



AOSIS

State-owned enterprises in Africa and the economics of public service delivery



Fulufhelo G. Netswera, Omololu M. Fagbadebo
& Nirmala Dorasamy (eds.)

**State-owned enterprises
in Africa and the economics
of public service delivery**



Published by AOSIS Books, an imprint of AOSIS Publishing.

AOSIS Publishing

15 Oxford Street, Durbanville, 7550, Cape Town, South Africa
Postnet Suite 110, Private Bag X19, Durbanville, 7551, Cape Town, South Africa
Tel: +27 21 975 2602
Website: <https://www.aosis.co.za>

Copyright © Fulufhelo G. Netswera, Omololu M. Fagbadebo and Nirmala Dorasamy (eds.).

Licensee: AOSIS (Pty) Ltd

The moral right of the authors has been asserted.

Cover image: Original design. All rights reserved. No unauthorised duplication allowed.

Published in 2022

Impression: 1

ISBN: 978-1-77634-236-5 (print)

ISBN: 978-1-77634-237-2 (epub)

ISBN: 978-1-77634-238-9 (pdf) 

DOI: <https://doi.org/10.4102/aosis.2022.BK270>

How to cite this work: Netswera, FG, Fagbadebo, OM & Dorasamy, N (eds.) 2022, *State-owned enterprises in Africa and the economics of public service delivery*, AOSIS Books, Cape Town.

Printed and bound in South Africa.

Listed in OAPEN (<http://www.oapen.org>), DOAB (<http://www.doabooks.org/>) and indexed by Google Scholar. Some rights reserved.

This is an open-access publication. Except where otherwise noted, this work is distributed under the terms of a Creative Commons Attribution-NonCommercial-NoDerivatives 4.0 International License (CC BY-NC-ND 4.0). A copy of which is available at <https://creativecommons.org/licenses/by-nc-nd/4.0/>. Enquiries outside the terms of the Creative Commons license should be sent to the AOSIS Rights Department at the above address or to publishing@aosis.co.za.



The publisher accepts no responsibility for any statement made or opinion expressed in this publication. Consequently, the publishers and copyright holder will not be liable for any loss or damage sustained by any reader as a result of their action upon any statement or opinion in this work. Links by third-party websites are provided by AOSIS in good faith and for information only. AOSIS disclaims any responsibility for the materials contained in any third-party website referenced in this work.

Every effort has been made to protect the interest of copyright holders. Should any infringement have occurred inadvertently, the publisher apologises and undertakes to amend the omission in the event of a reprint.

State-owned enterprises in Africa and the economics of public service delivery

EDITORS

Fulufhelo G. Netswera
Omololu M. Fagbadebo
Nirmala Dorasamy



Social Sciences, Humanities, Education and Business Management domain editorial board at AOSIS

Commissioning Editor: Scholarly Books

Andries G. van Aarde, MA, DD, PhD, D Litt, South Africa

Board members

Emmanuel O. Adu, Professor of Teacher Education and Curriculum Studies, Faculty of Education, University of Fort Hare, South Africa

Vusiwana C. Babane, Department of Educational Psychology, University of the Western Cape, South Africa

Elphinah N. Cisse, Nedbank Research Chair and Professor in the Faculty of Educational Sciences, Walter Sisulu University, South Africa

Llewellyn Leonard, Professor of Environmental Science, School of Ecological and Human Sustainability, University of South Africa, South Africa

Reina-Marie Loader, Programme Lead for Masters in Producing Film and Television and Lecturer in Film Production, Faculty of Media and Communication, Bournemouth University, Bournemouth, United Kingdom

Stanley Murairwa, Head of Department, Business Sciences, Africa University, Mutare, Manicaland, Zimbabwe

Jayaluxmi Naidoo, Associate Professor of Mathematics and Computer Science Education, College of Humanities, University of KwaZulu-Natal, South Africa

Piet Naudé, Professor of Ethics related to politics, Economics and Business, University of Stellenbosch Business School, South Africa

Charles O'Neill, Professor of Department of Business Administration, The British University in Egypt, El Sherouk, Cairo Governorate, Egypt

Cheryl A. Potgieter, Deputy Vice-Chancellor Research Office and Head of the Gender Justice, Health and Human Development focus area, Durban University of Technology, South Africa

Zilungile Sosibo, Professor of Education, Faculty of Education, Cape Peninsula University of Technology, South Africa

Johann Tempelhoff, Professor of Research Niche for Cultural Dynamics of Water (CuDyWat), School of Basic Sciences, North-West University, South Africa

Tembi Tichaawa, Professor and Head of Department Tourism, University of Johannesburg, South Africa

Anthony Turton, Professor in the Centre for Environmental Management and Director TouchStone Resources (Pty) Ltd, University of Free State, South Africa

Christi van der Westhuizen, Associate Professor in the Centre for the Advancement of Non-Racialism and Democracy, Nelson Mandela University, South Africa

Siphamandla Zondi, Department of Politics and International Relations, University of Johannesburg, South Africa

Peer review declaration

The publisher (AOSIS) endorses the South African 'National Scholarly Book Publishers Forum Best Practice for Peer Review of Scholarly Books'. The manuscript underwent an evaluation to compare the level of originality with other published works and was subjected to rigorous two-step peer review before publication, with the identities of the reviewers not revealed to the editor(s) or author(s). The reviewers were independent of the publisher, editor(s), and author(s). The publisher shared feedback on the similarity report and the reviewers' inputs with the manuscript's editor(s) or author(s) to improve the manuscript. Where the reviewers recommended revision and improvements, the editor(s) or author(s) responded adequately to such recommendations. The reviewers commented positively on the scholarly merits of the manuscript and recommended that the book be published.

Research justification

The rampant cases of corruption and mismanagement of public resources are associated with warped procurement systems in state institutions, especially state-owned enterprises (SOEs). State supply chain management (SCM) systems, also commonly referred to as procurement, is a source of devastating corruption implications for African governments. Poorly managed and corruption-led procurement systems majorly impact these fledgling economies, negatively affecting employment and economic growth in Africa. Poor service delivery by these SOEs has cumulative effects on society's growth and citizens' well-being. Despite its vast natural and human resources, Africa ranks among the poor economies in the global system, with its attendant effect on human development. The above are the consequences of poor service delivery, occasioned by mismanagement of the public sector resources.

This book focuses on the performance and activities of the SOEs vis-à-vis their service delivery responsibility. The central theme in all the chapters is the severity of corruption and its consequences in Africa's public sector management. Using evidence-based qualitative and quantitative methods of data collection and analysis, the authors explored deeper theoretical underpinnings of corruption to present a copious analysis of the failures of African state-owned enterprises. This is an appropriate framework required to unpack the entrenched monster, corruption, that has torn African economies into tatters. The authors laid bare the tumultuous reality of corruption, how it relates to the provision of public services, as well as the micro- and macro-level implications thereof. The authors of the chapters employed a range of techniques, including critical discourse analysis, textual analysis, critical constructivism and thematic analysis, to present and discuss their findings. This book makes unique contributions to the literature on public sector management and leadership in Africa. It contributes to documented evidence of the failures of African leaders and the institutions of government to harness public resources for meaningful economic growth and effective public service delivery.

The scholarly interrogation of the public sector corruption necessitated the need for pragmatic public-private sector partnership, characterised by functional accountability institutions and mechanisms, to harness the abundant state resources to stimulate economic growth and development in Africa. The quantitative data presented with real-life narratives and vignettes that come to light in most of the documentary analyses expand the frontiers of knowledge in understanding the nature of government and leadership in Africa. The case study approach deepens the multidisciplinary analysis and captures the multidimensional recommendations therein. The book's target audience is scholars and researchers in the field of public sector management and African government and politics.

The original manuscript underwent a two-stage peer review process, firstly by the editors and secondly by the publisher. The editors subjected the manuscript to a double-blind peer review, and the authors responded to the review reports. The revised manuscript was sent to the publisher. The proposal was peer-reviewed by anonymous experts appointed by the publisher. Reviewers' reports were communicated to the authors for revision. The publisher also subjected the final draft of the manuscript to blind peer review before publication. The authors declare that this book is an original research work, has not been published elsewhere, and is not plagiarised.

Fulufhelo G. Netswera, Office of the Executive Dean, Faculty of Management Sciences, Durban University of Technology, Durban, South Africa.

Omololu M. Fagbadebo, Department of Public Management, Law and Economics, Faculty of Management Sciences, Durban University of Technology, Pietermaritzburg, South Africa.

Nirmala Dorasamy, Department of Public Management and Economics, Faculty of Management Sciences, Durban University of Technology, Durban, South Africa.

A book project facilitated by the Research and Doctoral Leadership Academy (RADLA), headed by Prof. Dr Cheryl A. Potgieter.

Contents

Abbreviations and acronyms, boxes, figures and tables appearing in the text and notes	xiii
List of abbreviations and acronyms	xiii
Box list	xv
List of figures	xv
List of tables	xvi
Notes on contributors	xvii
Preface	xxv
Introduction	1
<i>Fulufhelo G. Netswera, Omololu M. Fagbadebo & Nirmala Dorasamy</i>	
The book	1
Structure of the book	3
Chapter 1: State-owned enterprises and public service delivery in Africa	11
<i>Omololu M. Fagbadebo</i>	
Introduction	11
The state and public enterprises administration	13
The performance of state-owned enterprises in Africa	16
Corruption and state-owned enterprises in Africa	18
Conclusion	23
Chapter 2: Post-colonial public administration systems: Lessons from Uganda	27
<i>Benon C. Basheka</i>	
Introduction	27
The nature of the problem	31
Conceptual and theoretical debates on governance and corruption	33
The concept of corruption	33
Governance and not the government	34
The concepts of procurement governance	35
Forms, trends and actors in public procurement corruption-case study of Uganda	36
Procurement corruption and the governance crisis-the relationships	41
Conclusion	44

Chapter 3: Corruption, bureaucracy and export orientation of firms in Africa	47
<i>Ibrahim Mukisa, Edward Bbaale & Joweria M. Teera</i>	
Introduction	47
Methodology	50
Analytical framework	50
Empirical strategy	52
Data	54
Findings	55
Descriptive findings	55
Empirical findings	60
Conclusion	65
Chapter 4: Enterprise dynamics and employment creation in Africa	67
<i>Edward Bbaale & Ibrahim M. Okumu</i>	
Introduction	67
Motivation	68
Methodology	72
Data issues	72
Econometric analysis	73
Findings	74
Descriptive evidence	74
Econometric evidence	77
Is the interaction of age classes and firm size classes significant?	79
Is it a few high-productivity firms accounting for the highest job creation rate?	81
Conclusion	85
Chapter 5: Pillars supporting corruption in procurement practices: A case of non-public-serving state ownership enterprises	87
<i>Nirmala Dorasamy</i>	
Introduction	87
Non-public-serving state-owned enterprises	89
Pillars supporting corruption in procurement practices	90
Patron-client networks	91
Poor management wisdom	92
Separation of ownership and control	92
Lack of clear direction	93
Political interference	94

Lack of board independence	94
Non-transparency	96
Dissipated accountability and monitoring	96
Unethical governance and poor organisational culture	97
Poor internal governance	99
Grand corruption and contract bidding	100
Weak procurement integrity and best value	100
Weak risk management	101
Lack of will to adopt successful turnaround strategies	101
Lack of public sector professionalism	102
Entrepreneurial board members	102
Weak monitoring of board performance	103
Decentralisation of public procurement	103
Anti-competitive practices	104
Higher levels of power distance	105
The supply side of procurement corruption	105
Conclusion	106

Chapter 6: Counting the cost of state-owned enterprises failure in South Africa: Post-apartheid betrayals or mere inefficiency? 109

Fulufhelo G. Netswera

Introduction	109
International perspective on state-owned enterprises	110
State orientation as a catalyst to development	112
The state of the post-colonial state-owned enterprises	113
The Indian state-owned enterprise reform and development reversal agenda	114
The Chinese state-owned enterprise anti-corruption agenda	115
The case of Kenya	115
The case of Zambia	116
South Africa's state capture, state-owned enterprises burden and political paralysis	117
Conclusion	118

Chapter 7: Corruption, citizen participation and service delivery in Nigeria and Mauritius 119

