ASUU JOURNAL OF SOCIAL SCIENCES
A Journal of Research and Development
Vol 1, No. 1, April, 2012; pp. 59-75

Accountability and Corporate Governance: Discourse in Political Economy of Leadership Role in Nigeria's Development

Sheriffdeen A. Tella

Abstract

The paper is premised on the assumption that the leadership role in economic development is crucial but that the leadership that should engineer development must promote good governance which is rooted in accountability. Conceptual issues in accountability, corporate governance and leadership are reviewed. It is posited that the main goal of economic development is to raise the standard of living of the people through judiciously deploying human and non-human resources to productive uses. For good or bad, leadership has been found to play major roles in economic development, particularly in emerging and developing economies. It is noted that, in the past, Nigeria had had good leadership, especially in regional governments, which could be identified with her past development. This is not the case anymore. Despite huge resources, the 2010 United Nations Development Programme (UNDP) Report on Human Development Index shows that Nigeria ranks 145 out of 172 countries in the world and occupies 32nd position out of the 52 African States. This is attributed to lack of accountability and good governance. However, the citizens too have to

Prof. Sheriffdeen A. Tella
Department of Economics, Banking and Finance
Babcock University, Ilishan-Remo, Ogun State, Nigeria.
e-mail: satellang@yahoo.com

demand for good governance from the leaders from time to time in order to keep them on their toes.

Key Words: *Accountability, Corporate Governance, Political Economy, Leadership Role, Nigeria, Development*

Introduction

The issue of leadership roles in economic growth and development remains inconclusive. However, there is no doubt that political leaders are required for initiating and hastening transformation of their economies. They are not just suppose to understand the hopes and aspirations of their people but must be a step ahead to formulate a vision and drive the society towards achieving the goals of such vision. This is because governance is not just about exercising power over people, it also refers to the manner in which that power is exercised in the management of a country's economic and social resources for development (World Bank, 1992; Wai, 1995).

The glaring mismanagement of resources in most developing countries, particularly in Africa and in a country's such as Nigeria, has brought to the fore, the issue of accountability as an important ingredient of good governance in these countries. Nigeria's case was aptly captured in the World Bank's assessment report on the country in 1996 which was titled "Nigeria: Poverty in the Midst of Plenty". The situation has not changed 15 years after. It has even deteriorated, with reported rising unemployment and about 70 per cent of the population within the poverty level of less than $2 per day.

This paper assumes that leadership role is crucial in economic development. In addition, however, the leadership that can engineer development must promote good governance rooted in accountability. Against the backdrop of these assumptions, the paper proceeds in the next section to discuss conceptual issues in accountability, corporate governance and leadership. In third section, we look at how creative leadership promoted development in a number of countries and how far the Nigerian leadership performed overtime. The last section presents summary and conclusion.

Conceptual issues in Accountability, Corporate Governance and Leadership

The term "accountability" can be regarded as "the fundamental prerequisite for preventing the abuse of delegated power and for ensuring, instead, that power is directed towards the achievement of broadly accepted national goals with the greatest possible degree of efficiency, effectiveness, probity and prudence" (Canada, 1979). Obadan (1998) contended that accountability, in its simplest form, means holding public officials responsible for their actions. That is, "those who exercise public power in a society should be answerable for the exercise of that power".

Accountability has many dimensions which can be summed up in six categories thus: political accountability; administrative or bureaucratic accountability; financial accountability; legal/ constitutional accountability; professional accountability; and external accountability (or accountability of external agencies) (ECA, 2006). In a narrow sense, **political accountability** can be related to appropriateness of public policy and programme; appropriateness of the policy-making process itself, judging political actors' actions and assessing public choices generally. In a broad sense, however, political accountability is used to cover to all forms of accountability relating to State institutions or public sector activities. In other words, it encompasses the other five categories. The enforcement agents of political accountability include citizens as electors, civil associations, mass media, opposition parties, the legislature, judicial bodies, ethics and human rights commissions and Anti-corruption agencies (ECA, 2006).

