

Privatisation and accountability in a “crony capitalist” Nigerian state

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Abstract

Nigeria is richly endowed with oil and gas resources, but the country's continued reliance on loans from international financial institutions raises questions about the transparency and accountability of its utilisation of the huge revenues resulting from these two resources. In order to attract international capital to bolster its revenues from sales of oil and gas, a huge proportion of which continues to be used corruptly, the World Bank has encouraged the Nigerian government to subscribe to neoliberal economic policies by enlisting accounting firms and privatising state-owned enterprises. Key justifications for this have included enhancing accountability, reducing public-sector corruption, promoting market efficiency and attracting international capital. However, this paper presents evidence of the role of accounting in the undervaluation of assets, concealment of possible malpractice, and subversion of the accountability that it should have delivered in the privatisation process. The assumption that accounting will enhance accountability, reduce public-sector corruption and promote market efficiency in privatisation, and ultimately attract investment into a crony capitalist Nigerian state, appears to be an illusion created partly through the apparent legitimacy of accounting.

Keywords: Privatisation, Cronyism, Accounting, State-Owned Enterprises, International Financial Institutions.

1. Introduction

Since the 1980s, with an increasingly global capitalist economy, developing countries have been encouraged to adopt neoliberal economic policies such as deregulation, liberalisation, privatisation of state-owned enterprises (SOEs), and adoption of International Financial Reporting Standards (IFRSs; see World Bank, 2005; United Nations, 1993).¹ These have been perceived to be necessary in order to enable countries, particularly poor ones, to partake in the wealth and financial opportunities promised by neoliberalism (see UNCTAD, 2005). Financial support has often been contingent on, amongst other things, the enlistment of accounting, on the grounds that this will create the necessary accountability in the national financial system to reduce public-sector corruption and enhance market efficiency. However, the drive to deploy accounting for this purpose must be viewed alongside the fact that the outcomes of accounting-linked privatisation in developing countries (Uddin and Hopper, 2003; Hawley, 2000), notably those of Africa (Andrews, 2013; Nellis, 2008), have often proved at best disappointing and at worst disastrous (Lassou & Hopper, 2015; Rahaman et al., 2007). It has been particularly questionable in countries in which cronyism is embedded within the socio-political, economic and cultural systems and corruption is endemic, a scenario that has at some point characterised most African countries (Lassou & Hopper, 2015), including Nigeria. In fact, evidence from studies undertaken on privatisation from the 1990s onward suggests that accounting practices may well have complicated and negative consequences (see Sikka, 2015; McSweeney, 2009). In crony as well as corrupt developing countries, such practices frequently undermine the espoused

¹ With both financial and moral/ideological support from powerful nations (led initially by the US and European members of the G7, now G8) and international financial institutions, notably the World Bank and the International Monetary Fund, developing countries were encouraged to employ accounting methods and expertise (especially from global accountancy firms) and to privatise as much and as fast as they could (see Baker, 2001).

objectives of “accounting-led” change (see Lassou & Hopper, 2015; Graham & Annisette, 2012; Rahaman et al., 2007; Craig, 2007; Uddin & Hopper, 2003).

Studies of both developed countries (Shaoul, 1997; Ogden, 1995; Humphrey et al., 1993) and developing countries (Rahaman et al., 2007; Morales et al., 2014; Zhang et al., 2012) have documented the contradictory impacts of accounting numbers, techniques and practices in promoting neoliberal market reform policies, such as privatisation. For example, Shaoul (1997) has shown how accounting was used to justify the UK Government’s claim that privatisation of water in England and Wales would result in increased efficiency and benefit every citizen, and has identified gaps between the initial rhetoric and subsequent outcomes. Ogden (1995) has investigated ways in which accounting numbers and information contributed to and shaped the process of organisational change in the ten regional water authorities of England and Wales. Humphrey et al. (1993) have provided an incisive account of how accounting agents, techniques and practices were enrolled to promote and legitimise Thatcher’s government privatisation policies in the UK. As developing countries have also been encouraged to privatise, studies have found similar patterns of contradiction. Lassou and Hopper (2015) have examined how the World Bank’s use of computerised accounting systems to effect reforms and improve governance and accountability in a former French colony in Africa were frustrated by the weak regulatory system and corrupt governance structure. Morales et al. (2014) have underlined the connection between accounting, neoliberal governmentality and discursive activity. Their study highlights the roles of the media and political actors in producing problematising trajectories that prevented the Greek financial crisis from excessively destabilising the spread of the neoliberal agenda of state privatisation. Zhang et al. (2012) have revealed how enhanced market efficiency, which was supposedly to be achieved through the use of fair value accounting to implement

reforms in China, became an illusion created partly through the legitimacy of fair value accounting. Rahaman et al. (2007) have exposed the use of accounting numbers, techniques and practices to legitimise perceived exploitation in water privatisation in Ghana. Uddin and Hopper (2003) have shown that in privatisation in Bangladesh, as in other developing countries, accounting techniques and practices have been used to mask the redistribution of power and wealth to the new elite and multinational corporations in a new capitalist setting.

While the above literature provides some useful insights into how accounting has been used to legitimise the perceived exploitation of neoliberal privatisation, no previous study appears specifically to have examined the connections between accounting and cronyism. Cronyism has become an immanent feature of contemporary capitalist economies, in which those close to political policy makers and government officials continue to seek close personal ties with large corporations, and the infusion of corrupt practices continues to strengthen the monopolistic power of large corporations. This is particularly evident in developing countries such as Nigeria. This paper therefore highlights cronyism – a much neglected aspect of the neoliberal agenda of state privatisation – in a cronyist developing-country context. Specifically, the paper examines how accounting has been used to obscure cronyism in privatisation in the Nigerian socio-political context. Nigeria is a nation state whose ability to create wealth has been increasingly hampered by greed and moral indifference (Buhari, 2015), as well as a lack of transparency and accountability in the management of its huge deposits of oil and gas resources (Global Financial Integrity, 2013; Global Witness, 2010; African Peer Review Mechanism, 2008). Studies have noted that an ineffective regulatory framework and weak audit and legal institutions have encouraged cronyism in the Nigerian socio-political and economic system (Transparency International, 2014; Bakre, 2011; Madunagu, 2007; Mahmoud, 2006). Through

the greed of a few cronies (Buhari, 2015) and the unethical practices of accountants (Bakre, 2007), SOEs have been mismanaged and the Nigerian commonwealth pillaged (Buhari, 2015).

In order to create transparency, accountability and market efficiency in the management of SOEs, the Nigerian government embraced the World Bank's encouragement to enlist accounting and privatise SOEs. However, in a cronyist socio-political system, encouragement to privatise SOEs led to the mobilisation of accounting to conceal cronyism and corruption in the privatisation process. This paper contributes to the literature theoretically and empirically by providing evidence from the Nigerian socio-political and economic context. The evidence suggests that, as long as cronyism and other corrupt interests are involved in the privatisation process, there will be a market for more or less legal proposals by accounting and legal experts, enabling "workarounds" to accounting rules. This paper shows that accounting rules can be flouted in ways that indicate internal cronyism and corruption in the privatisation process.