Tunde A. Abioro

Introduction	119
Understanding the state of corruption in Nigeria and Mauritius	121
National response to corruption in Nigeria and Mauritius	122

Theorising state, governance and participation in the public process	123
Understanding governance, state and its welfare responsibilities	124
Concept of citizen participation in governance	125
Accountability and service delivery	126
Measuring social service delivery in Nigeria and Mauritius	127
Conclusion	128

Chapter 8: Procurement, corruption and service delivery in state-owned enterprises in South Africa **129**

Msuthukazi Makiva & Gregory J. Davids

Introduction	129
Literature review: Philosophy behind the establishment of state-owned entities	130
State-owned entity models and selected governing tenets in South Africa	131
Public procurement etymology	135
Corruption within state-owned entities	136
Research findings and analysis: Selected state-owned entities in South Africa – Procurement, corruption and service delivery	138
Conclusion	142

Chapter 9: Procurement, corruption and service delivery in the Ghanaian public sector **145**

Evans Sokro

Introduction	145
Conceptualising corruption	147
Public procurement, corruption and service delivery	148
Methodology	151
Discussion of findings	151
Conclusion	159

Chapter 10: Public service delivery procurement and the economics of state-owned enterprises in Tanzania **161**

John S. Kihamba & Magashi J. Ntegwa

Introduction	161
Conceptual issues	164
State-owned enterprises	164
Public procurement	165
Corruption	165
Service delivery	165

The context for the economics of state-owned enterprises, procurement, corruption and service delivery in Tanzania	166
The current state: economics of state-owned enterprises, procurement, corruption and service delivery in Tanzania	167
State-owned enterprises and procurement of goods and services	168
The fight against corruption in state-owned enterprises in Tanzania	170
Conclusion	174

Chapter 11: Public service delivery and human development in Nigeria: A litany of woes **175**

Omololu M. Fagbadebo

Introduction	175
Conceptualising corruption in the public sector	176
Corruption in Nigeria	180
Institutional culture of corruption and the collapse of Nigeria Airways	181
Correlational theory of corruption and the failure of power generation in Nigeria	182
Deregulation, systemic corruption and the collapse of NITEL	185
Promoting sustainable economic growth in a corruption invested environment	188
Conclusion	190

Chapter 12: Good governance through public service quality: An empirical study from India **193**

Arulraj Arockiasamy & Ravinder Rena

Introduction	193
Public management service quality	195
Proposed conceptualised research model	196
Revenue administration services in Tamil Nadu	196
Regression 'PMSQ' model	196
Bayesian estimation and testing for regression model (of 'PMSQ') mediated structural equation model	198
Mediating effects on public management service	203
Various future and negative effects on revenue administration services in the study area	204
Social security schemes	204
Social welfare services	204
Land administration and land reform	204
Disaster and drought management	204
<i>Right to Information Act</i>	204

Contents

Strategic management planning for improving the revenue administration services	205
Conclusion	205
Chapter 13: The future of state-owned enterprises in Africa	207
<i>Omololu M. Fagbadebo, Fulufhelo G. Netswera & Nirmala Dorasamy</i>	
Introduction	207
Corruption and the misfortune of state-owned enterprises in Africa	208
Privatisation prospect	212
Privatisation in Nigeria	214
South Africa and the prospects of reformed state-owned enterprises	218
Conclusion	221
References	223
Index	259

Abbreviations and acronyms, boxes, figures and tables appearing in the text and notes

List of abbreviations and acronyms

AG	Auditor-General
AMOS	Analysis of Moment Structures
ANC	African National Congress
APC	All-progressive Congress
AU	African Union
BAE	British Aerospace
BBC	British Broadcasting Corporation
BEE	Black Economic Empowerment
BPE	Bureau of Public Enterprises
BRIC	Brazil, Russia, India, China
CAG	Controller and Auditor General
CEF	Central Energy Fund
COSATU	Congress of South African Trade Unions
CPI	Corruption Perception Index
CS	Citizen Satisfaction
CSO	Civil Society Organisations
DDM	Disaster and Drought Management
DFI	Direct Foreign Investments
DOE	Department of Energy
DPE	Department of Public Enterprise
DRC	Democratic Republic of Congo
DV	Dependent Variable
EC	European Commission
EDI	Electricity Distribution Industry
EFCC	Economic and Financial Crimes Commission
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GEAR	Growth, Employment and Redistribution
GJCR	Gross Job Creation Rate
GJDR	Gross Job Destruction Rate
ICPC	Independent Corrupt Practices Commission
ICT	Information and Communication Technology

ILO	International Labour Organisation
IMF	International Monetary Fund
IPP	Independent Power Producers
IPTL	Independent Power Tanzania Limited
ITU	International Telecommunications Union
JVC	Joint-Venture Companies
LALR	Land Administration and Land Reforms
LIC	Low-income Countries
LLC	Limited Liability Companies
MCMC	Markov Chain Monte Carlo
MDA	Ministries, Departments and Agencies
NACSAP	National-Anticorruption Strategy and Action Plan
NEPA	National Electric Power Authority
NERC	Nigerian Electricity Regulatory Commission
NGO	Non-governmental Organisations
NITEL	Nigeria Telecommunications Limited
NNPC	Nigerian National Petroleum Corporation
NP	Nationalist Party
NPM	New Public Management
OECD	Organization for Economic Cooperation and Development
OLS	Ordinary Least Squares
OSE	Other State Entities
PASA	Petroleum Agency of South Africa
PCCB	Prevention and Combating of Corruption Bureau
PE	Procurement Entities
PetroSA	Petroleum, Oil and Gas Corporation of South Africa
PFMA	<i>Public Finance Management Act</i>
PHCN	Power Holding Corporation of Nigeria
PIM	Public Investment Management
PMSQ	Public Management Service Quality
POE	Private-owned Enterprise
PPA	<i>Public Procurement Act</i>
PPAA	Public Procurement Appeal Authority
PPP	Purchasing Power Parity
PPPD	Public Procurement Policy Division
PPRA	Public Procurement Regulatory Authority
PRASA	Passenger Rail of South Africa
PRC	Presidential Review Commission
PRSOER	Presidential Review on State-Owned Entities Report
PS	Private Sector
RADLA	Research and Doctoral Leadership Academy
RSA	Republic of South Africa

RTI	<i>Right to Information Act</i>
SAA	South African Airways
SABC	South African Broadcasting Corporation
SAP	Structural Adjustment Programme
SAPO	South African Post Office
SCM	Supply Chain Management
SEM	Structural Equation Modelling
SFO	Serious Fraud Office
SME	Small and Medium Enterprises
SOE	State-owned Enterprises
TANESCO	Tanzania Electric Supply Company
Telkom	Telecommunications South Africa
TI	Transparency International
TPA	Tanzania Ports Authority
TQM	Total Quality Management
UK	United Kingdom
UN	United Nations
WBES	World Bank Enterprise Survey
WTO	World Trade Organisation

Box list

Box 8.1:	Legislation and statutory regulation governing state-owned entities in South Africa.	134
----------	--	-----

List of figures

Figure 2.1:	National budgetary allocation by sector, 2017–2018.	40
Figure 3.1:	Average percentage of time and bribe tax by firm size.	57
Figure 3.2:	Average percentage of time and bribe tax by firm ownership.	58
Figure 3.3:	Average percentage of time and bribe tax by export orientation.	58
Figure 3.4:	Average percentage of firms by bribe incidence.	59
Figure 3.5:	Average percentage of time and bribe tax by firm age.	59
Figure 8.1:	State-owned enterprise models.	132
Figure 12.1:	Proposed hypothetical model of ‘PMSQ model’.	197
Figure 12.2:	The analysis of moment structure regression weights of the PMSQ mediated model.	198
Figure 12.3:	The mediating factor (PMSQ) and (RTI) regression weight (W13).	199
Figure 12.4:	The mediating factor (PMSQ) and (RTI) regression weight (W13).	199

Figure 12.5:	The trace plot of the mediating (PMSQ) and (RTI) regression weight (W13).	200
Figure 12.6:	Autocorrelation plot of the mediating factor (PMSQ) and RTI regression weight (W13).	201
Figure 12.7:	The marginal posterior frequency distribution of the mediating factor (RTI) with PMSQ and (CS) regression weight (W5) and regression weight (W13).	201
Figure 12.8:	The marginal posterior frequency distribution of the mediating factor (RTI) with (PMSQ) and (CS) regression weight (W5) and regression weight (W13).	202
Figure 12.9:	Two-dimensional contour plot of the marginal posterior frequency distribution of the mediating factor (RTI) with (PMSQ) and (CS) regression weight (W5) and regression weight (W13).	203

List of tables

Table 3.1:	Summary statistics.	55
Table 3.2:	Correlation matrix.	56
Table 3.3:	Exporting (all exporting firms), bureaucracy and corruption.	60
Table 3.4:	Indirect exporting, bureaucracy and corruption.	61
Table 3.5:	Direct exporting, bureaucracy and corruption.	62
Table 3.6:	List of countries in the authors' sample.	63
Table 4.1:	Summary statistics.	75
Table 4.2:	Firm dynamics and employment outcomes.	76
Table 4.3:	Firm dynamics, gross job creation rate, gross job destruction rate and employment growth rate.	78
Table 4.4:	Firms dynamics: The importance of firm age in the different firm sizes.	80
Table 4.5:	Importance of firm age and size in the high-productivity variables (exporting, foreign ownership and access to finance).	83
Table 4.6:	List of countries in the study sample.	84
Table 7.1:	Corruption perception index of Nigeria and Mauritius (2008-2019).	121
Table 7.2:	Participation index of governance in Nigeria and Mauritius (2007-2016).	126
Table 7.3:	Service delivery by human development (2007-2016).	127
Table 9.1:	Procurement violations in the Auditor-General's report of the Public Accounts Committee of Ghana (2009-2019).	152

Notes on contributors

'Tunde A. Abioro

Department of Local Government and Development Studies,
Faculty of Public Administration, Obafemi Awolowo University,
Ile-Ife, Nigeria
Email: babioro@oauife.edu.ng
ORCID: <https://orcid.org/0000-0003-4508-8555>

'Tunde A. Abioro holds a PhD in Political Science from Obafemi Awolowo University, Nigeria where he is also a faculty member and lectures in the Department of Local Government and Development Studies. His research interest is in public policy, human security and comparative governance. Abioro was researching human security; and the trends and turns of tackling it through good governance in Africa during the writing of this chapter. Also, he has research land-related struggles that played out through religious and ethnic dimensions as well as agrarian changes in Nigeria and is willing to expand it to transforming societies. In 2019, he was awarded the Obafemi Awolowo University Learned Conference Funding to participate in the Confronting Atrocity Project: Truth Commissions & the Politics of Memory organised by the McMaster University, Ontario, Canada, which was held at the University of Ghana, Accra. He also won the American University in Cairo Funding for the International Conference for Research on African Challenges, No Poverty. Cairo, Egypt, 2019. In 2018, he was invited by the International Institute of Sociology to participate in the 42nd World Congress on The Social Sciences, New Conservatism and New Radicalisms hosted at the University of Witwatersrand, South Africa. He was among the scholars who pioneered the World Bank-sponsored Regional Conference and School on Water, Climate Change and Environmental Sanitation, hosted by the Kwame Nkrumah University of Science and Technology, Ghana, in 2017. Abioro has some peer-reviewed papers and conference proceedings in both local and international journals, either individually or in collaboration with colleagues. He is a member of the Nigerian Political Science Association.

Arulraj Arockiasamy

Department of Economics,
Rajah Serfoji Government College (Autonomous), Thanjavur,
Tamil Nadu State, India
Email: arulraj.antony@gmail.com
ORCID: <https://orcid.org/0000-0002-0767-8231>

Arulraj Arockiasamy is currently as an assistant professor of Economics at the Post Graduate & Research Department of Economics, Rajah Serfoji Government College (Autonomous), Thanjavur, Tamil Nadu State, India. He has more than 30 years of teaching and research experience, has produced over 40 PhD students, and has published many articles in peer-reviewed national and international journals. He organised several international conferences and was actively involved in many academic events.

