop the leakages and waste in the public sector. Financial prudence by plugging of avenues for primitive accumulation of wealth and commitment to set goals can rebound the wellbeing of Nigerians as well as the health of the national economy. Some of the areas of this waste include the unmanageable convoy and unnecessary overseas trips made in first class cabin with a retinue of ministers, governors' aids, local government officials and spouses. Government activities must be rationalized. It is the law of nature that every excess must be wasted. Public fund must be used for public good and must not be wasted.

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