The framing and presentation of the evidence is organised around sections discussing accounting and cronyism, the research methods used, the socio-political context of accounting and cronyism, the empirical evidence, and fair value and accountability in a crony capitalist developing state: myth or reality? It concludes with a summary and discussion.

2. Accounting and cronyism

Accounting as an information system, and auditing as a monitor or "check" on the accuracy of the accounting information system, provide enormous potential to establish accountability and detect corrupt activities (Kimbrow, 2002, p.336). Accounting has been considered to be an essential instrument in the privatisation process (United Nations, 1993) and in the management of privatised entities (Tsamenyi et al., 2010). The accounting concept of fair

value is described as a rational and unbiased estimate of the potential market price, which reflects and reinforces a “faithful representation of reality” and enhances market efficiency in the global economy through better diffusion of real-time information on objective asset and liability valuations (Boyer, 2007). In line with the concept of fair value accounting, financial regulatory bodies in both developed and developing countries have therefore required that assets and liabilities be valued using fair value (FASB, 2006; Obuh, 2012). However, some have argued that accounting numbers, techniques and practices have become technologies for legitimating the privatisation of SOEs in developed (Sikka, 2015; McSweeney, 2009) and developing countries (Morales et al., 2014; Zhang et al., 2012; Rahaman et al., 2007; Uddin & Hopper, 2003).

Scholars have been actively involved in examining the mobilisation of accounting to legitimise privatisation in developed and developing countries. However, none have yet examined the use of accounting to obscure cronyism in the specific context of crony capitalist developing countries such as Nigeria. Hawley (2000) notes that corruption has increased in such countries as a result of encouragement or mandates from international financial institutions (IFIs) and donor agencies for countries to privatise. Malhotra (1998) observes that, under crony capitalist governments that are “secretive and lacking in institutional capacity to regulate” and are already corrupt, “privatisation cannot possibly be the dream cure”. Indeed the scope for corruption may greatly increase as a result of privatisation in this context, leading to costly and bad privatisation. This has been greatly assisted by technologies such as accounting, which are often mobilised to conceal cronyism and corruption in privatisation.

Modern states, and specifically crony capitalist states, are complicit in the development of markets (Kang, 2002). Using accounting numbers, techniques and practices (Sikka, 2015), most markets are created, sustained or regulated through political mechanisms (Manzetti, 2009).

This poses a problem for the “faithful representation of reality” that fair value accounting has promised to deliver through privatisation (Sikka, 2015), notably in crony capitalist states. Using accounting numbers and information (Conrad & Sherer, 2001), crony capitalist states in particular decide which problems might properly be allocated to market solutions, what parameters will govern market exchanges and who can be market players (Malhotra, 1998). They also decide which accounting firms and techniques should be used to value assets and liabilities (Craig & Amernic, 2006; Tangri & Mwenda, 2001). In this context, accounting often shapes and legitimises the decisions and actions of mainly crony capitalist governments in establishing the valuation and market price of assets in ways that encourage corruption. Sikka (2015) notes that “in legitimising economic reality, accounting becomes an exchanger, which stabilises certain procedures, but simultaneously helps them to evolve”. In modern (and particularly crony capitalist) states, fair value accounting may reinforce the illusion of an asset’s continued growth or distress by fuelling speculation of importing upward or downward asset valuations into the balance sheet and then exporting those valuations through various processes in which accounting is influential (McSweeney, 2009).

In crony capitalist societies, success depends on close relationships between government, business people and government bureaucrats (Kang, 2002). There are few checks on government divestiture decisions, political leaders often seek to divest to favour cronies, and the big offenders often evade justice (Tangri & Mwenda, 2001). In these circumstances, accounting numbers, techniques and practices are often deployed to mask cronyism in market reforms such as privatisation, so as to favour politically allied cronies and domestic firms. This is achieved by using the legitimacy of fair value and other accounting practices to prevent or restrict out-of-favour domestic groups and foreigners from bidding on the most lucrative SOEs. This often

leads to favouritism in the distribution of legal permits, government grants, special tax breaks, and other forms of state intervention. By mobilising fair value accounting to legitimise the undervaluation of assets (Craig & Amernic, 2006), crony capitalist elites win most bids through political connections (Tangri & Mwenda, 2001). With the validity of accounting for profit making (Shaoul, 1997), the elite buy undervalued assets at giveaway prices (Ojakaminor, 2007). Through the legitimisation of accounting (Craig, 2007), cronyism may therefore create a tiny wealthy class of capitalists in such countries (Stiglitz, 2002). This further suggests that accounting is not an innocent activity (McSweeney, 2009), especially in crony capitalist societies such as Nigeria (Bakre, 2011).

As a modern neoliberal nation state, the Nigerian government has sought to stimulate private-sector wealth creation by containing public spending, reducing direct taxation, relaxing regulation and privatising SOEs (see Obuh, 2012). Nigerian companies have also sought to “re-engineer” their cost structures in a variety of ways, by delaying, outsourcing and automating. Accounting numbers, measures, and regulations such as fair value have been widely adopted in re-engineering cost structures as an apparently objective means of valuing and policing restructuring processes, as well as monitoring and controlling market reform (see Obuh, 2012). However, fair value and other accounting practices, which were introduced to enhance rational and unbiased estimates of market prices of assets, have instead been used to conceal cronyism in the undervaluation and eventual transfer of undervalued assets to cronies at giveaway prices (see Senate Ad Hoc Committee on Privatization, 2011). Although accounting rules promised to be neutral with respect to economic policy (United Nations, 1993), the use of fair value to cover up cronyism and redirect the proceeds of privatisation into private bank accounts (Revenue Mobilization Allocation and Fiscal Commission, 2008) suggests that, in the Nigerian

privatisation process, accounting has been political. The promise that accounting would make enterprises governable and accountable according to financial facts (Miller & Rose, 1990) has been held to be problematic in Nigerian privatisation (Elombah, 2003). The idea of ensuring transparency and accountability in managing private enterprises through accounting has become questionable in Nigerian privatisation (Senate Ad Hoc Committee on Privatization, 2011). Nigeria's new private owners have used accounting techniques to pursue private capital accumulation at the expense of wealth creation and employment generation, with financial restructuring to bolster profits at the expense of wealth redistribution (Anyanwu, 2009). This is known to have resulted from a financial mentality that dominates the management of new private entities in Nigeria (Anyanwu, 2009). In the privatisation process and the post-privatisation management of entities in Nigeria, therefore, accounting numbers, techniques and practices are regarded as part of the problem rather than the solution (Elombah, 2003), providing a further indication of the political economy of accounting in Nigerian privatisation.

3. Research methods

For the analysis that follows, data were drawn from internal and external sources. Internal sources comprised a wide range of archival materials, including those on the impact of graft (the act of taking illicit or unfair advantage of an office for personal gain), and institutional, academic and professional literature on privatisation in Nigeria. Reports by government agencies constitutionally mandated to oversee the privatisation process were examined.² The study also examined reports of the various investigatory panels commissioned by the Nigerian National

² These included minutes of meetings and publications of the National Council on Privatization (NCP), the Bureau for Public Enterprises (BPE), the Nigerian Stock Exchange, the Federal Ministry of Trade and Industry, the Federal Ministry of Information and the Corporate Affairs Commission.