Benon C. Basheka

Department of Governance,
Faculty of Arts and Social Sciences, Kabale University,
Kabale, Uganda
Email: bbasheka@gmail.com
ORCID: <https://orcid.org/0000-0003-1592-222X>

Benon C. Basheka is a professor in Governance and the appointed as the first Deputy Vice-Chancellor of Kabale University. He is an extraordinary professor in Governance at the School of Governance at the North-Western University Business School and a visiting professor of Governance at the School of Public Management, Governance and Public Policy at the University of Johannesburg, South Africa. He is the editor of the *African Journal of Governance and Public Leadership*, facilitated by the Department of Governance at Kabale University. He has a multidisciplinary academic background with a PhD in Political Science and Public Administration (University of Dar es Salaam, Tanzania) a PhD in Educational Administration, Planning and Management (Makerere University), a MA in Social Sector Planning and Management (Makerere University), a MA in Project Management and Evaluation (Uganda Management Institute), a postgraduate diploma in Project Planning and Management (Uganda Management Institute), a graduate diploma in Purchasing and Supply (United Kingdom) and a BA in Political Science and Public Administration. During the writing of this book, he was in his last semester of the four-year BA LLB degree.

Edward Bbaale

Department of Economic Theory and Analysis,
School of Economics, Makerere University,
Kampala, Uganda
Email: eddybbaale@gmail.com
ORCID: <https://orcid.org/0000-0003-0292-8606>

Edward Bbaale is a professor in Economics and holds a PhD in Economics, MA in Economic Policy and Planning, and BA in Economics, among other qualifications. He is currently the Dean of the School of Economics at Makerere University and the Director of EfD-Mak Centre, which is part of the Global Network of Environmental Economics Research Centres. Edward is the lead person at Makerere University for the Inclusive Green Economy Capacity Development Program for senior civil servants and policy-makers. With support from the World Bank, Edward is the principal investigator of a project intended to establish a Public Investment Management Centre of Excellence (PIM CoE) at Makerere University. Before that, Edward served as a graduate programmes coordinator for the School of Economics from 2012 to 2013. He has rich experience in economics research with an interest toward the development of microeconomics for enterprises and households. In 2017 he was awarded a post-doctoral scholarship by the Austrian Agency for International Cooperation in Education and Research (OeAD-GmbH) to undertake research at the Vienna Institute of International Economic Studies (wiiw) in Vienna, Austria. He was

nominated in 2013 as a visiting fellow for the *Journal of African Economies*, Department of Economics at the University of Oxford in the United Kingdom, In 2010, he was nominated for the visiting research fellow position at the Centre for Global Development in Washington D.C., United States of America. Edward has written over 40 papers published in peer-reviewed journals. Two of his papers were voted as highly-commended at the Literati Network Awards for Excellence in 2012 and 2019. At national level, he has coordinated projects aimed at informed policy-making, formulation, analysis and advocacy.

Gregory J. Davids

School of Government,
Faculty of Economic Management Sciences, University of the Western Cape,
Cape Town, South Africa
Email: gjdavids@uwc.ac.za
ORCID: <https://orcid.org/0000-0002-9633-2127>

Gregory J. Davids is a senior lecturer at the University of the Western Cape and has served in various leadership positions within the Faculty of Economic and Management Science and the School of Government. His academic qualifications include a PhD (University Western Cape), a PMD (Harvard University) and a certificate in International Finance and Economics (IIAP-France). He gained practical experience in governance by working within the public sector and serving on the boards of non-governmental organisations and state-owned entities. He has written and co-authored research articles and supervised MA and Hons students. He served as an external examiner to other tertiary institutions. His area of research interest is a developmental state, focusing on governance, social cohesion and local economic development to improve the lives of the poor and marginalised.

Nirmala Dorasamy

Department of Public Management and Economics,
Faculty of Management Sciences, Durban University of Technology,
Durban, South Africa
Email: nirmala@dut.ac.za
ORCID: <https://orcid.org/0000-0002-8964-7825>

Nirmala Dorasamy is an NRF-rated full professor in the Department of Public Management and Economics at the Durban University of Technology. She lectures in the undergraduate and postgraduate programmes at Durban University of Technology (DUT) and other departmental extended programmes. The focus area of her research is ethics and public sector management, emphasising on enhancing the effectiveness and efficiency of public service delivery underpinned by a strong sense of governance within a democratic dispensation. The focus of her international collaboration is linked to governance, leadership excellence and ethical practices. She has successfully supervised and graduated several MA and PhD students while being recognised as a local and international examiner for postgraduate research. She is an accredited

evaluator for EDTP and CHE and an editorial board member for several internationally-acclaimed journals. Dorasamy has developed resource material for government and local and international higher education institutions. She has co-authored textbooks for senior secondary learners and books for higher education purposes. She has published in local and international journals and presented papers at national and international conferences. She has been a keynote speaker and session chair at several international conferences.

Omololu M. Fagbadebo

Department of Public Management, Law and Economics,
Faculty of Management Sciences, Durban University of Technology,
Pietermaritzburg, South Africa
Email: otomololu@yahoo.com/omolouf@dut.ac.za
ORCID: <https://orcid.org/0000-0002-0195-5189>

Omololu M. Fagbadebo holds a PhD in Political Science from the University of KwaZulu-Natal, South Africa. He is a research associate and a contract lecturer in the Department of Public Management, Law and Economics at the Durban University of Technology. He lectured Political Science at the Obafemi Awolowo University, Ile-Ife, Nigeria and the University of KwaZulu-Natal, South Africa. He was a recipient of the Study of the United States Institute on American Politics and Political Thought Fellowship at the University of Massachusetts, Amherst, in June/July 2010. He has published academic papers in journals and books. He has presented papers at conferences and workshops. He is a member of an editorial board and an associate editor of reputable journals. His area of specialisation includes comparative politics, legislative studies, public governance, public institution, leadership, development studies and African government politics. He is the coordinator of African impact initiatives for scholars.

John S. Kihamba

Department of History, Political Science and Development Studies,
Faculty of Humanities and Social Sciences, University of Dar es Salaam,
Dar es Salaam, Tanzania
Email: kihamba@udsm.ac.tz/kihamba67@yahoo.com
ORCID: <https://orcid.org/0000-0003-4979-9848>

John S. Kihamba is a lecturer in Public Administration in the Department of History, Political Science and Development Studies at Dar es Salaam University College of Education. He received his PhD in Public Administration from the University of Dar es Salaam, Tanzania. His teaching and research focus on administrative reforms, human resources, public finance and political science. His administrative experience includes a role as a refugee settlement officer (in charge of refugee camps/settlements) and as an administrative officer responsible for budgeting, training and coordination of the refugee-movement under the Refugee Service Department, Ministry of Home Affairs, Nigeria.

Msuthukazi Makiva

School of Government,
Faculty of Economic Management Sciences, University of the Western Cape,
Cape Town, South Africa
Email: mmakiva@uwc.ca
ORCID: <https://orcid.org/0000-0003-0749-4720>

Msuthukazi Makiva is a senior lecturer in the School of Government, the University of the Western Cape, Republic of South Africa. Makiva completed her PhD in Public Administration with a major focus on Public Policy Analysis from the University of the Western Cape. She is a scholarly researcher focusing on public policy analysis, monitoring and evaluation, legislative oversight and accountability and public participation, among other areas. She supervises some postgraduate students across the public administration discipline. She has presented papers at conferences and has published academic book chapters and journal articles in accredited public administration journals. Before her foray into academia, Makiva was a stakeholder specialist at PetroSA, South Africa.

Ibrahim Mukisa

Department of Economic Theory and Analysis,
School of Economics, Makerere University,
Kampala, Uganda
Email: mukisaibrahim@yahoo.com/ibrahim.mukisa@mak.ac.ug
ORCID: <https://orcid.org/0000-0003-0429-2031>

Ibrahim Mukisa is a lecturer in Economics and holds a PhD in Economics. From 2014 to date, he has served as the coordinator of the graduate programmes in the School of Economics. He has been a visiting lecturer in Mathematics and Statistics for economists to PhD students at the University of Rwanda's in the School of Economics since 2019. He has over 20 years of experience in academia and research at Makerere University. He has accumulated research experience in economics with a special interest in development economics and macroeconomics. Ibrahim has published in several peer-reviewed journals. He is also a member of the Scientific Committee of the African Integration and Development Review of the African Union, and a peer reviewer for the *Economic Journal of the Ministry of Finance*, Government of Sierra Leone and the *Journal of Economic Structures* (Springer Nature).

Fulufhelo G. Netswera

Office of the Executive Dean,
Faculty of Management Sciences, Durban University of Technology,
Durban, South Africa
Email: fulufhelon@dut.ac.za
ORCID: <https://orcid.org/0000-0001-5382-4992>

Fulufhelo G. Netswera is a professor and the Executive Dean of the Faculty of Management Sciences at the DUT since 2020. He was previously the Director

of the NWU Business School, Turfloop Graduate School of Business and the Deputy Dean of Management Sciences at the Cape Peninsula University of Technology. His areas of research interest span public governance, higher education policy and entrepreneurship. He teaches social sciences research methods.

Magashi J. Ntegwa

Department of Geography and Economics,
Faculty of Humanities and Social Sciences, University of Dar es Salaam,
Dar es Salaam, Tanzania
Email: jmagashi@gmail.com
ORCID: <https://orcid.org/0000-0003-4746-0453>

Magashi J. Ntegwa is an assistant lecturer in Economics at the University of Dar es Salaam. He holds both a BA and MA in Economics from the University of Dar es Salaam, Tanzania. He received the SIDA scholarship to pursue a MA in Economics at the University of Dar es Salaam from 2012–2014 and specialised in Econometrics and Natural Resources Economics. He teaches undergraduate courses, such as Quantitative Methods, Econometrics and International Economics. He has been involved in research and consultancy activity with national and international Organisations. His area of specialisation includes human development issues, governance, experimental economics and health economics. He has published academic papers in journals and presented papers at conferences and workshops.

Ibrahim M. Okumu

Department of Policy and Development Economics, School of Economics,
College of Business and Management Studies, Makerere University,
Kampala, Uganda
Email: okumuim@gmail.com/ibrahim.okumu@mak.ac.ug
ORCID: <https://orcid.org/0000-0001-9652-675X>

Ibrahim M. Okumu joined the School of Economics, Makerere University, in 2006, growing through the ranks from teaching assistant to senior lecturer. He is also an associate researcher at the Economic Policy Research Centre, Makerere University, Centre for Dynamic Macroeconomic Analysis, University of St Andrews and Centre for Basic Research in Kampala, Uganda. He holds a PhD in Economics from the University of St Andrews (United Kingdom), MA in Economics from McMaster University (Canada) and BA in Economics from Makerere University (Uganda). Okumu is interested in economic growth and development, firm and household-level behaviour, public finance, corruption and governance. He has peer-reviewed publications in *Development Policy Review*, *African Development Review*, *South African Journal of Economics* and *Journal of Innovation and Entrepreneurship*, among others.

Ravinder Rena

NWU Business School,
 Faculty of Economic and Management Sciences, North-West University,
 Mahikeng, South Africa
 Email: ravinder.rena@gmail.com
 ORCID: <https://orcid.org/0000-0002-4156-8693>

Ravinder Rena is a profound academician and distinguished scholar in economics, writer, editor and adviser with over 30 years of teaching and research experience in Asia-Pacific, Africa and European continents. Rena is an adjunct professor in Economics at the DUT Business School, Faculty of Management Sciences, Durban University of Technology, South Africa. He also serves as an adjunct professor at Monarch Business School, Monarch University, Switzerland. He has published 10 books and more than 135 articles in reputable national and international peer-reviewed journals and presented over 40 papers at national and international conferences and seminars. Rena is armed with an in-depth understanding and thrives on extensive knowledge of global economic and social issues. He has visited more than 300 colleges and universities across the globe and travelled to over 40 countries. He has widely written in the areas of economics of education, development economics and inclusive growth, globalisation and higher education, microfinance, rural entrepreneurship, WTO, sustainable development, FDIs and development aid. He has been a keynote speaker for various national and international conferences in Europe, North America, Africa and Asian continents. He is the founding Editor-in-Chief of the *International Journal of Education Economics and Development* and the associate editor of the *African Journal of Science, Technology, Innovation and Development*, indexed by IBSS and Scopus and published by Interscience and Taylor & Francis Publishers in their respective United Kingdom offices. He serves as an editorial board member for many reputed journals. He has been a keynote speaker and allocated resource individual for more than 100 national and international conferences. He supervised over 60 PhDs and MA dissertations across the globe. He served on many academic and professional committees as a chairman and panel member. He has also been an external examiner and moderator for MA and PhD courses at different global universities.