Administrative accountability is said to be used in bureaucratic and public sense. The latter refers to concerns about functional expediency and procedural correctness of actions based on hierarchical progression while the former refers to how administrative actions affect citizens positively or negatively and attendant redress processes. The enforcement institutions include ombudsmen, administrative courts or tribunals, disciplinary courts of law. **Financial accountability** on the other hand has to do with proper use of public funds by public officials as well as enforcement of norms of austerity, efficiency and propriety. The enforcement agencies are Accounting offices, Controller or Auditor General, Financial accounting and auditing bodies, and Public procurement bodies like the Tenders' Boards (ECA, 2006).

Legal or Constitutional Accountability relates to monitoring of observance of rule of law and evaluating the concordance of legislative acts and constitutional rules and provisions. Enforcement institutions are Statutory and independent law associations, judicial bodies, constitutional courts and the legislature, especially when it sits as an impeachment court. The **Professional accountability** refers to the ethical standards of professional individuals or professional organizations with enforcement agents as professional associations themselves, statutory professional ethics commissions, disciplinary committees, tribunal, and courts. **External accountability** has to do with transparency or otherwise in transactions with external donors and agencies such as civil society organizations.

Corporate governance is a term that is commonly used in the private sector but can, at the same time, be applicable to the public sector within the context of public administration. According to Okafor (2007) corporate governance is how an organization fulfils its responsibilities to investors and other stakeholders. Corporate governance is about the exercise of power over corporate entities. It has the elements of leadership, stewardship, ethics, security, vision, direction, influence and values. Corporate governance is about protecting stakeholders' interests in the organizations. Thus, an important strategic planning step for an organization going through change is to understand and implement the concept of corporate governance.

In connection with the public sector, Alberti and Betucci (2006) opined that since the last half of the twentieth century, governments have been under pressure to respond to the demand of their citizens and to the increasing complexity and change in their global environment. This is arising firstly, from increasing level of poverty, spread of diseases (particularly HIV/AIDS), rising unemployment, poor education system, infrastructural decay and environmental degradation. Secondly is the rapid globalization and resulting forceful 'unification' of the world's economic system facilitated by the incredible rate of advancement in, and adoption of information technology and information sharing.

These have caused different magnitude of disenchantment and social response within the respective public and, governments have had to adjust their policies and skills to effectively integrate into the world economy. Thus, managing the public sector under the current dispensation has become a demanding challenge for policy makers, service delivery managers and civil servants. In this context, governments must use available resources more creatively, including building capacities, enlisting the support of the private sector and civil societies in service delivery, make public institutions more accountable and effective, and allow for greater participation of the citizens in policy making and implementation (Alberti and Betucci, 2006). These are akin to the concept of corporate governance in the private sector

Leadership, and political leadership for that matter, is a complex process in which some people emerge as leaders wielding power to influence their direct followers, the citizens and the general environment with a view to accomplishing societal goals. Social scientists have advanced several theories of political leadership and we consider four of them that can be regarded as relevant to political leadership today. The ***theory of Trait*** which explains that some people possess some personality traits that naturally place them in playing leadership roles while the ***Crisis or Cause theory*** refers to where important social or political event in a society throws up an opportunity for a person or group of persons to take up the challenge and thus bring out extraordinary leadership qualities in them. The third theory is that where, given equal opportunities, some people choose to become leaders by learning leadership skills and is referred to as ***transformational leadership***. ***Dynastic theory*** of leadership is the fourth. In this case, leaders who emerge from any of the above try to groom their sons, daughters, or relatives to succeed them or it could be traditionally-endowed leadership.

Mukandala (2006) posits that all leaders are actual or potential power wielders, though not all power wielders are leaders. We would know that leaders in the industry and in a political setting are expected to equalize at some points. Leadership's vital ingredients economy, higher literacy level and higher life expectancy for the citizens. Malaysia is one of the G20 countries and hoping to move into one of the G8 by the year 2020 through its Transformation Agenda programme in its 10th Development Plan. During the Asian financial crisis in 1997, he refused the International Monetary Fund (IMF) advisory assistance but pursued home- grown policies that rescued the economy out of the crisis before any of the other Asian countries did.