Assembly (Committees of the Senate and House of Representatives) in response to calls by Nigerians, donor agencies and IFIs, notably the World Bank, for the Nigerian government to investigate the activities of some of the politicians and public officials constitutionally appointed to oversee the nation's privatisation exercise.³ The roles played by accountancy institutions, professional accountancy bodies, accounting firms and individual accountants were also examined,⁴ and reports by agencies concerned with the control of corruption in Nigeria were consulted.⁵ Starting from the return to democracy in 1999, particular attention was paid to the privatisation process, as well as anti-corruption and National Assembly investigations into privatisation cases. As a result of the Freedom of Information (FOI) Act, which was passed in 2011, reports of investigations by the National Assembly and anti-corruption agencies were periodically made available to the public. Documents and reports from internal sources were collected through personal visits to the respective institutions and organisations in Nigeria, followed by interviews.

Three sets of interviews were conducted in Nigeria in 2011, 2012 and 2013. The interviews were open-ended, focusing on the privatisation of SOEs in general and the role of accounting and accountants in particular. They were conducted with one or two representatives

³ These included the Senate Ad Hoc Committee on Privatization and Commercialization, the Senate Committee on Privatization and Other Matters, the Senate Committee on Communication and Related Matters, the Senate Committee on Petroleum Trust Development Fund, the Senate Committee on Aviation, the House of Representatives Committee on Privatization and Commercialization, the House of Representatives Committee on Power and Energy, and the Revenue Mobilization Allocation and Fiscal Commission, as well as minutes of meetings of the Federal Executive Council on Privatization.

⁴ Such as the Office of the Accountant-General of the Federation, which is constitutionally empowered to ensure accountability in the revenue accruing from the sale of national assets; local and national representatives of the Big Four accounting firms operating in Nigeria; and the two Nigerian professional accounting bodies, the Institute of Chartered Accountants of Nigeria (ICAN) and the Association of National Accountants of Nigeria (ANAN).

⁵ The Economic and Financial Crimes Commission (EFCC), the Independent Corrupt Practices Commission (ICPC) and the Code of Conduct Bureau (CCB).

of each institution or organisation.⁶ Views were sought from the respondents on whether the promises of the World Bank and the Nigerian government had actually been delivered: that, with the enlistment of accounting, privatisation would reduce public-sector corruption, enhance accountability and market efficiency, generate investment and create employment opportunities in Nigeria. The respondents included chairmen of the National Assembly Committees, representatives of the BPE, the Office of the Auditor-General for the Federation, members of civil society organisations, including a human rights lawyer, and other Nigerians. The interviews were conducted in the interviewees' offices in Nigeria. Each interview lasted about an hour and was tape-recorded, transcribed and thematically analysed.

Data from external sources comprised documents and reports from international organisations and professional accountancy bodies,⁷ as well as the reports of civil society organisations, such as Human Rights Watch. These reports sometimes problematised the official versions of privatisation cases by the Nigerian government. Documents and reports from external sources were collected mainly from the websites of the respective institutions and organisations.

4. Socio-political context of accounting and cronyism

Understanding the socio-political atmosphere of a society or organisation is akin to understanding the functioning and practice of professions such as accounting in that society (Neu et al., 2013). Nigeria is the world's sixth largest producer of petroleum, which accounts for almost 90 per cent of the country's annual revenue (Ogunde, 2012). However, the country's

⁶ The National Council on Privatization; two arms of the National Assembly (the Senate and the House of Representatives Committee on Privatization); Nigerian professional bodies, ICAN and ANAN; the legal profession; and the academic community.

⁷ Such as the World Bank, World Bank International Development Fund, IMF, Inter-American Development Bank, International Consortium of Governmental Financial Management, the United Nations, PricewaterhouseCoopers and other members of the Big Four accounting firms.

post-colonial dynamics of cronyism, unreformed institutions and corruption appear to have had implications for the practice of accounting (Bakre, 2011). This has further impacted on the management of its huge oil revenues and of SOEs, into which millions of dollars are being pumped annually but with unequal wealth redistribution (see African Peer Review Mechanism, 2008; Senate Committee on Petroleum Trust Development Fund, 2007). Problems in the oil- and gas-rich Nigerian economy started as a result of the crash in international oil prices in the early 1980s. This was the beginning of a period in which Nigeria became unable to sustain the millions of dollars of oil revenue being pumped into its mismanaged SOEs. The annual profits of these enterprises plummeted as a result of accounting practices used by politicians and government bureaucrats to convert these enterprises into private properties (Senate Committee on Aviation Report, 2002). Another accountability problem was the use of accounting practices to harbour cronyism in the diversion of a huge proportion of oil and gas revenues into private bank accounts (see Global Financial Integrity, 2013; Senate Committee on Petroleum Trust Development Fund, 2007; Bakre, 2006). A Global Financial Integrity Report (2013) estimated that Nigeria lost \$18 billion annually to corruption and the flight of capital. Transparency International (2014) ranked Nigeria at 136 out of the world's 176 most corrupt countries, with a score of just 27 out of 100. Despite its huge oil and gas resources, the country remains one of the poorest in the world (Transparency International, 2014). Given the draining of its huge oil and gas revenues by corruption, in recent years the country has increasingly recognised an urgent need for international capital. In approaching the World Bank for financial assistance, Nigeria was encouraged to embark on privatisation of its SOEs. It was persuaded that accounting would help to reduce public-sector corruption in the process by creating accountability, thus removing a major impediment to economic development, and would create international investor confidence

in the Nigerian capital market (see Hegarty, 2007). However, in view of the country's crony socio-political system and culture of impunity, there has been a tendency for accounting to be used to conceal cronyism in privatisation, thereby increasing corruption (see Bakre, 2007, 2006).

In order for Nigeria to continue to be considered for World Bank loans, Privatisation and Commercialisation Decree No. 25 of 1988 was passed. A Technical Committee on Privatisation and Commercialisation (TCPC) was constituted, with a mandate to privatise 111 SOEs and commercialise 34 others. In 1993, the TCPC concluded its assignment and submitted a final accounting report, which suggested that the privatisation of 88 out of the 111 SOEs listed in the decree had been marred by the use of accounting techniques to conceal cronyism and corruption in their valuation and sale (see Senate Committee on Aviation Report, 2002). Nevertheless, based on the recommendations of the TCPC, the military government passed the Bureau of Public Enterprises (BPE) Decree No. 28 of 1993, which repealed the 1988 decree and established the BPE to continue the implementation of privatisation.