Evans Sokro

Department of Human Resource Management,
 Central Business School, Central University,
 Tema, Ghana
 Email: evanssokro@gmail.com
 ORCID: <https://orcid.org/0000-0002-5692-2886>

Evans Sokro holds a PhD in Human Resource Management from the Federation University, Australia. He is a senior lecturer and the head of the, Department of Human Resource Management at the Central Business School, where he

teaches courses in Human Resources Management at MBA and undergraduate levels. He is also an associate member of the Chartered Institute of Human Resource Management, Ghana. He has considerable research, teaching and consulting experience in the application of management principles and theory to everyday management and human resource challenges in organisations. He has largely consulted for private organisations in Ghana. Evans has published his research work in international peer-reviewed academic journals and presented conference papers at both local and international conferences. His research interests include expatriation in sub-Saharan Africa, organisational culture and values, high-performance work systems and human resource information systems. He was a recipient of the Federation University, Australia, postgraduate research scholarship and a special overseas student scholarship award in 2014.

Joweria M. Teera

Department of Economic Theory and Analysis,
School of Economics, Makerere University,
Kampala, Uganda
Email: joweria.teera@mak.ac.ug/joweriateera@gmail.com
ORCID: <https://orcid.org/0000-0002-2729-0728>

Joweria M. Teera is a senior lecturer and the head of the Department of Economic Theory and Analysis, in the School of Economics at the College of Business and Management Sciences, Makerere University. Teera obtained her PhD in Economics from the University of Bath in the United Kingdom and specialises in public sector economics. For the last 25 years, she has been teaching Economics at the university, including Public Sector Economics, Microeconomics and Macroeconomics and Research Methods, both at graduate and undergraduate levels. She has supervised research dissertations of MA and PhD students. Teera has published papers in refereed journals.

Preface

Fulufhelo G. Netswera

Office of the Executive Dean,
Faculty of Management Sciences, Durban University of Technology,
Durban, South Africa

Omololu M. Fagbadebo

Department of Public Management, Law and Economics,
Faculty of Management Sciences, Durban University of Technology,
Pietermaritzburg, South Africa

Nirmala Dorasamy

Department of Public Management and Economics,
Faculty of Management Sciences, Durban University of Technology,
Durban, South Africa

This book provides a continuous assessment of the crisis in governance in Africa. As it is, there are huge deficits in the capacity of the African state to harness the vast human and material resources to promote good governance. This manifests in pervasive corruption, collapsed service delivery, collapsed state-owned enterprises, eroded social trust in the public sector, capital flight, escalating levels of poverty and wars, human insecurity and stunted growth. The public sector is the pulse of service delivery because the entire governance system revolves around sourcing materials and services, mostly from the private sector, to achieve its public policy intents. Therefore, the procurement process ordinarily ought to yield positive economic outcomes and an efficiency-driven system in favour of the government itself and its service recipients. However, this is often not the case. Despite its enormous wealth, the African continent is in an economic quagmire, requiring multi-facet research activities, which is the motivation for this book.

■ Acknowledgements

This book is a response to the need for continuous research engagement in the state-owned enterprises and public service delivery nexus in Africa. To this end, we appreciate the role of colleagues whose incisive comments provided the templates for strengthening arguments and analysis of the book. We also acknowledge the patience of contributors who have shown their commitment to scholarly works to advance the frontier of knowledge of the performance of public entities in Africa. The management of AOSIS Books has provided the needed assistance for finishing this work, and we appreciate this help.

How to cite: Netswera, FG, Fagbadebo, OM & Dorasamy, N 2022, 'Preface', in FG Netswera, OM Fagbadebo & N Dorasamy (eds.), *State-owned enterprises in Africa and the economics of public service delivery*, AOSIS Books, Cape Town, pp. xxv. <https://doi.org/10.4102/aosis.2022.BK270.0p>

Introduction

Fulufhelo G. Netswera

Office of the Executive Dean,
Faculty of Management Sciences, Durban University of Technology,
Durban, South Africa

Omololu M. Fagbadebo

Department of Public Management, Law and Economics,
Faculty of Management Sciences, Durban University of Technology,
Pietermaritzburg, South Africa

Nirmala Dorasamy

Department of Public Management and Economics,
Faculty of Management Sciences, Durban University of Technology,
Durban, South Africa

■ The book

The African continent is a paradox. Despite its vast natural and human resources, it ranks among the poorest economies in the global system. In terms of human development, African countries are lagging. Most African citizens live in poverty, with harsh economic realities (World Poverty Clock 2020). Most African countries are struggling to fight hunger, exacerbated by the excruciating pain of poverty. Thus, with traits of state fragility, these countries are vulnerable to implosion (Fragile State Index [FSI] 2019). A considerable proportion of the countries in Africa rank among the least developed countries (Kazeem 2017). The above are the consequences of poor service delivery, occasioned by mismanagement of the public sector resources. In the annual Corruption Perception Index of Transparency International (TI), a preponderance of

How to cite: Netswera, FG, Fagbadebo, OM & Dorasamy, N 2022, 'Introduction', in FG Netswera, OM Fagbadebo & N Dorasamy (eds.), *State-owned enterprises in Africa and the economics of public service delivery*, AOSIS Books, Cape Town, pp. 1-9. <https://doi.org/10.4102/aosis.2022.BK270.00>

African countries has records of high-level corruption (Corruption Perception Index 2019).

The development of the post-colonial 'third-world' countries – and Africa in particular – or the lack thereof has historically been premised on two praxes:

1. The underdevelopment of the colonies was a direct outcome of the colonial powers' economic and political power dominance and influence (Rodney 1972).
2. The post-colonial governance chaos that ensued as a result of, among others, greed, coup d'état, corruption, poorly performing economies and poor or lack of credible governance institutions (Fanon 1963; O'Kane 1993).

As the era of democracy comes of age in Africa and the era of coup d'état slowly fades into the background, underdevelopment and poor economic performance seem to have taken on a new form and meaning, that is, in the form of embedded corruption in the state procurement machinery.

This book focuses on the performance and activities of state-owned enterprises (SOEs) in relation to their service delivery responsibility. Despite its vast natural and human resources, Africa ranks among the poorest economies in the global system, with its attendant effect on human development. The above are the consequences of poor service delivery occasioned by mismanagement of the public sector resources.

The rampant cases of corruption and mismanagement of public resources are associated with warped procurement systems in state institutions, especially the SOEs. State supply chain management (SCM), also commonly referred to as procurement, is a source of devastating corruption implications on the African governments. Poorly managed and corruption-led procurement systems have a major consequence on these fledgling economies, negatively affecting employment and economic growth. Poor service delivery by these SOEs has cumulative effects on society's growth and the citizens' well-being. This book focuses on the SOEs' performance and activities in relation to their service delivery responsibility. Despite its vast natural and human resources, Africa ranks among the poor economies in the global system, with its attendant effect on human development. These are the consequences of poor service delivery occasioned by mismanagement of the public sector resources.

This book provides a continuous assessment of the crisis in governance in Africa. As it is, there are huge deficits in the capacity of the African state to harness the vast human and material resources to promote good governance. This manifests in pervasive corruption, collapsed service delivery, collapsed state-owned enterprises, eroded social trust, capital flight, escalating levels of poverty and wars, human insecurity and stunted growth. The public sector is the pulse of service delivery because the entire governance system revolves around sourcing materials and services, mostly from the private sector, to achieve its public policy intents. Therefore, the procurement process ordinarily

ought to yield positive economic outcomes and an efficiency-driven system in favour of the government itself and its service recipients. However, this is often not the case. Despite its enormous wealth, the African continent is in an economic quagmire, a dilemma that requires multifaceted research activities. This is the motivation for this volume.

The authors of the chapters address the challenges associated with the performance of the SOEs from different perspectives and contexts that indicate the various unethical practices prevailing across the respective countries. While corruption in the activities of the SOEs and other public sector institutions across the continent is a common phenomenon, the forms and intensities differ. This provides deeper insights into the factors that engender the failure of government in public service delivery. This book, therefore, seeks to present multiple viewpoints on the intensity and consequences of failed public sector institutions in African states. It lays bare the incidents of the failure of state institutions for all to see, understand, learn from and avoid the pitfalls that have incapacitated states in Africa.

■ Structure of the book

Aside from the introductory chapter, the book consists of 13 chapters. In Chapter 1, Omololu M. Fagbadebo presents an overview of state-owned enterprises in Africa with specific reference to Egypt, Kenya, Ghana, South Africa and Nigeria. The chapter establishes the nexus between the state and the performance of SOEs in Africa, noting that undue political interference of the government in the operations of the SOEs is a fundamental factor responsible for the failure of SOEs in the continent. The chapter also notes the pervasive losses of the SOEs in terms of profitability and failed public service delivery. Thus, most SOEs in Africa are not only inefficient in terms of the realisation of their objectives, but have also become sources of budgetary deficits in the public sector administration. Apart from Egypt, SOEs in other countries discussed are financial burdens to the government.

In Chapter 2, titled 'Post-colonial public administration systems: Lessons from Uganda', Benon C. Basheka presents an analysis of how the nature of the state in Africa impacts public administration. Using both primary and secondary data to support his argument, he avers that public procurement corruption accounts for the prevalence of governance crisis in African public administrative systems. The paper elaborates on the theoretical explanations for corruption, the forms and actors in public procurement corruption, the trends and its implications on service delivery and how corruption in this function could account for the governance crisis in African public administrative systems. Corruption, poor coordination, lack of independence of state institutions and poor delivery of public services are common problems at present. The ultimate impact is a denial of better services to citizens.

Edward Bbaale, Ibrahim Mukisa and Joweria M. Teera in their contribution, 'Corruption, bureaucracy and export orientation of firms in Africa', in Chapter 3, investigate the effect of inefficient bureaucracy and corruption on firm-level export orientation in Africa. Using the World Bank Enterprise Survey (WBES) of 26 African countries, they discover that corruption and bureaucracy 'grease the wheels' of export trade to the extent that they significantly increase the probability of exporting. Whereas the bribe tax was more significant for the indirect exporters, bureaucratic engagement was more significant for direct exporters. The payment of a bribe is the second-best option in an environment of inefficient bureaucracy, and, hence, African governments ought to improve their institutional frameworks and fight corruption and eliminate the red tape for businesses to thrive without an excess burden imposed on entrepreneurs.

In Chapter 4, Edward Bbaale and Ibrahim M. Okumu, use the WBES to investigate the dynamics associated with enterprises and job creation in Africa. With a projection that the population of sub-Saharan Africa by 2035 would add more working-age people to the workforce than the rest of the world's regions combined, they seek to identify the groups of firms that would create the most jobs in Africa. Using both descriptive and OLS techniques, they discover that the gross job destruction rate doubles the gross job creation rate, hence the negative net job creation rate. They discovered that firms having access to finance increases the gross job creation rate while foreign-owned firms are associated with lower employment opportunities in Africa. The implication is that African governments should support the growth and survival of business starters and small firms to guarantee stable and reliable employment opportunities for most unemployed youth. In addition, African governments should ensure access to affordable finance for young and small firms and negotiate with foreign firms to employ more nationals.

Nirmala Dorasamy, in Chapter 5, 'Pillars supporting corruption in procurement practices: A case of non-public-serving state-owned enterprises', notes that the inadequate state capacity to enforce compliance with requisite anti-corruption legislation has bolstered unethical practices in the public sector. Thus, the author argues that in the absence of the government using its clout to ensure compliance with laws explicitly, regulatory processes, zero tolerance for corruption and social responsibility, corruption in procurement practices would continue to escalate. In an environment of growing corruption in Africa and globally, governments risk retardation in socio-economic growth if they continue to operate in a non-compliant culture that supports corruption. Weak governance facilitates personal gain from corruption fuelling procurement operations involving government collaborations. Therefore, the effective management and performance of SOEs depend on a thoroughly engineered governance system that responds to the multidimensional pillars of governance that all stakeholders endorse. This has to be reinforced by moral obligations, which perpetuate voluntary compliance. Unless a regulatory

environment is complemented by a strong ethical environment, SOEs will continue to be subjected to corrupt activities.