Lee Kwan Yew, former Prime Minister of Singapore as already mentioned, provided the leadership that formulated the right type of economic policies which integrated the city state into the world economy, even in the absence of natural resources. He initiated developmental policy reforms primarily in the public sector, particularly in the areas of education and health, but encouraged the private sector to operate in the free market settings. It became an industrialised country in the late 1970s and presently in the G 20 class.

While Chairman Mao Tse Tung had been credited with laying foundation for the growth of modern China, Jiang Zemin is the main factor behind the tremendous growth that is being witnessed today. Through bold leadership, he and his colleagues exposed a basically centralised economy based on communist manifesto to capitalist market stimuli in term of foreign capital and technology with resultant sustainable rapid economic growth. China, still regarded an emerging economy, is currently the number two economy in the world in terms of production and output.

Jawaharlal Nehru was said to lay the foundation for the economic development of the Indian economy but the duo of Narasimha Rao and Manmohan Singh were credited with taking the risk of introducing the required economic reforms that is currently galvanising the Indian economy toward the first world order. One of the emerging economies tagged BRICS countries, India is making great strides towards employment generation and poverty reduction through its inclusive growth development programme.

In all the cases above, the ingredient of development revolved around huge investments in human capital development, adoption and adaptation of technology which can thrive only in the presence of quality education, initial seclusion of the economy to devise home grown policy, and, sustainable economic planning model i.e. long term development planning platform.

The aforementioned leaders were not only visionary but were also bold and honest in handing the affairs of their respective countries. They enthrone transparency and accountability in their dealings which consequently assisted them in mobilising the citizens, the civil societies and the private sector towards achieving the goals of economic development put forward by the government.

Accountability, Corporate Governance and Leadership Role in Nigeria's Development

A United Nations Conference on Trade and Development (UNCTAD) Report (2010) on Less Developed Countries (LDCs) indicates that from 1980s to mid-1990s, the incidence of poverty was growing in both Africa and Asian LDCs but the trend has since changed. With a World Bank's report (2010) showing that extreme poverty fell from 53 percent in 1990 to 33 percent in 2005 in LDCs, it is instructive to note that much of the decline in poverty occurred in Asia. The UNCTAD report states that during the boom period around the world, extreme poverty continued to rise in Africa while the trend reached a plateau in the Asian countries in 2000. Nigeria, constituting large proportion of the population in Africa is one of the driving forces in poverty aggravation in Africa.

In the 2010 United Nations Development Programme (UNDP) Report on Human Development Index, Nigeria ranks 145 out of 172 countries in the world and ranks 32 position out of the 52 African States behind countries like Ghana, Cameroon, and Benin.

This implies that Nigeria is ranked 27 and 20 from below within the world and with Africa respectively. The country is often referred to as the number two economy in Africa after South Africa but that is in terms of nominal gross domestic product (GDP) which is largely influenced by price and volume of crude oil, not in terms of meeting basic needs and other development indices. While countries like Botswana and Equatorial Guinea have exited from Least Developed Countries (LDC) status, Nigeria, with all its human and non-human wealth remains a prominent member of the group.

A number of reasons have been adduced for the failure of the Nigerian leaders to implement effectively sound economic and social policies that can develop the economy despite the fact that these are available in its planning documents. These reasons, as outlined in Tella (2004), include rapid policy changes and somersaults both during the military and civilian regimes. For instance, the People Democratic Party (PDP) has been ruling at the federal level since 1999 with three different Presidents. Each President came with his own development plan such that the country moved from National Economic Empowerment Development Strategy (NEEDS) to 7-Point Agenda and now Transformation Agenda. This reflects absence of a development plan that could guide national development irrespective of political party or president in power.