In May 1999, when Nigeria returned to democracy, the statement of accounts from the previous military administration up to May 1999 showed the total amount borrowed from IFIs and invested in SOEs to be over \$10 billion (see DMO, 2001). Further reports suggest that accounting techniques and practices were implicated in the mismanagement, scrapping, valuation and eventual selling of some SOEs to cronies at giveaway prices (Senate Committee on Aviation Report, 2002). This situation resulted in foreign debts of over \$20 billion for Nigerian taxpayers (see DMO, 2001). The consequence was a reduction in the provision of public utilities, as some revenues from the sale of oil and gas were being directed towards servicing debt (see AFRODAD, 2007).

The new democratic government had to approach the World Bank for further financial assistance. The World Bank's response was that Nigeria should consider adopting IFRSs and use the expertise of accountants to continue privatising SOEs. With a commitment to adopting IFRSs, the Nigerian government enacted the Public Enterprises (Privatisation and Commercialisation) Act (PEPCA) 1999. This Act created the National Council on Privatisation (NCP) under the chairmanship of the Vice-President, with a mandate to privatise many more SOEs. However, in the crony capitalist Nigerian state, where the political system often seems to reward corruption (Joseph, 1987), any legal support to enlist accounting to privatise additional SOEs might mean using accounting practices to legitimise and increase corruption in the process. This appears to have been the situation in most SOEs privatised since 1999. This paper examines a case study of Nigerian External Telecommunications Limited (NITEL) and its mobile subsidiary MTEL, in which accounting appears to have obscured cronyism and corruption in their valuation, with three aborted sales and a fourth sale currently under investigation.

5. Analysis of the empirical evidence

This section examines accounting and cronyism in the sale of NITEL/MTEL to external investors (Section 5.1), the sale of NITEL/MTEL to an internal investor (Section 5.2), the proceeds of privatisation (Section 5.3), and post-privatisation performance (Section 5.4).

5.1. Accounting, cronyism and the sale of NITEL/MTEL to external investors

Nigerian External Telecommunications (NET) was initially largely a commercial venture, established in 1962 by the Nigerian government in partnership with Cable and Wireless. It was not until 1972, after the government had gained total control of NET, that the words "limited

liability company” were added to the firm’s title. The firm provided an efficient service for much of the 1960s and 1970s. However, by the beginning of the 1980s, the firm was experiencing operational difficulties, notably delinquent payments, undocumented inventories, faulty billings and an inability to reconcile its debt and customers’ accounts. These difficulties were brought about by ineffective accounting practices that hampered the effective monitoring and control of its financial activities (Elombah, 2003; Senate Committee on Aviation Report, 2002). These issues led to a lack of accountability, and corruption (Mahmoud, 2006; Senate Committee on Aviation Report, 2002). In 1985, the military administration created NITEL, merging the telecommunications unit of Post & Telegraphy (P&T) with NET, while the postal unit of P&T became NIPOST. The new company introduced a more commercial strategy, using cost accounting techniques to implement a controversial staff rationalisation plan, trimming the workforce from about 26,000 to a more manageable level. Willmott and Sikka (1997, p.838) note that “accounting numbers and techniques have been used to promote the competitive tendering of services and have played a key role in prompting or legitimising rationalisation of public services”. By utilising accounting for profit making (Shaoul, 1997), international rates and revenues were increased. However, this led to decreased demand, while the quality of service did not improve. In 1988, the military government used Decree No. 25 of 1988 and accounting for profit and loss to push for the commercialisation of NITEL under the Technical Committee on Privatization and Commercialization. However, successive military governments mobilised accounting to conceal cronyism and subvert accountability in the undervaluation and sale of most assets at giveaway prices to cronies (Senate Committee on Aviation Report, 2002).

On the country’s return to democracy in 1999, the new government incorporated MTEL as a mobile phone subsidiary of NITEL and prepared NITEL/MTEL for privatisation. In

implementing market reform policies such as privatisation, aid dependent developing countries had to meet demands from rich foreign governments, donor agencies and international financial institutions (IFIs), notably the World Bank and International Monetary Fund (IMF) and their Structural Adjustment Programs (SAPs) (Annisette, 2004; Neu et al. 2006). Rich foreign governments, donor agencies and IFIs largely exert considerable influence over development policies in developing countries (Andrew, 2013), in which accounting was integral to their implementation (Hopper et al. 2009). In privatisation for example, the International Consortium of Governmental Financial Management (1997) noted that:

the valuation of the assets to be privatised is important for the government to maintain its credibility in the privatisation process and achieve an appropriate sales price. Increased accounting and auditing scrutiny should help promote the transparency and accountability of the valuation exercises.

Iyoha & Oyerinde (2010, p.362) note that “in countries lacking a ‘modern’ government accounting system, it is invariably (and reasonably) assumed that they need one to secure ‘good governance’, sound public financial management and accountability”. Rahaman (2010, p.425) observes that:

[Rich countries]... through their control of global agencies such as the World Bank and IMF... have provided de facto financial governance in most sub-Saharan African countries...[T]hese agencies [through] ... ‘conditionalities’... promote particular technologies of government such as accounting and auditing.

Having adopted accounting-conditioned privatisation in order to be considered for more loans from IFIs, particularly the World Bank, in 2001, the Nigerian government mobilised fair value accounting to value and legitimise the market price of NITEL/MTEL at between \$1.3 billion and \$2 billion. After the valuation, Investment International London Limited offered to buy more than half of NITEL/MTEL’s equity for \$1.25 billion. The winning bidder put up a 10 per cent deposit financed by First Bank Nigeria PLC, but was unable to pay the remaining 90 per cent within the agreed time period, thus nullifying the sale (Senate Committee on Privatization

and Other Related Matters, 2008). Without making the subsequent bidding process public, as statutorily required, the agency concerned with privatisation (BPE) claimed that, having emerged as the highest bidder in 2002, Pentascope had bought NITEL/MTEL, with an agreement that it must make \$502 million within one year. However, barely six months after acquiring NITEL/MTEL, Pentascope utilised NITEL/MTEL accounting information to obtain a \$341 million loan from the Nigerian banking sector, using the assets of NITEL/MTEL as collateral, as well as around \$110 million in Treasury bills. Nevertheless, Pentascope was unable to make the required \$502 million during the period agreed (Senate Committee on Communication Report, 2008), and as a result of this default the government reversed the sale.

While widespread Nigerian opinion suggested that the Nigerian government should not privatise NITEL/MTEL after two failed attempts, the World Bank continued to reassure the Nigerian government that privatisation was still the most viable alternative for the efficient management of the company (see World Bank, 2004). Cook & Kirkpatrick (1997) note that “the World Bank, IMF and donors such as USAID were accused of ignoring local resistance to privatisation, employing inadequate financial systems for equity sales, ignoring local needs, neglecting adequate regulation, and casting aside inconclusive evidence that private enterprises outperform state ones”. As the Nigerian government would probably require more loans from IFIs, particularly the World Bank, it had to convince Nigerians who were sceptical of neoliberalism that privatisation was the only viable alternative economic policy for NITEL/MTEL to operate efficiently. As a result, the Nigerian government prepared NITEL/MTEL for further privatisation. Harvey (2005) notes that “in the global neoliberal market characterised by the survival of the fittest, domestic politics and economic policies often conflict with neoliberal politics and economic policies”.