Fulufhelo G. Netswera's qualitative analysis in Chapter 6, 'Counting the cost of state-owned enterprises failure in South Africa: Post-apartheid betrayals or mere inefficiency', blames the ineffective post-colonial state for the abysmal performance of SOEs, using the state capture phenomenon in South Africa, which places the SOEs as debt burdens in Africa. The chapter discusses salient cases of failing SOEs in selected countries to justify the central theme of the chapter. The author recommends the need for success-oriented reforms that are capable of transforming SOEs into profitable ventures in terms of profitability and effective public service delivery.

In Chapter 7, 'Tunde A. Abioro presents a comparative analysis of 'Corruption, citizen participation, and service delivery in Nigeria and Mauritius'. He identifies weak state institutions as the bedrock of the overarching corruption in Nigeria and the prevalence of nepotism and cronyism in Mauritius. While Mauritius is one of the African countries with near-clean records of corruption, Nigeria is among the most corrupt countries in the continent, a situation that has consequences on public service delivery and the well-being of the majority of the citizens. The anti-corruption drive of the two countries has not been too effective in deterring corruption in the public sector. Coupled with weak public participation, impunity and deviance characterised the administrative activities of the state. The author suggests the need to review and strengthen the legislative frameworks that established the anti-corruption agencies at intervals to ensure effectiveness, even as more stringent actions are placed against corrupt officials. This requires strong institutions that would accommodate the participation of the citizens in governance.

Msuthukazi Makiva and Gregory J. Davids present an analysis of 'Procurement, corruption and service delivery in state-owned enterprises in South Africa', in Chapter 8. They attribute the failure of SOEs in South Africa to political interference. This chapter investigates the socio-economic role played by SOEs in South Africa. It sought to understand the economics of SOEs in South Africa, paying close attention to procurement practices for delivering services and how corruption prohibits public value creation. Extant secondary qualitative literature is the research method used to gather information.

In Chapter 9, Evans Sokro uses empirical data to qualitatively analyse 'Procurement, corruption and service delivery in the Ghanaian public sector'. The author discovers the prevalence of public abuse and disregard for a requisite legislative framework to regulate public sector procurement, a development that made SOEs agents of corruption and profligacy. The chapter reviewed the Ghanaian Auditor-General's report from 2009 to 2019 and found that public officials and authoritative individuals violated,

abused and showed disregard for the *Public Procurement Act*. The report highlighted examples of uncompetitive procurement, single-source procurement, procurement without tender, contracts awarded exceeding the threshold and inappropriate procurement methods. The author proposed that beyond the exposure of culprits in the breach of the requisite procurement legislation, the Auditor-General should expose them to public ridicule to deter others.

In Tanzania, SOEs are victims of deficient procurement systems, which created loopholes for corruption and financial misappropriations. As John S. Kihamba and Magashi J. Ntegwa note in Chapter 10, 'Public service delivery procurement and the economics of state-owned enterprises in Tanzania', current reforms in the system are yielding positive results. Between the late 1960/70s, SOEs in Tanzania recorded positive results in terms of increased government revenues through profits and taxes. Apart from this, they boosted the provision of certain categories of basic services to the citizens. However, the economics of SOEs declined in the 1980s, and their capacity to deliver social services was on the lower side. From the 1990s to date, several reform initiatives have been implemented to improve SOEs' economic performance and address corruption-related issues. It is therefore important to have concerted and multi-frontal efforts to deal with corruption-related issues and continue strengthening control measures, as well as increasing the avenues for citizen participation to enhance performance in service delivery.

In Chapter 11, 'Public service delivery and human development in Nigeria: A litany of woes', Omololu M. Fagbadebo attributes the abysmal failure of SOEs to the inability of the leadership to manage the country's post-colonial oil economy that has the potential for massive development. He identifies corruption as the bedrock of the failure of SOEs in Nigeria. With promising potential as a great African economy capable of harnessing the wider spectrum of its human resources, Nigeria has been unable to live to expectation, as public utilities are in short supply. The advantageous natural endowment had been subjected to degrading levels with successive regimes of corruption in the management of its public affairs. Nigeria's immediate post-colonial economy, especially with the discovery of oil in commercial quantities, was characterised by a boom in its public enterprises. Essential infrastructural facilities were developed with the promise of consolidating sustainable growth. Unfortunately, however, the wealth was filtered away as public officials turned the public enterprises into havens of corruption with rampant exploitation of public resources for personal advancement.

Given the incessant waste associated with the administration of public resources, Arulraj Arockiasamy and Ravinder Rena proposed the public management service quality (PMSQ) model in revenue administration services in India for the measurement of service quality in other countries. In Chapter 12,

‘Good governance through public service quality: An empirical study in India’, the authors argue that revenue administration services should concentrate on the requisite legislative framework as the most important aspect of public management service quality on revenue administration services. Using India as a case study, the authors found that the country’s *Right to Information Act* (RTI) has had mediated effects on public management services. They discovered that the effective implementation of the RTI had bolstered quality public service delivery from the revenue department to the citizens. Thus, they conclude that a new strategy for promoting revenue administration would strengthen sustainable public management services. In addition, the ‘PMSQ’ model would help to promote transparency and accountability in governance and public service delivery.

In the last chapter, Omololu M. Fagbadebo, Fulufhelo G. Netswera and Nirmala Dorasamy, present an analysis of the prospect of an accountability regime as a catalyst for inclusive economic growth in Africa through SOEs. They submit that a culture of ethical behaviour is necessary to eschew the African economy from the danger of graft that has characterised African society. They examine a series of measures suitable for repositioning SOEs on the continent with the submission that each state should, within the framework of its economic systems and policies, emphasise adherence to relevant guidelines for the sustainable operation of SOEs.

The authors (individually or as part of a co-authorship) of nine chapters among the aforementioned 13 also contributed to a book edited by Nirmala Dorasamy and Omololu M. Fagbadebo, published in 2021 by Springer (eds. Dorasamy & Fagbadebo 2021). *Public procurement, Corruption and the Crisis of Governance in Africa* has 13 chapters. The two books have different focuses. The Springer book focuses on the nexus between public procurement corruption and the crisis of governance in Africa. This book, *State-owned enterprises in Africa and the economics of public service delivery*, focuses mainly on the management and operations of SOEs in relation to public service delivery in Africa.

The introductory chapter is on the ongoing debate concerning the sources of job creation in light of the crisis of good governance in Africa. Chapter 1 represents a scholarly reflection on a review of SOEs in relation to their public service delivery responsibility in Africa. The content and context are significantly different from the introductory chapter in the Springer book, which consists of a brief discussion on procurement corruption and governance nexus. The central theme of Chapter 2 comprises explanations of public procurement corruption in post-colonial Africa, using Uganda as a benchmark. The author reworked the entire chapter within the context of its theme, which is different from the focus of the Springer chapter which concentrates on the anti-corruption frameworks of public procurement in Uganda. Chapter 5, authored by Nirmala Dorasamy, ‘Pillars supporting corruption in procurement

practices: A case of non-public-serving state ownership enterprises', differs in contents and context from any of the three contributed chapters (one solo and two co-authored) by her in the Springer publication. Chapter 7 adapted data from both Ibrahim Index of African Governance (IIAG) 2017 on Corruption Perception Index of Nigeria and Mauritius and Participation Index of Governance in Nigeria and Mauritius and Service Delivery by Human Development. The study concludes that despite the tightly held opinion by citizens that states are clearing houses for wealth (re)distribution in many African countries, the expediency remains that citizen involvement is not new in public affairs. These activities and engagements involve deliberation on local issues, decision-making within communities and, more importantly, participation in the governance process. The chapter examines procurement laws, impact and corruption perception index in Nigeria and South Africa as it affects governance and service delivery. The study adopted secondary data and a descriptive method of analysis. It establishes that corruption remains a major albatross in procurement and service delivery in the countries. Although there may not be a one-size-fits-all approach to rescue the situation, the study recommended that the e-procurement process should be encouraged where procurement processes are red-flagged for close monitoring and infractions subjected to administrative law remedy.

The focus and context of Chapter 8, entitled 'Procurement, corruption and service delivery in state-owned enterprises in South Africa', differ from the contents of the published chapter in the Springer publication, *Public procurement oversight and the scourge of corruption in the Public Sector: A comparative analysis of South Africa and Kenya*. The latter centred on a comparative analysis of the various oversight instruments of public procurement management and systems in Kenya and South Africa. Even at that, the South African component in the Springer publication has no semblance to the context of this book. Chapter 9 rather consists of an analysis of the procurement cases in the South African SOEs.

Chapter 10, authored by John S. Kihamba and Magashi J. Ntegwá and titled 'Public service delivery procurement and the economics of the state-owned enterprises in Tanzania', comes across as a substantial reworking of a chapter in the Springer book. The chapter concentrates on the impact of procurement corruption in the country's SOEs on public service delivery. While the original and reworked chapters deal with procurement, the context and content of the analysis are significantly different. References to the primary sources are appropriately acknowledged.

The content and context of Chapter 11 differs from the chapter that the author Omololu M. Fagbadebo co-authored in the Springer book. While Chapter 11 in this book focuses on analysing the operations and performance of SOEs in Nigeria, the related chapter in the Springer publication analyses

the historical development of public procurement laws and implementation in the country. The central argument in the latter chapter is that legislative frameworks designed to regulate the country's supply chain management system are window-dressing. Their implementation is often in opposition to their intended purpose. This is significantly different from Nigeria's operational failure and mismanagement of SOEs. Chapter 13, authored by Omololu M. Fagbadebo, Fulufhelo G. Netswera and Nirmala Dorasamy, and entitled 'The future of state-owned enterprises in Africa', was drawn from the use of primary data derived from public documents, especially OECD. The chapter uses primary and secondary data to analyse the various possibilities that could make SOEs in Africa instruments of economic growth as seen in Asia and Europe. The content and context of the chapter are different from the chapter authored by Omololu M. Fagbadebo and Nirmala Dorasamy, 'Good governance and the prospect of sustainable growth and development in Africa', in the Springer book. While the discussion in this book centres on the management of SOEs to achieve their intended purposes and projections, the chapter in the Springer book presented an analysis of the feasibility of sustainable growth and development in Africa through the culture of good governance. The latter chapter harps on the institutional and leadership imperatives in the public sector. The context of the discussion is related to the operation and management of SOEs.

State-owned enterprises and public service delivery in Africa

Omololu M. Fagbadebo

Department of Public Management, Law and Economics,
Faculty of Management Sciences, Durban University of Technology,
Pietermaritzburg, South Africa

■ Introduction

The philosophical foundation of the state presupposes the institutionalisation of an overarching central authority committed to promoting and protecting citizens' interests and welfare. In their theories of states, early-political thinkers, such as Plato, Aristotle, Thomas Hobbes, John Locke and Jean Jacques Rousseau conceived the state as a solution to the danger associated with the individual's freedom and liberty that characterised the state of nature (Devereux 2011; Dryzek, Honig & Phillips 2011). Thomas Hobbes considered life in the state of nature unpleasant because of the untamed freedom and pervasive inequality thereof (Hoekstra 2007; Tralau 2007). According to Hobbes, life in the natural state of mind of humanity was characterised by instability and enmity, which were inimical to development and growth. Thus, the life of man in the state of nature is characterised by perpetual fear and danger because of imminent violent death, thereby making the life of man 'solitary, poor, nasty, brutish, and short' (Hoekstra 2007, p. 110).