Another factor is the deep-seated corruption by the ruling elites with the active collaboration of some domestic elites and international organisations and institutions. There is hardly a day without reported cases of fraud, corruption, embezzlement and other vices involving top government functionaries in the media. Again, despite the orchestrated campaigns against it, there is generally lack of openness or accountability and transparency in the conduct of government businesses particularly by civil and public servants in Ministries, Departments and Agencies (MDAs), the legislature and the judiciary at all levels of government. This invariably spill-over to the activities in the private sector which look up to the public sector for survival.

The absence of a comprehensive social security and welfare programme seems to have resulted in the continued pauperization of the populace and promotion of illiteracy to the advantage of the political class. Similarly, there is deliberate promotion of importation of goods that can be produced locally as an avenue for capital flight in a somewhat more legal manner than money laundering.

Even though military leaders were called intruders rather than leaders because they forced their ways into power, people are beginning to feel that things were better at that time than under current or past democratic settings. Even in the current setting, the leaders are also "intruders" as many get into power through election rigging. The elections of 2011 have so far been adjudged as the best conducted since 1999 but that does not indicate that it was perfect.

Leaders that were not properly elected are likely going to feel free from being accountable to anybody except those who imposed them on the country. Leadership in Nigeria politics has never been tied to being responsible since ascendancy to leadership position is not by record of performance or people's choice. So the issue of using element of irresponsibleness to throw out politicians tested or untested from holding office is irrelevant. Thus, the issue of accountability is also irrelevant to the political system that is operated within the scope of Nigerian corrupt political environment.

Kraines (2002) explains that responsibility should not be confused with accountability. The former in strict sense is what an individual demands of himself or herself. It has to do with one's conscience, aspirations and internal standards. Accountability on the other hand has to do with specific obligations one has to another individual or the society on mutual commitments. Have there been mutual commitments between the political class and the citizens in Nigeria? One can understand a military regime but a civilian regime, in which electioneering campaigns are based on issues and promises to fulfill outstanding issues, elements of commitments is there and must be upheld.

In the first republic, Nigeria had Statesmen as leaders rather than politicians but thereafter it has always been politicians. Statesmen think in terms of the future and what could be done to have a secured future for the generations coming behind while the politicians think of now: What is in it for me? What we are saying is that there is disconnect between the leaders and their being accountable to the followers. This directly or indirectly affect performance of the economy.

There have been arguments back and forth that Nigeria's problem has to do with leadership, or followership or both. Each group adduced reasons to support its case. People have cited the case of the Asian Tigers – Singapore, Malaysia, Taiwan, Thai Land or even China to prove the point that leadership is important while others have argued that it is because the followers in Western countries are articulate that their leaders have to fall in line. The author is in support of the former.

If there arises a band of good leaders with Statesmanship character, it would drive the followers towards common desired goals just as bad leaders with predatory or kleptocratic characters can lead a country into perdition. Nigerians know and follow good leaders whenever they have one. Examples of such leaders abound in the country's First Republic even though they operated within some great financial constraint. This is the reason why some of their developmental efforts remain unequal landmarks till today, particularly in the South West.

It is also important to note that the take off after the end of the civil war in 1970 and up to 1980 saw Nigeria on the path to development. This was the period when National Development Plans were thoroughly put together as developmental path and the content therein fairly executed within the limit of resources available. It was the period when refineries were built to process crude oil to meet domestic oil consumption needs, power projects were put in place, river basin authorities were established to promote agricultural production, and, the structure of the financial market was modified and the system (both money and capital markets) witnessed rapid and dynamic activities to promote and support changes in the real sector of the economy. Also, the education sector, transport and communication sector as well as construction industry grew in importance.

Since the beginning of 1981 when corruption took over governance in a more forceful manner under President Shehu Sagari and with the imposition of 'Austerity' measure by the same federal government, the developmental progress was not only halted but decline continuously. The imposition of the neo-classical growth doctrine of World Bank/IMF Structural Adjustment Programme (SAP) under General Ibrahim Babangida, which was a wrong prescription for the ailing economy and without even imbibing the discipline that came with it, worsen the situation. Since then, Nigeria lost all the goodwill to develop despite conducive financial wherewithal to do so. This is because transparency, accountability and good governance have progressively disappeared from the polity.