Therefore, in order to invite bidding from new prospective investors, the government sought to establish the net worth of NITEL/MTEL through an audit of the financial statements. Shaoul (1997, p.382) notes that “accounting provides the framework for the profit and loss game and accounting techniques were employed for the crucial task of restructuring the nationalised industries as commercially viable enterprises in the private sector”. In 2005, using accounting to restructure, value and prepare NITEL/MTEL for sale, the audited accounts of NITEL/MTEL showed that a once-thriving national operator in 2002 had become a mismanaged, unprofitable organisation seething with corruption, inefficiency and technical deficiencies (BPE, 2009). NITEL’s number of fixed lines had fallen dramatically from 553,471 functional lines in 2002 to about 100,000 by September 2005, while subscribers to its mobile phone subsidiary, MTEL, had also fallen, from 1.3 million in 2002 to a few thousand in September 2005. Total revenues had dropped from \$452 million in 2002 to \$193 million in September 2005. The income statement showed that the pre-tax income of NITEL/MTEL had declined from \$127 million in 2002 to \$10.7 million in September 2005, while the balance sheet showed that its liabilities had risen from \$624 million in 2002 to \$1.1 billion in September 2005. Consequently, NITEL/MTEL, with 100 per cent equity valued at between \$1.3 billion and \$2 billion in 2001, was valued at between \$555 million and \$855 million in 2005. The above accounting numbers and information became another legitimate instrument at the disposal of the World Bank to buttress its earlier encouragement of the Nigerian government. It re-affirmed that, in the management of NITEL/MTEL, privatisation was the only viable alternative economic policy to reduce public-sector corruption and enhance accountability and market efficiency. Bauman (2007) notes that:

where robbing whole nations of their resources is called “promotion of free trade”, robbing whole families and communities of their means of livelihood is called “downsizing” or just “rationalisation” and neither of the two has been ever listed among criminal and punishable deeds, other exploitative neo-liberal economic policies, such as privatisation will continue to be celebrated as the only viable alternative economic policy

globally.

Fukuyama (2005) argues that:

in a crony capitalist state, any encouragement to adopt a new economic policy to fight public sector corruption and inefficiency in the management of SOEs, often become[s] an opportunity for a network of social actors in cronyism to use the policy to continue to build their regime of private capital.

Thus, the World Bank's encouragement for Nigeria to privatise NITEL/MTEL appears to have turned into an opportunity for internal actors to use accounting practices to mask cronyism and corruption in the undervaluation and cheap sale of NITEL/MTEL to an internal investor – Transcorp – a local company in which the Nigerian president allegedly had a vested interest.

5.2. Accounting, cronyism and the sale of NITEL/MTEL to an internal investor

The Transnational Corporation of Nigeria PLC, or Transcorp, was incorporated on 16 November 2004 with the goal of creating a globally competitive Nigerian company. The original concept was that Transcorp would be a conglomerate similar to a South Korean “chaebol”. The goal of the founders was to establish a company capable of mobilising local and international capital in the development of world-class enterprises, under strong Nigerian management and leadership. Transcorp is a diversified conglomerate with strategic investments and core interests in the hospitality, agribusiness and energy sectors. It is publicly quoted, with a diverse shareholder base of about 290,000 investors, the most prominent of which is Heirs Holdings Limited, a pan-African property investment company. In 2006, when the government decided to resell NITEL/MTEL, Transcorp became a strong contender in the purchase.

In order to prepare NITEL/MTEL for its third sale, BPE had to value its assets to ascertain its current market value. Using fair value accounting, NITEL/MTEL was valued at between \$339 million and \$704 million in 2006, a considerable drop from the valuation of

between \$1.3 billion and \$2 billion in 2001. Following this valuation, NITEL/MTEL was sold to Transcorp at a paltry \$500 million. Nellis (2008) observes that “the privatisation process has been marked by enormous abuses: in crony capitalist countries, a few powerful and influential individuals managed to grab hold of previous SOEs for a pittance and become millionaires or billionaires”. On investigation, the Senate Committee on Privatization and Other Matters (2008) suggested that the President might have influenced BPE to mobilise fair value accounting and other accounting practices in order to obscure cronyism and corruption in the undervaluation and fire-sale price of NITEL/MTEL to Transcorp. Responding to such concerns from the Senate Committee, a human rights lawyer was interviewed for this study. He was first asked whether he believed that fair value accounting might have produced a rational and unbiased estimate of the potential market price of NITEL/MTEL. His response was:

the valuation of NITEL/MTEL no doubt to me reflects the impact of corruption in Nigeria. How could any accountant explain that, in a poor country where assets often appreciate, the so called fair value accounting would be used to depreciate NITEL/MTEL to such a ridiculously low price? I think this is the work of a powerful elite using the legitimacy of accounting to confiscate the collective wealth of Nigerians at a pittance.

Ezzamel and Lilley (2004) note that “as a technology of legitimacy of economic activities, accounting is often used to depict reality as well as alter it”. Without the approval of the National Assembly as constitutionally required, the Nigerian president influenced accounting practices to enable the withdrawal of \$1.3 million from the public treasury to buy shares in Transcorp on behalf of Obasanjo Holdings, his private company (see Senate Committee on Petroleum Trust Development Fund, 2007). Cammack (2007, p.601) notes that:

African leaders are content with an institutional environment where transparency, accountability, and formal controls are weak or absent, preferring instead to use public finances and the input of aid and windfall profits ... to ‘grease’ the clientelist machine.

Further investigation by the Senate Committee found that this withdrawal was unconstitutional, a conflict of interest and an abuse of the president’s office. Nye (1967) notes that:

in a crony capitalist system, royal rulers were not subject to any significant constitutional rules that limited their choice of alternative techniques for achieving personal and state goals. The King used the state money to meet his private commitments, the costs of military campaigns, just as contemporary parties use financial contributions and sometimes state money to meet the costs of electioneering campaigns.

In an interview for this study, a representative of Obasanjo Holdings insisted that “there was no conflict of interest because the president’s Transcorp shares were held in a blind trust”. According to Sikka (2006), “a US Treasury report observed that trusts are key vehicles for disguising shady business deals and illicit funds; there is no regulation, registration or public accountability of trusts in the UK and it is impossible to know their beneficiaries”. Ojakaminor (2007) states that:

what has become clear to Nigerians is that Transcorp serves as the opposite arm of the BPE. Thus, while the BPE acts as the sole seller of government enterprises, Transcorp is positioned as the sole buyer. Both enterprises have already concluded deals with respect to the Hilton Hotel, Le Meridien, NITEL/MTEL, oil companies and will no doubt conclude several others on offer now and in the future.

As Transcorp was said also to have failed in meeting its legal obligations under the 2006 sale agreement, the government had to reverse this sale. On 18 December 2014, the National Council on Privatization announced a fourth sale of NITEL/MTEL, to NATCOM Consortium, for a paltry \$252.25 million, a sale that is currently being investigated on suspicion that accounting may have concealed cronyism and corruption in the process to short-change Nigerians. While accounting may thus have obscured cronyism and corruption in the valuation and sale of NITEL/MTEL, it appears also to have masked the diversion of a huge portion of the proceeds of privatisation into private bank accounts.