How to cite: Fagbadebo, OM 2022, 'State-owned enterprises and public service delivery in Africa', in FG Netswera, OM Fagbadebo & N Dorasamy (eds.), *State-owned enterprises in Africa and the economics of public service delivery*, AOSIS Books, Cape Town, pp. 11-25. <https://doi.org/10.4102/aosis.2022.BK270.01>

This danger prompted Hobbes to propound the establishment of an overarching central authority that would be able to control and mitigate the conflicting interests of individuals in society (Devereux 2011). It is the responsibility of the sovereign to secure the needs of individuals who have surrendered their freedom for greater liberty. Thus, Hobbes' sovereign, the Leviathan, 'is the state in its entirety, the organisation created by prehistoric individuals covenanting to obey the new authority' (Tralau 2007, p. 61).

This Hobbesian notion of the purpose of the state resonates in the thoughts of Rousseau, Locke and other early-political thinkers. The Lockean theory of property postulates the need for the state to secure the liberty of citizens to develop their potential by exerting their natural property, labour, on nature to acquire possessions (Jaume 2007). Therefore, the state's essence is to preclude the unjustifiable acquisition of the common property through the survival-of-the-fittest instinct that characterises the state of nature. In modern language, the state should prevent the mismanagement of common resources designed to promote the state of natural equality that characterises humankind, as propounded by Rousseau in his social contract theory of the state.

The role of the state in protecting and promoting citizens' welfare is directly derived from its inherent responsibility for security. Jeremy Bentham expanded on this in his utilitarianism theory (Wolff & Haubrich 2006; Xie & Redding 2018). For this school of thought, the foremost responsibility and purpose of the state are to create happiness or provide welfare to citizens. The implication here is the concern about the state's capacity to ensure policy directions that would guarantee the well-being of citizens. In realisation of this, coupled with the justification for the emergence of the state as an instrument of promoting harmony and equality, modern governments have taken the responsibility of direct involvement in the provision of basic services capable of maximising the welfare of citizens. Thus, state initiatives dictate the central ownership of enterprises designed to serve the interests of citizens.

Historically, the state's involvement in business enterprises is a strategic response to mitigate the burden of citizens caused by a market failure to provide affordable basic needs (Bernier, Florio & Bance 2020; Bird 2020; World Bank 2014). State-owned enterprises (SOEs) as public policy tools, therefore, are prominent political and economic actors in the domestic affairs of the state (Bird 2020). This is one of the fallouts of the Great Depression and its accompanying economic crisis of the 1930s and the post-World War II era. During this time, state intervention was necessary to arrest the drift in the market and the economy (Bird 2020):

SOEs were key policy tools during this era and while they were significant in the prewar period as well, particularly in public services such as sewage, water and mail, their use was often the result of efforts to counter privately held monopolies and/or to counteract market failures in these critical segments of the economy. (p. 61)

Thus, SOEs at the time became increasingly strategic tools in the state economic drive necessary for accelerated growth, development and global expansion (World Bank 2014). The essence of state intervention was to promote the national interest, designed to safeguard the welfare of citizens.

In Africa, state intervention in the economy and enterprises was a derivative of the colonial administration. Multinational corporations saw Africa as a fertile market for their products and colonial regimes, established agencies and corporations financed by the state at different times in different countries. Succeeding African governments' post-colonial regimes retained and established more SOEs through direct or nationalisation policies (Mbo & Adiasi 2017). However, poor performance characterised these entities because of excessive political intervention that made them tools for political patronage (Mutize & Tefera 2020).

This chapter reviews the involvement of states in Africa in the provision of public services through corporate enterprises owned and controlled by formal apparatuses of government. The chapter has several sections, apart from the foregoing 'Introduction':

1. 'The state and public enterprises administration' provides a brief on states' involvement in public enterprises.
2. 'The performance of state-owned enterprises in Africa' discusses SOEs in Africa.
3. 'Corruption and state-owned enterprises in Africa' examines corruption as an inhibiting factor for the failure of SOEs in Africa.
4. 'Conclusion' wraps up the chapter.

■ The state and public enterprises administration

Jeremy Bentham's utilitarianism could be regarded as the foundation of the involvement of the state in the administration of certain enterprises to advance the responsibility of promoting the welfare of citizens. The Organization for Economic Cooperation and Development (OECD 2018, p. 16) defined SOEs as 'any corporate entity recognised by national law as an enterprise, and in which the state exercises ownership', including 'joint-stock companies, limited liability companies and partnerships limited by shares'. It also extends to statutory corporations with a legal entity established by specific legislative frameworks to engage in most economic activities (Barkhouse 2020; OECD 2018). Government ownership and control could be nominal, partial or total. The important thing here is the recognition of the state as a stakeholder in the corporation's operational activities to protect citizens' interests (OECD 2015; Xie & Redding 2018). State-owned enterprises are important stakeholders in the global economy. According to the International Finance Corporation (IFC)

(2018) of the World Bank Group, SOEs constitute 20% of global investment, 5% of employment and more than 40% of the gross domestic product (GDP) of world countries.

The OECD, in its guidelines for corporate governance of SOEs, identified four rationales for state ownership of SOEs (OECD 2015, p. 17):

1. The ultimate purpose of state ownership of enterprises should be to maximise value for society through an efficient allocation of resources.
2. The government should develop an ownership policy. The policy should *inter alia* define the overall rationales for state ownership, the state's role in the governance of SOEs, how the state will implement its policy and the respective roles and responsibilities of the government offices involved in its implementation.
3. The ownership policy should be subject to appropriate procedures of political accountability and disclosed to the public. The government should review its ownership policy at regular intervals.
4. The state should define the rationales for owning individual SOEs and subjecting them to recurrent reviews. Any public policy objectives that individual SOEs or groups of SOEs are required to achieve should be mandated by the relevant authorities and disclosed.

The maximisation of value for society is the cornerstone of state ownership of SOEs, not necessarily in terms of profitability but productivity in realising national goals (Ayee 2013). Thus, the efficiency of SOEs is measured, most often in terms of the productive deliverables of public goods. To this end, it behoves the state to 'act as an informed and active owner, ensuring that the governance of SOEs is carried out in a transparent and accountable manner, with a high degree of professionalism and effectiveness' (OECD 2015, p. 18). Globally, SOEs are part of the socio-economic agents of governments, constituting over 25% of the GDP in several countries (Ayee 2013; Barkhouse 2020). State-owned enterprises are sources of direct and indirect employment and avenues for public investments, thereby contributing enormously to the socio-economic development of states (Ayee 2013).

The scope of SOEs is numerous. Wang et al. (2012), Xie, Li and Li (2012) and Ayee (2013) noted that the establishment of SOEs varies the promotion of the ideological predisposition and branding of the state, acquiring and consolidating political and economic power, preservation of historical heritage and active intervention in socio-economic economic problems and development. Aside from addition, SOEs also seek to create and control monopolies in some industries that are strategic to the national interests of the state, such as defence and utility services (Richmond et al. 2019). Thus, SOEs are established to further the social responsibility of the state through efficient, effective and equitable provision of services designed to meet the expectations of citizens (Florio 2013).

This makes it imperative for SOEs to provide qualitative and high-standard services, indicating a commitment to successful organisational performance. The OECD (2015) recognised the primacy of SOEs in some countries in the provisions of utilities and other infrastructural facilities in energy, transport, telecommunications and financial institutions. The performance of these services is critical to the various segments of society, especially in the social and economic sectors. This social service responsibility of SOEs is expected to blur inequality in the distribution of public services. Richmond et al. (2019, p. 13) discovered, in their study of SOEs in some parts of Europe, that state ownership of SOEs was premised on the need to provide 'specific public goods and services, and the support of national economic and strategic interests as the rationale for ownership'.

Government ownership of some SOEs with high capital and infrastructural outlay but with low investment returns was predicated on the need to provide citizens with public services at an affordable cost, heavily subsidised by the government. While the performance of these SOEs declines in some countries, the aim of protecting the interests of citizens becomes compromised, while government officials exploit this as a means of personal accumulation, a development that John Locke abhorred in his theory of property. Despite this, SOEs are not immune 'to some distinct governance challenges arising from the fact that government officials exercise their ownership on behalf of the general public' (OECD 2015, p. 9).

While the performance of SOEs in most developed and parts of developing countries has shown a measure of success, SOEs in Africa are mostly networks of corruption and political patronage (OECD 2018). This does not mean that SOEs in developed countries are immune to corruption and other irregular practices. The OECD (2018, p. 20), in its study on corruption in 347 SOEs in 34 selected countries in Europe and Asia, showed that 42% of the SOEs reported cases of 'corrupt acts or other irregular practices transpired in their company during the last three years'. The study also indicated that corruption and irregular practices were rampant among SOEs 'in the oil and gas, mining, postal, energy and transportation and logistics sectors' (OECD 2018):

Corruption and other irregular practices reportedly involved all hierarchical levels of the SOE, according to respondents. Those most implicated were non-management employees and mid-level management. Their transgressions occur more in the day-to-day operations of the company and are thus primarily the responsibility of the board. (p. 20)

Also implicated in the report was the fact that external bodies and individuals who partnered with the SOEs, as well as members of the management and board, were not keen on reporting corrupt activities and irregular practices.

Generally, internal and external forces often make SOEs in Europe and Asia susceptible to corrupt activities and irregular practices, such as bribery and

undue influence, especially in their interactions with foreign African countries and foreign direct investment (FDI) (Blundell-Wignall & Roulet 2017; OECD 2014). Most of these unethical practices are perpetrated by employees in the management cadre and members of the board as a result of their access to control and management of the activities of the SOEs (OECD 2018). This has made SOEs less productive and efficient in comparison to privately-owned enterprises. This shows that good corporate governance is central to the performance of SOEs. Thus, poor governance has contributed greatly to the inefficient performance of most SOEs, a development that prompted the reassessment of state ownership and the imperative of reforms to revitalise their objectives (OECD 2015; Richmond et al. 2019). The literature has established that the misallocation of resources, in terms of inefficient utilisation of capital and other materials necessary for productivity, is responsible for this failure (Hsieh & Klenow 2009).

■ The performance of state-owned enterprises in Africa

State-owned enterprises in Africa are largely part of the public sector economies. In most of African countries with vast natural resources, SOEs are charged with the management responsibility of the resources as well as other capital expenditure infrastructural facilities, such as energy, transportation and telecommunications (Carruthers 2019). Nevertheless, even though they operate most of these infrastructures as commercial outlets, they depend on subsidies from the government. In Africa, SOEs became a post-colonial socio-political and socio-economical fashion when some independent states nationalised all foreign transnational companies and expatriates' privately-owned companies and entities (Kabechani & Zulu 2019). This action was characterised by strategic options, such as 'Confrontation and collaboration, nationalisation and de-nationalisation, co-investment and production-sharing partnership, displacement and replacement of firms' (Omeje 2016, p. 97). In Zambia, for instance, conflicting evaluations trailed the privatisation policy. While a selection of scholars described it as a model success in Africa, others perceived it as a network for 'corrupt acquisition of assets by those directly or indirectly linked with state power' (Kabechani & Zulu 2019).

Gumede (2018) notes that post-colonial African states were struggling to run effective chains of SOEs to meet their demands and mandates. He identifies 'poor implementation, lack of skills transfer, inability to generate new technology, and fostering new industries, not present before or underdeveloped before' as the major factors responsible for the failure of SOEs in Africa. According to Gumede (2018):

SOEs have often failed to play a catalyst role in broader industrialization. They have struggled to upscale Africa's sprawling informal sector and expand SMMEs

or beneficiate commodities. This means they have not played their proper role in boosting economic growth, infrastructure development, and poverty reduction. (n.p.)

In Zambia, the government of President Kenneth Kaunda enacted the nationalisation programme between 1968 and 1972, which led to the acquisition of controlling interests in expatriates' privatised companies. Major enterprises in the country came under the ownership of the state as part of the holding companies and entities of the state by mid-1970 (Kabechani & Zulu 2019). Similarly, the Olusegun Obasanjo military regime began the nationalisation programme of British interests in most business enterprises, especially in the oil sector. His regime also invested more in the establishment of various SOEs in the transport, water, energy and power sectors, designed to provide basic public services at a minimal cost.