In the 1960s, Nigeria was in the same sorry state as Malaysia, Singapore, Taiwan and other Asian Tigers but by 1980s, their developmental efforts from visionary and transparent leaders have separated them from us. In the 1980s, Nigeria was in the Third World countries with Brazil, Russia, India, China and South Africa (tagged the BRICS countries) but these countries have moved up and become part of G20. In each of these countries and at the point of developmental take-off, element of visionary, sincere and accountable leadership can be identified.

Summary and Conclusion

This paper set out to discuss the roles of leaders in economic development under the assumption of accountability and good corporate governance. In the foregoing discourse, we looked at some conceptual issues on accountability, corporate governance and leadership. We also identified theoretical propositions on types of leadership. Debates and reality over time have brought out the consensus that leadership matters in economic growth and development. We therefore identified some leaders in developing countries who have taken their countries to levels of sustainable development and out of the poverty conundrum and explained how and why Nigeria's case remains a dream truncated.

In serious term, Nigeria presently lacks disciplined, patriotic, honest and visionary leadership that can take the country's economic development to higher level despite the Vision 20:2020. The socio-political and economic environment is characterized with insecurity of lives and properties, high level of corruption in high places without corresponding punishment, absence of rule of law (even by the ruling political party). Also, externally dependent economy for food, raw materials and technology, infrastructural decay whose repairs are seen more in awards of contract than execution of the contracts, chaotic and declining quality of education and health systems, insignificant contribution of industrial output to total GDP, and a host of other avoidable but solvable problems in medium to long terms.

Political leadership is central to development of economies in terms of mobilization of resources for public and private sector as well as serving as motivator for engineering growth and development. It is widely recognized now that governance is not the prerogative of government alone but also that of the civil society and the private sector. In many countries, citizens no longer perceive themselves as passive "consumers" of government services, but as part of the solution to deal more effectively with emerging issues (Alberti and Betucci, 2006). In this connection, Non-Governmental Organisations (NGOs) in Nigeria have a lot to do with respect to getting the public enlightened about understanding their roles in good corporate governance and economic development.

Transparency which is analogous to accountability for good corporate governance is a necessary condition for economic development. Walker and Pagano (2008) who are consultants of over 30 years in leadership development and coaching, opine

> when leaders practice transparency – a sort of "what you see is what you get" code of conduct – in ways that show respect and concern both for the individual and for the common good, amazing things occur... leaders build trust and experience more finely tuned collaboration with their peers and followers. And both the organisation as a whole and the individual leader are perceived as having higher level of credibility.

Though Walker and Pagano (2008) were concerned with leadership in organisations, their doctrine could also be applied to political leadership. They proposed that leaders that build around them transparency and accountability require a number of attributes which include being overwhelmingly honest; being composed; keeping promises; properly handing mistakes; and delivering bad news well. Other attributes outlined by Walker and Pagano are avoiding destructive comments; showing others that you care; letting your guards down (or be seen to be sincere); and gathering intelligence (i.e. engaging in consultation). These attributes are good yardsticks with which political leaders should assess themselves and that the civil society can also use them to their leaders. If Nigerian leaders are to be assessed with these yard stick under the current dispensation, only few of them will pass. Quality of leadership is essential in terms of first-hand exposure to economic growth and development around the world where commitment to policy implementation, transparency and accountability in governance are held sacrosanct.

It is imperative for the citizens to demand for accountability from the leaders from time to time rather than wait for every four years during the election period. Such acts also have a way of keeping the leaders on their toes. Political accountability, as we argued, requires that citizens, as electors, civil society organisations, mass media, the opposition parties, the legislature, judicial bodies, human rights commissions and Anti-Corruption agencies must serve as the enforcement agents if the country is to make progress politically and economically.