5.3. Accounting, cronyism and the proceeds of privatisation

Shaoul (1997, p.382) notes that:

since an accounting model working with publicly available corporate data can be used to make an objective social analysis and critique of economic life, accounting and auditing

supported by an extensive legal framework of financial measurement, reporting and disclosure plays an important role in executing a sound privatisation process.

Recognising the role of accounting and auditing in a sound privatisation process, Section 19(1) of PEPCA 1999 specifically authorised the Office of the Accountant-General of the Federation (OAGF) to use the services of reputable accounting firms to liquidate national assets prepared for privatisation. It further ordered the OAGF to utilise fair value accounting to determine their real market value and sell them under a competitive bidding process. It charged the OAGF to deposit all proceeds of privatisation into the Privatisation Proceeds Account of the Central Bank of Nigeria (CBN PPA). PEPCA 1999 also mandated the Office of the Auditor-General for the Federation (OAUGF) to carry out periodic audits of the CBN PPA. However, the current investigation has found that, whilst fair value accounting may have been used to mask cronyism in the undervaluation of assets, which further legitimised their fire-sale prices to cronies, the OAGF also opened accounts in eight commercial banks, against statutory provision. Moreover, substantial amounts of the proceeds of the sales of public assets could not be traced to the CBN PPA or accounted for by the OAGF or the OAUGF (Revenue Mobilization Allocation and Fiscal Commission, 2008; Senate Ad Hoc Committee on Privatization, 2011). Neither was there any internal control or qualified audit report on the missing amount to show that proper accounting, auditing and accountability systems actually played a vital role in Nigerian privatisation. Schwartz (2003) suggests that “clear mandates, legal protections, ample resources, investigative powers, and information-sharing mechanisms are all required if supreme audit institutions are to succeed in helping fight corruption”. Even with these powers, it is difficult for auditors to free themselves of the cultural and social context in which they operate (Neu et al., 2013). This appears to be the case in the crony capitalist Nigerian state, where the available evidence in both corporate and private sectors suggests a need to audit the auditors themselves (see Bakre, 2007).

For example, during the 2011 investigation by the Senate Ad Hoc Committee into some alleged malpractices in the sale of national assets, the statement of accounts made available by BPE to the Senate Ad Hoc Committee, estimated the value of the 400 national assets privatised since 1999 at over \$14 billion. In comparison, the statement of accounts made available by the OAGF to the Senate Ad Hoc Committee showed actual gross earnings of only \$3.1 billion. Of that \$3.1 billion, only \$936.9 million had actually been remitted to the CBN PPA, leaving \$2.1 billion unaccounted for by the OAGF and the OAUGF. As analysis of the financial statements shows, the likely reasons for the \$10.9 billion discrepancy between estimated and actual revenues from the sale of national assets are obvious. Amongst other alleged uses of accounting practices to conceal possible malpractice in the undervaluation and cheap sales of national assets, the Aluminium Smelter Company of Nigeria (ASCON) was valued at \$3.2 billion but, in an auction in June 2004, a US-based private firm, BFI Group, offered to buy it for just \$410 million. For reasons yet to be explained to Nigerians, BPE later sold the company to a Russian-based company, Rusal, for a paltry \$205 million, resulting in an estimated loss of almost \$3 billion. Delta Steel Company Limited (DSCL) was valued at \$1.5 billion but was sold for only \$30 million, resulting in the estimated loss of another \$1.2 billion. The valuation and sale of the Nigeria Re-Insurance Company (NRIC) to Global Fleet perhaps made the most extensive use of accounting to obscure cronyism. NRIC was valued at \$33 million, but was sold to Global Fleet for \$10 million. After the sale, Global Fleet used only two of the company's assets to secure a loan of \$273 million from the Union Bank Nigeria PLC, suggesting that cronyism played a prominent role in the valuation and sale of NRIC to Global Fleet. In this study, an interview was conducted with a senior auditor in the Office of the Auditor-General for the Federation. He was

asked to explain how the above financial malpractice could possibly have escaped the detection of the internal control system and even the Auditor-General's audit. His response was:

Transactions involving valuation and sale of assets under privatisation are personally supervised by the Accountant-General of the Federation, who is always an appointee of the President. There is no doubt that these illicit transactions would always be detected by the internal control system and the Auditor-General's audit, but the auditors, who may or may not be collaborators in such deals, do not report it, or otherwise they would pay the price by losing either their job or their life. The former AUGF, Vincent Alozie, who reported some frauds in the Executive between 1999 and 2001, was fired by former President Obasanjo, who was directly implicated in the fraud. With outcry from the public, Obasanjo did not reverse his dismissal. In Nigeria, if you are not ready to do the bidding of the powers that be or a network of social actors in corruption, you cannot even be appointed into the "special" offices of the AGF and AUGF in the first place.

Neu et al. (2015) note that "the individual responsible for audit is, more often than not, embedded in the broader political field and might not want to disrupt the status quo". Studies have shown that government auditors are actually aware of the normative context (Radcliffe, 1999) and that they work at the discretion of important political actors (see Neu et al., 2013).

Although the World Bank encouraged countries to enlist the expertise of accountants in privatising SOEs, a World Bank report (Elombah, 2003) noted the complicity of accounting expertise in the lack of accountability in the Nigerian privatisation process:

... due process and rules were being flouted and even financial expenditure lacks accountability. There is no proper internal audit arrangement for the projects; a manual financial system was being used; there were major lapses in the retirement of advances; charges made by the project's commercial bankers are deemed excessive and inconsistent; interest has not been credited on a special account balance; expenses that dated back to late 2001 and 2002 were submitted in 2003; expenses were incurred before no objection was sought from the Bank.

This report expressed serious concerns about the transparency and accountability of some transactions (e.g. NITEL/MTEL) and the failure to comply consistently with privatisation guidelines. These are likely consequences of the use of accounting to conceal cronyism and corruption in the privatisation process, which appears also to have impacted on the post-privatisation management and performance of most privatised entities.

5.4. Accounting, cronyism and post-privatisation performance

Just as the role of accounting in the privatisation process has been contested in developed and developing countries (see Ogden, 1995; Morales et al., 2014; Rahaman et al., 2007), its role in the post-privatisation performance of privatised entities has also provoked mixed reactions (see Shaoul, 1997; Tsamenyi et al., 2010). Young (1998, p.7) found that:

in some former communist and other developing countries, the beneficial results of privatisation are reflected in many areas, such as increased state revenue, wider access to private investment and capital, improved enterprise performance, greater choices and prosperity for consumers and employees.

However, Tangri and Mwenda (2001) note that “the post-privatisation performance of most privatised entities in Sub-Saharan Africa has been engulfed with complex accounting and accountability problems. These problems vary from country to country as specific privatisation models attract specific types of problems.” In Latin America, there have been cases of private entities using accounting practices for profit making, to the detriment of essential public services (Estache, 2004). Such practices have made public services more expensive (Mussa, 2002), there has been a failure to invest in infrastructure (Ereije & Rivas, 2002) and the public workforce has been reduced in the pursuit of short-term benefits (Csaba, 1994). In other developing countries, accounting techniques have been used to replace state monopolies with private monopolies (Mussa, 2002), substitute state corruption for private corruption (Hawley, 2000) and increase the wealth of the rich whilst aggravating the poverty of the poor (Brett, 1988).