State-owned enterprises in Egypt are a formidable part of its economic sustainability (Abed, Jin & Markovic 2019). Egypt's state economic sector is so strong that it resisted all reforms to revitalise the economy's private sector. The SOEs monopolised their privileges of control and, as such, fenced off every attempt to enter the competition. The government's commitment to the objectives of the SOEs emboldened the sector to exert maximum control on the state's economic sector. State apparatuses supported the operational activities of the SOEs because the government is determined to prevent any downside into the chaos that characterised the 2011 Arab Spring phenomenon (Abed et al. 2019). The public sector of the Egyptian economy has contributed immensely to the country's story of economic stability, despite its turbulent political past.

Egypt's currency, the Egyptian Pound, seems stabilised, even though with a depreciated rate. Export receipt growth has increased to 5.3%, and there is a declining unemployment rate, there is constant capital flow from global financial markets, declining inflation of 12% and narrowed fiscal deficits (Abed et al. 2019). This has implications for the poverty level in the country. In Egypt, 1.3% of the population lives on US\$1.9 per day, while 16.2% and 62.9% live on US\$3 and US\$5.5 per day, respectively (Abed et al. 2019). Egypt's public sector has remained 'large and has been frequently reinforced by a long-established practice (if not official policy) by which governments guaranteed jobs for all university graduates' (Abed et al. 2019, p. 6). This policy has increased the rate of political stability in the country because of the high expectation and assistance for university graduates to be absorbed into the public sector with a secured 'lifetime employment and relatively generous (and practically irreducible) benefits' (Abed et al. 2019, pp. 6–7).

Despite this success story, Egypt's poor business environment has constituted an obstacle to the expansion of its private sector and weakened the prospects of direct foreign investments (DFI) (Abed et al. 2019). The public sector's domination of the economic system has bolstered corrupt activities

and irregular transactions. In the 2018 Corruption Perception Index, Egypt ranked 106 among 180 countries (TI 2019). A high percentage of business organisations and firms in Egypt have identified corruption as a major challenge to the expansion of their businesses, with Egypt ranked 120th in terms of ease of doing business among the 190 countries surveyed by the World Bank in 2018. In a bid to reverse this trend, the Egyptian government has embarked on reforms, such as opening the economic environment to competition (Abed et al. 2019):

[B]y creating a level playing field for both public and private sector businesses, updating and simplifying the cumbersome solvency regime, reducing non-tariff trade barriers, and improving transparency and governance standards, especially in public sector enterprises. (p. 8)

■ Corruption and state-owned enterprises in Africa

The rampant cases of corruption and mismanagement of public resources are associated with warped procurement systems in state institutions, especially the SOEs. State supply chain management (SCM), commonly referred to as procurement, is a source of devastating corruption implications for African governments. Poorly managed and corruption-led procurement systems have a major consequence on these fledgling economies, negatively affecting employment and economic growth. Poor service delivery by these SOEs has cumulative effects on society's growth and citizens' well-being.

Africa's three largest economies, Angola, Nigeria and South Africa, are epicentres of corruption and mismanagement of public resources (Fagbadebo 2019; Fagbadebo & Mbada 2021). Between 2005 and 2014, on average, illicit outflows increased between 7.5% and 11.6% of the region's total trade, costing the region an estimated US\$36bn–US\$69bn (Kazeem 2017; Wrong 2009). However, measured against the scale of trade and other economic factors, such as unemployment, growth, investment and incomplete mega-state projects, illicit outflows from sub-Saharan Africa are much greater than from any other region (Kazeem 2017; Wrong 2009). In South Africa in particular, state procurement rigging in the past 10–15 years has resulted in a 'state capture' phenomenon, where government procurement is guaranteed for certain politically connected businesses. The South African government has since set up a judicial commission of inquiry. It is estimated that nearly US\$69bn has been siphoned from the state through the state capture exercise (Hogg 2019). Mutize and Gossel (2017) noted that the 'prevailing economic crisis sweeping through South Africa is a direct result of economic mismanagement largely shaped by the looting of state-owned enterprises'.

In Ghana, the immediate post-independence regime of President Kwame Nkrumah made SOEs, which had grown from 4 to 53 between 1957 and 1966,

operate in the strategic sector of the economy (Simpson & Nyante 2015). The SOEs were monopolies and monopsonies, with an impressive performance that bolstered the economy with a 26% contribution to the GDP and 86% to employment (Simpson & Nyante 2015). Nevertheless, this initial performance record of SOEs in the country began to dwindle because of political stability being disturbed by the incessant military intervention in politics (State Enterprises Commission [SEC] 1992, 1995). Succeeding regimes failed to sustain the Nkrumah initiatives, and SOEs became the institutional victims of a lack of continuity in public policy. The global economic crisis affected Ghana's economy, thereby making the SOEs less functional and becoming an economic burden to the country's fragile fiscal policy. State-owned enterprises at the time consumed approximately 12% of the country's annual budget with a 3% deficit in its GDP (Simpson & Nyante 2015).

By the end of 2018, however, the government of Ghana had an equity interest in 130 entities operating in various sectors of the economy, comprising '48 state-owned enterprises (SOEs), 40 other state entities (OSEs) and 42 joint-venture companies (JVCs), and seven new entities were created in 2018' (Ministry of Finance 2020):

The 48 SOEs are made up of 30 Limited Liability Companies (LLCs), which operate under the Companies Code; 7 Statutory Corporations established by Acts of Parliament; 8 subverted agencies; and 3 special purpose vehicles. Out of the 40 JVCs, 26 are joint ventures, with 16 being mining companies. 9 JVCs are publicly traded. The 40 OSE category is made up of 35 regulatory bodies and 5 other public corporations. (p. 245)

Only 77 of the 130 entities submitted their financial statements to the government in 2019, while 48 out of these entities had 44 747 employees. Government subvention to eight of the entities amounted to GH¢519.00 million, which 'represents 131.17 percent of the budgeted amount (GH¢395.64m)' (Ministry of Finance 2020). In terms of receipts, the government (Ministry of Finance 2020):

[R]eceived an amount of GH¢139.18 million as dividends against the projected amount of GH¢275.50m. The significant adverse variance (49.48%) was due to the non-payment of dividends by BoG, which was projected to pay an amount of GH¢200.00m. SOEs contributed a total amount of GH¢8.52m representing 6 percent of the total dividend received. JVCs and mining companies contributed GH¢18.58m (13%) and GH¢112.07m (81%) respectively. (p. 20)

In 2018, the combined revenues from the SOEs in Ghana increased from GH¢18 903.09m in 2017 to GH¢20 292.26m in 2018, resulting in a 7.35% increase (Ministry of Finance 2020). In JVCs, its revenues increased by 2.48%, from GH¢40 750.86m in 2017 to GH¢41 762.94m in 2018. During this period, the direct cost of government on the SOEs and the JVCs stood at GH¢17 877.92m and GH¢32 178.06m, respectively. Nevertheless, these SOEs incurred a loss of GH¢-2.4bn in operating costs in 2018, compared to the GH¢-840.63m

operating cost loss in 2017. The JVCs, on the other hand, recorded an increase in operating cost profit from GH¢1139.44m in 2017 to GH¢3442.23m in 2018. The SOEs also recorded a net loss of GH¢-3.1bn in 2018, compared to a net loss of GH¢-1.25bn loss in 2007. But the JVCs posted a net profit of GH¢1.37bn in 2018, compared to a net loss of GH¢-272.22m in 2017.

In terms of assets, Ghana's SOEs increased from GH¢100,975.68m in 2017 to GH¢114,701.80m in 2018, resulting in a 13.59% increase (GH¢13726.13m). The assets of the JVCs increased to GH¢73908.24m in 2018, a 5.35% increase from GH¢70154.54m in 2017. Even though there seems to be an appreciable performance of entities where Ghana has equities, records of the performance of its SOEs are not encouraging. Ghana's SOEs are encumbered with governance issues, a development that prompted the government to set up its Action Plan to address the problem (Credit Benchmark 2019). Irregularities in the public procurement system remain a fundamental challenge to the performance of these SOEs (Chikwere et al. 2019).

State-owned enterprises in Kenya are a colonial heritage (Grosch 1991). After its independence in 1963, the country witnessed a growth in the number of its SOEs. Nevertheless, their operational and structural arrangement as part of the mainstream civil service made them over-bloated in terms of employees, thereby becoming a source of economic burden to the government (Simpson & Nyante 2015). The number of SOEs increased from 16 in the 2003/04 fiscal year to 139 in the 2008/09 fiscal year. In their study, Simpson and Nyante (2015) discovered that the introduction of performance contracts into the operation of Kenya's SOEs bolstered their positive contribution to the economy. According to them, the profitability of these SOEs with performance contracts increased by 282% in the 2004/05 fiscal year, while their dividend in the 2005/06 fiscal year increased to over 2000% (Simpson & Nyante 2015). Transparency, accountability and best management practices characterise the operations of SOEs. The governance structure and effective oversight of the SOEs' operational activities contributed to the Kenyan SOEs' success records.

In South Africa, the defining feature of robust SOEs is corruption. 'The effect of this corruption is that the capital allocated for service delivery is wasted, the private sector is crowded out, and the monopolising positions of dysfunctional state-owned enterprises distort the economy' (Gossel 2017). In a damning report, *The Betrayal of Promise: How South Africa is Being Stolen*, by a group of scholars in 2017, and the subsequent publication of the book, *Shadow State: The Politics of State Capture*, in 2018, South African political elites have turned the SOEs into networks of political patronage (Chipkin et al. 2018). The lid of the misstatement of the SOEs' resources was blown open by the Report of the Public Protector (2017). The report, titled *State Capture*, was the outcome of (Public Protector 2017):

An investigation into complaints of alleged improper and unethical conduct by the president and other state functionaries relating to alleged improper relationships and involvement of the Gupta family in the removal and appointment of ministers and directors of SOEs, resulting in improper and possibly corrupt awards of state contracts and benefits to the Gupta family's businesses. (p. 4)

The report exposed the undue political interference in the operations of SOEs in ways that compromised their performances and effectiveness in public service delivery. Eskom, the country's power utility, TRANSNET, PRASSA, South African Airways (SAA), South African Broadcasting Corporation (SABC) and Denel SOC Limited are the major SOEs whose human and material resources serviced the pecuniary interests of selected political elites in a patronage network that extracted and administered rents at all levels of the South African government (Chipkin et al. 2018; Gossel 2017; Mutize 2017; Public Protector 2017). In the 2015/16 fiscal year, the government bailout of SOEs stood at R467 billion.

South Africa has a robust practice of SOEs serving as the drivers of its national economy (OECD 2015). Indeed, SOEs in South Africa are 'critical in the delivery of essential services to citizens, developing new industries and infrastructure thereby ensuring economic growth' (Gumede 2018). Nevertheless, these SOEs are what President Ramaphosa described as 'sewers of corruption' (cf. Kgosana 2018). The president likened most of the SOEs to 'where the sanitation had clogged up. There was rot, there was filth, and there was deep corruption in those state-owned enterprises' (cf. Kgosana 2018). The Public Protector in the *State Capture* report and the authors of *The Shadow State* provided details of the malfeasances that characterised the operations of the country's SOEs.

Eskom was the lead SOE with pervasive corruption. As of 2015, it had 13 coal-powered stations, benefitted from the country's large coal mining sector, and had 28 coal suppliers for its 33 coal contracts (Public Protector 2017, p. 49). Shady coal supply contracts were awarded to a company whose owners were politically connected and filtered away from the resources of Eskom for political patronage. For instance, in 2016, the contract sum of R3,794,748,750 for the supply of coal by a particular firm to Majuba Power Station was jerked up with an additional R2.9m, while the other contract for coal supply to the Arnot Power Station increased from its initial sum of R235,021,150 to R854,955,000. Even then, the initial contract was inflated from R170 per ton to R580 (Public Protector 2017). Similarly, another coal supply contract to Komati Power Station increased to R6,955,200,000 from the initial sum of R341,544,200 (Chipkin et al. 2018; Public Protector 2017).

This is just one of the several cases of irregular and unethical practices that characterise the operations of SOEs in South Africa. Undue interference of the political elite in the corporate governance of the SOEs compromised due process (Madonsela 2019). Thus, corruption in South African SOEs is at the

centre of the State Capture investigation by the Zondo Commission. Revelations at the commission have shown how political and bureaucratic officers facilitated the capture of SOEs by politically connected individuals. While these SOEs provided a fertile ground of sleaze for the political class and other few elites, public service delivery was compromised, with the burgeoning crisis of governance that precipitated poor service delivery protests across the country.