Governments at all levels must regard the citizens as having something to contribute to both policy formulation and implementation. As noted succinctly by Obadan (1998) "Only when citizens have the belief that their government operates on their behalf, in an open and accountable manner, will governments be able to obtain their willing cooperation in, for example, mobilizing resources for development."

References

Adriano, A. & Bertucci G. (2006). Replicating innovation in governance: An overview. In *Innovations in governance and public administration: Replicating what works*. New York: UN Department of Economic and Social Welfare.

Besley, & Case A. (1995). Does political accountability affect economic policy choices? Evidence from gubernatorial term limits. *Quarterly Journal of Economics*,. 769-98.

Betrand, & Schoar A. (2003). Managing with style: The effect of manager on firm policies. *Quarterly Journal of Economics*, CXVIII, 1169-1208.

Canada (1979). Royal Commission on Financial Management and Accountability, Final Report, Ottawa: Supply and Services.

ECA (2006). Ownership, Leadership and Accountability for Poverty Reduction, Addis Ababa: Economic Commission for Africa.

Johnson, W.B. Magee, R. Nagarajan, N. & Newman, H. (1985). An analysis of the stock price reaction to sudden executive deaths. *Journal of Accounting and Economics*, 151-174.

Jones, B.F. (2008). National leadership and economic growth. *NBER* mimeo.

Kalt, J.P. & Zupan, M.A. (1984). Capture and ideology in the economic theory of politics. *American Economic Review*, 279-300.

Kaufmann, D. et al. (2002). Government Matters II. Policy Research Paper, 2772, World Bank, Washington, D.C.

Kraines, G. (2002). Accountability leadership. *The Systems Thinker*, 13 (10), 1-5.

Levitt, S. D. (1996). How do senators vote? Disentangling the role of vote preferences, party affiliation and senator ideology. *American Economic Review*, 425-441.

Obadan, M. (1998). The state, leadership, governance and economic development. Presidential Address delivered at the Annual Conference of the Nigerian Economic Society, Kano, Nigeria.

Okafor, C. (2007). An overview of financial industry restructuring: Corporate governance and ethics. *Journal of Management Sciences*, 1 (1).

Mukandala, R.S. (2006). Ownership, leadership and accountability for poverty reduction. Background paper for African Plenary on National Strategies for Poverty Reduction and the Achievement of the Millennium Development Goals organized by Economic Commission for Africa (ECA) in Cairo, Egypt. March 26-28.

Tella, S.A. (2011a). Strengthening Nigeria's economic development through transparency and accountability. Paper presented at the Annual Public Lecture and Award Presentation of Centre for Advocacy Against Corrupt Practices (CACORP) on Saturday 23rd July, 2011 at Continental Suites, Abeokuta, Ogun State.

Tella, S.A. (2004). Accountability and transparency in governance: Implications for political stability in fledging democracy. In I.O. Taiwo & A.A. Fajingbesi (Eds.), *Fiscal Federalism and Democratic Governance in Nigeria*. Ibadan: NCEMS/ACBF.

United Nations Development Programe (2010). *Human development reports* (2010) http://hdr.undp.org/en/data/profiles.

UNCTAD (2010). Towards a new international development architecture for LDCs. *The Least Developed Countries Report 2010*.NewYork and Geneva: United Naions.

Wai, D. (1995). Capacity building in policy analysis and development management in Africa. paper presented to the Forum of ACBF-sponsored institutions, Kampala, Uganda.

Walker, K. & Barbara P. (2008). Transparency: The clear path to leadership credibility. The Linkage and Leader Org.

Weber, Max (1947). *The theory of social and economic organisation*. New York: Free Press.

World Bank (1992). *Governance and development*. Washington DC: IBRD.

World Bank (2010). *World development indicators* (WDI), www.data.worldbank.org/indicator; www.devdata.worldbank.org/WDI2004-07

Acknolwedgement: The author is grateful to participants at a 2011 seminar organised by the Centre for Advocacy Against Corrupt Practices (CACORP), Abuja, for their comments on his presentation titled "Accountability, Corporate Governance and Leadership Role in Economic Development" which motivated the writing of this paper.