Since 1999, when PEPCA became law in Nigeria, and with BPE having privatised over 400 SOEs, Nigerians have never had the privilege of transparent and accountable valuations and audits of all privatisation exercises to determine who has sold what public assets, to whom they have been sold and at what price, nor the performance record of any privatised firm. Jerkmakowicz and Jerkmakowicz (1994, p. 28) note that:

valuing a SOE is much more than just determining the firm's fair market value. The SOE valuation process and report can facilitate a company's transformation, prepare it for survival in competitive markets and build transparency, accountability, public confidence and support for the new market system.

However, it was not until 10 years after returning to democracy that public pressure forced the Senate and the House of Representatives Committee on Privatization and Commercialization to carry out their constitutional oversight mandate to investigate the post-privatisation performance of privatised SOEs in the six geo-political zones of Nigeria. Both committees found a lack of political, managerial and moral accountability in the post-privatisation management and performance of most privatised firms (see Senate Committee on Privatization and Commercialization, 2009; House of Representatives Committee on Privatization and Commercialization, 2009). Conrad and Sherer (2001, p.515) observe that:

being a social and political process, "accountability" is about perception and power, and it has three aspects: political, managerial and moral. Political accountability relates to the expectations of citizens in society, while managerial accountability is about making managers answerable for the economy, efficiency and effectiveness of their performance and moral accountability is about being answerable for proper conduct.

In the current study, the chairman of the House of Representatives Committee on Privatization and Commercialization was interviewed. He was asked to comment on the alleged failure of accounting to deliver on its promises in the post-privatisation management and performance of most privatised entities since 1999. He said:

The audited accounts of the SOEs privatised since 1999 show that most of the privatised companies have either remained moribund or were being poorly managed due to the poor capacity of those who bought the companies. Most of the companies had abandoned the share purchase agreement they had with the Nigerian government and had deviated from the original plan of action. Most of the privatised companies were not creating wealth and generating employment opportunities for Nigerians as promised. The income statements showed persistent losses, while the balance sheet carried heavy liabilities.

In another interview, the chairman of the Senate Committee on Privatization said:

Probably due to a lack of corporate reform and institutional capacity, the Nigerian privatisation exercise provided opportunities for elites who were close to power to influence accounting practices to legitimise the undervaluation and giveaway prices of the SOEs to friends and cronies. Even some of the purchasers appeared to lack solid

capital bases or the necessary managerial experience to manage the privatised entities.

Shkolnikov (2002) observes that “a privatisation process without corporate reforms or institutional capacity usually ends up happening behind closed doors, among a ‘few’ close to the decision-makers and influenced by them”. On the basis of the responses from the chairmen of the two National Assembly Committees, an interview was conducted with the Director-General of BPE. He was asked to shed light on the role of accounting in the post-privatisation management and performance of privatised entities. He said:

What we found was that the audited accounts of over 400 SOEs privatised since 1999 show that less than 10 of them are performing well. We are particularly worried that some of the privatised companies now owned by foreigners are defrauding Nigerians by repatriating their earnings to their countries, while failing to file statutorily required accounting returns to the Nigerian government. Thus, instead of reducing corruption, accounting may have been aiding corruption in the privatised entities.

The rhetoric that accounting would also enable privatisation to attract investment into Nigeria appears to be at variance with reality. For example, the Nigerian Stock Exchange (Business Day, 2015) reported that foreign investors withdrew \$5.28 billion from the Nigerian Stock Market between January and November 2014. This figure represents a 67.5 per cent increase on the \$3.1 billion foreign portfolio investment outflow from the stock market during the corresponding period in 2013. The amount taken out of the market was \$1 billion higher than the \$4.1 billion brought in by foreign investors. The above evidence suggests that it may be a fantasy to expect Western accounting practices such as fair value to reduce public-sector corruption, enhance accountability and market efficiency, and ultimately attract capital to a crony capitalist state such as Nigeria.

6. Fair value and accountability in a crony capitalist developing state: Myth or reality?

Proponents of neoliberalism claim that accounting-linked privatisation will help developed as well as poor, crony and weak capital market economies with weak regulatory

frameworks to reduce corruption, as well as enhancing accountability and market efficiency in the privatisation process and the management of privatised entities (World Bank, 2004).

However, the World Bank (2005) notes that:

Most privatisation success stories come from high-income and middle-income countries. Privatisation is easier to launch and more likely to produce positive results when the company operates in a competitive market and when the country has a market-friendly policy environment and a good capacity to regulate. The poorer the country, the longer the odds against privatisation producing its anticipated benefits, and the more difficult the process of preparing the terrain for sale. Privatisation cannot in and of itself make up for a total lack of competition, for weak capital markets, or for the absence of an appropriate regulatory framework. But where the market is basically competitive, or when a modicum of regulatory capacity is present, private ownership yields substantial benefits.

This suggests that, for the Nigerian economy, with ineffective institutions, poor capacity to regulate and all-encompassing corruption, fair value accounting-linked privatisation may not guarantee the anticipated benefits. Thus, rather than creating accountability and reducing corruption, evidence from Nigerian privatisation suggests that fair value accounting appears to have increased the lack of accountability and corruption (Senate Ad Hoc Committee on Privatization, 2011). Johnston (2005) notes that:

The world view and the power behind corruption is the general trend toward liberalisation and privatisation of economic activity, along with the withdrawal of the state into more limited and technical kinds of functions that has marked global development for generations. Those changes affect the ways people pursue, use, and exchange both wealth and power and shape corruption syndromes in critical ways.

Stiglitz (2002) observes that “privatisation policies which resulted in crony capitalism, large businesses managed by organised crime and a feudal social structure, without a middle class, contributed to bringing about low levels of development in Sub-Saharan Africa”.

The above observation suggests that, in order to protect Nigerian public interests as mandated by the 1999 Nigerian Constitution, Nigeria does not need fair value accounting-driven privately-owned enterprises, which are motivated by the desire for private capital accumulation, inhibit necessary wealth redistribution and aggravate corruption and poverty (Bakre, 2011).

What Nigeria needs first and foremost is a demonstrable will and commitment to reduce public-sector corruption, which stands in the way of socio-economic development. The development of Nigerian industry requires reformed institutions of governance, accounting and accountability systems relevant to the socio-political, economic and cultural environment of Nigeria. Developing the Nigerian economy requires extensive partnerships between industry and state, whereby the latter utilises relevant accounting and accountability systems to provide infrastructure, public utilities, subsidies, trade protection and tax breaks to support Nigerian industry. This would allow Nigerian companies to become competitive in the global economy, generating investment and creating employment opportunities for Nigerians. Nigeria needs to strike a balance between protecting indigenous manufacturing companies and globalising trade. After all, Europe, the United States, Japan and the four Tigers of Asia (Singapore, South Korea, Hong Kong and Taiwan) all rely for their development on extensive partnerships between industry and state. Their industrialisation processes have involved several decades of governments using relevant accounting and accountability systems to provide protective trade barriers, subsidies for domestic industry, support for public utilities and SOEs, and tax breaks and other incentives for research and development to diversify the country and control currency and capital.

While accounting plays a paramount role in any economic policy, this role is more beneficial when supporting economic policy relevant to the society or organisation in which it operates (Neu et al., 2013). Sikka (2015) notes that, “with the use of fair value, the faith in competition and pursuit of private interests erodes the space for consideration of fairness and morality, as the very notion of success is seen through the lens of markets and economic entrepreneurship”. Francis’s (1990) suggestion that accounting may serve selfishness as easily as

the virtue of capitalists became apparent during the 2008 global financial crisis, in which fair value was used to pursue private interest, rather than the public interest that accounting claims to protect. The use of Western accounting reforms, such as fair value even becomes more questionable in a crony capitalist developing economy such as Nigeria, where governance structures are weak and corruption is a widespread phenomenon (see Bakre, 2011). Cammack (2007) notes that “when Western accounting reforms hit African governance, unanticipated and undesired consequences can arise”.

7. Summary and discussion

In the neoliberal context, the liberalisation of economic activity, deregulation of markets, adoption of Western accounting concepts such as fair value, and privatisation of SOEs have been recommended as viable alternative economic policies for developed as well as poor, crony and weak capital market economies (World Bank, 2005). Western accounting such as fair value has been presented as a means of reducing public-sector corruption, enhancing accountability in the privatisation process and boosting market efficiency in privatised entities (UNCTAD, 2005). It is also claimed that fair value accounting-linked privatisation will improve income redistribution and reduce inequalities in access to goods and services by limiting the opportunities for favouritism and differential fixing of rents that penetrate economies marked by state controls and subsidies (UNCTAD, 2005). However, Sikka (2015) notes that “everyday accounting practices such as fair value are deeply implicated in inequitable distribution of income and wealth, a major cause of the economic crisis engulfing neoliberal market reform”. McSweeney (2009) observes that accounting played a role in the 2008 financial crisis because, with the use of fair value, “market valuations of largely opaque composite assets were often wildly overstated”.

In a crony capitalist state, in which the ruling elites are determined to build their regime of private capital but are also desperate to attract international capital, the virtuous aspirations of accounting have proved difficult to achieve, even assuming that they and the associated market efficiency have been the main objectives of privatisation. Under such circumstances, fair value and other accounting practices have also played a part in understating the value of assets and in the giveaway prices of undervalued assets to cronies, thereby denying the state substantial revenue from privatisation. As politicians and public officials have continued to pursue accumulation of private capital in the privatisation process, they have often relied on fair value and other accounting practices with outcomes that run counter to the supposed aspirations of providers of capital in the developed world (Craig, 2007). Through the legitimacy of accounting, these parties thus form hubs in a network of cronyism, which concentrate economic and political power in small, interlocking, crony capitalist groups. It is therefore understandable that, despite the claim that accounting promotes accountability and market efficiency through fair value, externally encouraged economic policies such as fair value accounting-legitimised privatisation turn out to promote contradictory outcomes, in which accounting operates on “both sides of the fence”. In effect, the legitimacy conferred on accounting in the pursuit of external economic policies such as privatisation may migrate elsewhere, as accounting practices are put to use by crony capitalist elite groups to continue to build their regimes of private capital.

Aided by the legitimacy of accounting, politicians and public officials belonging to crony capitalist groups have blatantly violated the provisions of the 1999 Nigerian Constitution and PEPCA 1999, which govern the privatisation process (Senate Ad Hoc Committee on Privatization, 2011). They have done this by using fair value and other accounting practices to conceal cronyism in the undervaluation of assets, to sell undervalued assets to cronies at rock

bottom prices, and to redirect revenues from the sales into private bank accounts (Revenue Mobilization Allocation and Fiscal Commission, 2008; Senate Ad Hoc Committee on Privatization, 2011). Under such circumstances, according to the United Nations (1993), “auditors are expected to use accounting and auditing rules and standards to detect and report suspected and confirmed cases of a lack of accountability and corruption in privatisation to the appropriate authority”. However, where auditors recognise that the discovery and reporting of certain findings will have political consequences, they often use their discretion to avoid investigating, discovering or reporting on potentially problematic actions (Neu et al., 2015). This contributes to the maintenance of “public secrets” (Radcliffe, 2008) concerning politically sensitive topics, such as influence-peddling and corruption (Neu et al., 2015). Consequently, there are concerns amongst Nigerians that fair value and other accounting practices may have legitimised a lack of accountability and corruption in the privatisation process (Elombah, 2003; Mahmoud, 2006). This has enabled the commonwealth of Nigerians to be transferred to a few elites; further increasing the unequal wealth redistribution that privatisation was meant to address in Nigeria (Ojakaminor, 2007).

With the techniques of cost accounting, improved efficiency, capacity utilisation, productivity, profitability and output, and a wide range of consumer choices from around 10 well-managed entities out of the 400 privatised since 1999, privatisation may have improved the welfare of a few Nigerians. However, using the calculative tools of cost accounting, privatisation has come at a price in the form of high production and distribution costs, and hence higher prices for goods and services. These prices, computed using cost accounting techniques, are beyond the means of most poor Nigerians, who were used to cheap goods and services under the old state-subsidised production. Accounting practices may also have increased discontent amongst

workers in privatised entities, as rationalisation, downsizing and restructuring carried out with the aid of accounting (Willmott & Sikka, 1997) have often resulted in workers' services being terminated. This has often increased unemployment, which privatisation was also supposed to reduce in Nigeria. Other Nigerian workers have noted that, although privatisation may have enhanced pay, the increased workload enabled by cost accounting techniques has been detrimental. These workers complain that calculative tools of accounting appear to have brought insecurity to employees and weakened their power to organise and bargain over their incomes.

Sikka (2003) notes that:

accounting calculations and discourses play a major role in the determination of wages and taxes. They prioritise the interests of capital over labour and the state and have systematically eroded labour's share of the gross domestic product. It is argued that accounting practices which label payment of wages to labour and payment of taxes to the state as "costs" amplify capitalist concerns about private appropriation of surpluses and have played a major role in assigning such payments to negative spaces.

While the World Bank claims to have promoted privatisation to enhance accountability and market efficiency, Annisette (2004) notes that "privatisation may have been promoted on account of its strictly economic mandate, and that it may be because this mandate has been limited to 'economic' matters that organisations have not chosen to fight corruption".

In conclusion, the notion that accounting plays a vital role in economic policies such as privatisation is undeniable. However, the claim that fair value accounting-linked privatisation will reduce public-sector corruption, enhance accountability and market efficiency, and generate investment and employment opportunities in a crony capitalist state such as Nigeria, appears to be an illusion partly constituted through the legitimacy of fair value accounting.

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