In Nigeria, corruption in the public sector has led to the collapse of most of the SOEs designed to effectively deliver public services targeted at ameliorating the suffering of the people. There is no record of any successful SOE in Nigeria in terms of profitability and public service delivery. Rather, they have become sources of economic misfortune, with over US\$149.2bn in government investments between 1975 and 2001. In 1986, Nigeria had a total of 1 500 SOEs, out of which 600 belonged to the federal government and the others were owned by other levels of government. However, by 2001, only 160 were in economic activities that depended on the government for subvention.

In 2018, the Nigerian National Petroleum Corporation (NNPC) realised N3.4bn in revenues but expended N160.13bn (Asu 2020). In 2019, the corporation, with a staff strength of 6 621 workers in all its 13 divisions and strategic business units, paid N35.1bn in salaries and allowances, an increase of N14.74bn, while it lost N36.5bn (Ebo 2020). Staff salaries gulped N342.36bn in 2018. Over the years, the NNPC has recorded a total loss of approximately N2tn, with an exceeded liability of N5.5tn (Udo 2020). The 2019 Auditor's report indicated that the corporation's slide into bankruptcy. The NNPC is the SOE in charge of the exploration of oil resources and controls the country's refineries with a combined refining capacity of 445,000 barrels per day (Asu 2020). However, Nigeria depends on the importation of refined fuel from other countries.

Subsidy payments on fuel imports had been at the centre of the allegations of high-profile corruption in the country's oil sector (Africa Research Bulletin 2020; Olurounbi 2020). The government made payments to oil marketers for fuel importation to sell petroleum to citizens at lower rates. However, this subsidy is 'a system that has helped some at the top grow seriously wealthy' (Africa Research Bulletin 2020), in a process characterised by indiscriminate payments of huge sums of money to fictitious fuel importers. While the government announced the end of the subsidy regime, the government still expended N5.34bn (US\$14m) on subsidies in June 2020 (George 2020). The refineries lost N154.37bn in 2018 (Asu 2020). For instance, the Kaduna Refinery and Petrochemical Company Limited generated zero revenue in 2018 but expended N64.68bn on administrative and direct costs (Asu 2020).

While NNPC remains a draining pipe in the Nigerian economy, public utilities suffer neglect. For instance, the NNPC staff salary for one year is

higher than the capital allocations to the ministries of education (N127.36bn), health (N131.74bn) and water resources (N152.77bn), transport (N256.89bn), power (N198.28bn) and aviation (N89.97bn) in the 2021 budget proposals (Ebo 2020). This is an indication of the failure of government entities and the consequences of public service delivery that characterise other SOEs, such as the defunct Nigeria Airways, Power Holding Company and a host of other government entities in various sectors of the economy.

Central to the culture of corruption that characterised the ineffective performance of SOEs in Africa is the preponderance of personalised politics, which undermines democratic governance. Accountability is central to the exercise of power in any democratic state. This entails prudent management of resources for effective public service delivery (Brandsma & Adriaensen 2017). African leaders pay little or no attention to the plights of citizens as they regard political position as a means of personal enrichment. Thus, SOEs are the direct victims of the warped political culture that characterised African governments as they are the tools for the 'state capture syndrome'.

■ Conclusion

The public sector is the pulse of service delivery because the entire governance system revolves around sourcing materials and services, mostly from the private sector, to achieve its public policy intents. Therefore, the procurement process ordinarily ought to yield a positive economic outcome and an efficiency-driven system in favour of the government itself and its service recipients; however, this often is not the case (Arrowsmith 2010). The consequence of state corruption is visible in, among others, illicit financial outflows from the continent, which are reported for all regions to be highest in sub-Saharan Africa. Invoice fraud in particular is aided by pervasive lax regulation and corruption across the region.

The OECD (2014) asserted that corruption impairs public trust in government and, at the same time, perpetuates the governance crisis:

Corruption, and the perception of corruption, erode trust in governments, businesses, and markets [...] Corruption also undermines growth and development. On the one hand, businesses forego innovation and competitiveness for bribery. On the other hand, individuals within governments divert funds for their personal use that should be used to promote the well-being of people. By ending impunity and holding corrupt people to account, we can begin to restore faith in our institutions and industries. (p. 3)

Recently, political killings in South Africa have been on the rise, as guns silenced outspoken critiques of corruption in government. Similarly, in Nigeria, the discretionary powers of public officials with distorted accounting systems motivate corruption (Fagbadebo 2019):

Unconventional and fraudulent trade, misappropriation or diversion of funds, kickbacks, under and over-invoicing, bribery, false declarations, abuse of office, and collection of illegal tolls, among other malfeasant practices, are forms of corruption taken in Nigeria. (p. 59)

Perspectives of scholars on corruption have shown its debilitating effect on societies. Some scholars have however argued that a measure of corruption would facilitate growth and development. Nevertheless, this is not a consensus, as the analysis of the destructive effect of corruption outweighs its perceived benefits. Considered one of the destructive phenomena impeding human security, corruption 'distorts economic growth, lowers FDI, and decreases productivity on a firm-level because of inefficient allocations of contracts' (Dimant & Schulte 2016, p. 54). In addition, corruption also impedes productivity, pollutes the general societal and economic environment, promotes inequality and 'facilitates emigration of highly skilled people ("brain drain")', and creates inefficiencies in the sports sector' (Bashir & Hassan 2019):

It not only weakens the perceived legitimacy and effectiveness of public institutions but also impairs the moral fabric of society by lowering incentives for people to value honesty and uphold the rule of law. The economic cost of corruption is also considerable. (p. 2)

This has consequences for the state's capacity to deepen the democratic practice. Patricia Moreira, the Managing Director of TI, alluded to this by saying, 'Corruption chips away at democracy to produce a vicious cycle, where corruption undermines democratic institutions and, in turn, weak institutions are less able to control corruption' (cf. TI 2019). Democracy practices deepen with stabilised institutions of government designed to drive effective public service delivery. Sadly, leaders who are responsible for the promotion of accountability threaten the survival of democratic institutions. This calls for deliberate determination to strengthen institutions of checks and balances in the structure of African governments to wrest the state from the authoritarian drifting in the garb of populism to ensure effective oversight of the exercise of power.

Weak democratic foundations make states susceptible to corruption, thereby making anti-corruption initiatives futile. Consequently, as Delia Ferreira Rubio, TI Chairperson, has noted, 'undemocratic and populist politicians' would exploit the lacuna to 'capture democratic institutions and use them to their advantage' (cf. Transparency International 2019). Unfortunately, African governments' various anti-corruption measures and commitments have not shown any sign of real progress. In the 2019 Corruption Perception Index (CPI), sub-Saharan Africa was the 'lowest-scoring region', with a performance that painted 'a bleak picture of inaction against corruption' (Transparency International 2020). The consequence is the diminishing level of trust in government by citizens. Scholars have discovered that corruption has negatively altered societal values and disoriented public perception,

thereby providing avenues for the growth of criminal activities and distortion of the norms that imbue transparency and accountability.

At the centre of this corruption malaise in Africa are the various SOEs that have become the formal channels for public officials and politically exposed people to manipulate the procurement and governing systems to their advantage. In what was regarded elsewhere as the mercantilist political mentality that characterises the administration of the public sector in Africa (Fagbadebo 2020), SOEs in Africa have compromised their intended purposes. The provision of basic utilities has become a rarity, while their service delivery responsibility has been neglected. This has given rise to privatisation, which has also been caught in the same web of mismanagement when the government still exerts a measure of control.

Post-colonial public administration systems: Lessons from Uganda

Benon C. Basheka

Department of Governance,
Faculty of Arts and Social Sciences, Kabale University,
Kabale, Uganda

■ Introduction

The connection between public procurement corruption and the governance challenges in most African administrative systems has recently attracted policymakers' and academics' attention. This link is not new, given that corruption and governance questions have tormented humanity for a while, and they have as such kept humanity busier than any other activity (Basheka 2021). Increased levels of public procurement corruption have attracted renewed interest among academics and policymakers. Government activities depend on an efficient and effective process of acquisition for materials, goods, works and services required to deliver a range of public services (Basheka, Oluka & Mugurusi 2015; Munzhedzi 2016). This is done through a public procurement process, which is different from a private procurement process because of the 'publicness' principles.

How to cite: Basheka, BC 2022, 'Post-colonial public administration systems: Lessons from Uganda', in FG Netswera, OM Fagbadebo & N Dorasamy (eds.), *State-owned enterprises in Africa and the economics of public service delivery*, AOSIS Books, Cape Town, pp. 27-45. <https://doi.org/10.4102/aosis.2022.BK270.02>

The public procurement function (also called public purchasing) implies the processes that governmental ministries, departments and agencies (MDAs) and local authorities follow to acquire goods, services and works to execute their mandates. This falls within the public expenditure side of public financial management. The acquiring entities obtain their requirements from the service providers (for goods), suppliers (for supplies) and contractors (for works). This gives rise to some of the vocabularies of procurement, such as terms of reference, specifications, and bills of quantities. Arrowsmith (2010), in one of his works on public sector procurement processes, has indicated that the public procurement function entails acquiring items and services. He emphasises that this acquisition must be carried out more economically and efficiently. This is to be devoid of corrupt practices by either the acquiring entities or those that provide the needed requisitions. This leads to demand-driven and supplier-driven forms of public procurement corruption. The implicit argument is that for government to deliver on its promises, the various agencies' processes to acquire their requirements must be just, fair and competitive, and the various stakeholders must feel the highest levels of confidence in the system.

Most governments in Africa appear to have fallen short of this expectation; hence, the reasoning that there is a governance crisis. This is not what post-colonial governments anticipated would characterise Africa. The majority of these countries, with the exception of countries like Ethiopia which were never colonised, fought for independence on the promise that Africans wanted to establish governments that would serve the African people. In general, the post-colonial public administration systems were expected to raise the hope of many citizens on the continent by promising that systems run by Africans would be corrupt-free and better managed. This chapter focuses on the role of corruption in creating the governance crisis in the post-colonial epoch. This is considered within the context of democratic societies.

In democratic societies, citizens elect leaders to run governments on their behalf. This is through a principal-agent relationship. In this relationship, governments are expected to remain accountable as governments deliver public services using the taxpayer's money. Some functions have to be performed, but these require inputs in the form of services, goods and works obtained through a legislated procurement process. Therefore, the public procurement function remains one of the undisputed critical activities for running an effective public administration system. That is why governments across the globe have developed rules and regulations to promote ethical standards in the procurement process for the government. Unfortunately, this function has been home to corruption.

Public procurement is also seen as an important tool in fighting government corruption. This observation was made by Prier and McCue (2006), who argued that the society-wide benefits that arise from a better-managed

system are worth the effort in waging a corruption fight through this function. Quinot (2013, p. 405) defended this same position through a historicisation of the role of public procurement in the attainment of the socio-economic objectives of the government. Moreover, Uyarra and Flanagan (2009) also regarded public procurement as vital for the realisation of some other wide-ranging government objectives beyond fiduciary functions.

According to BOLTON (2006), writing from a South African perspective and Thai (2006), writing from an American perspective, the public procurement function plays an essential role in accomplishing government objectives and arguably in significantly addressing corruption once effectively and efficiently. In their view, public procurement, in addition to stimulating economic activity, helps protect national industries from foreign competition and addresses the government's inclusivity objectives. These goals and objectives are currently more relevant to African countries than ever. This calls on the same African governments to reflect on how they address problems of public procurement corruption which are likely to stand in the way of the realisation of the broader government objectives. This chapter relies on the Ugandan case study to draw some lessons from the African context.

Procedurally, while undertaking procurement, government agencies are required by law to follow prescribed procurement processes. There are laws that each country has put in place to provide the legal procurement framework. This legal framework normally flows from the constitutional mandates of the government. In Uganda's case, public procurement is governed by the 1995 Constitution (as amended), the *Public Finance Act of 2015* (as amended), the *Public Procurement and Disposal of Public Assets Act of 2003* (as amended) as well as the Public Procurement Rules and Regulations issued by the Public Procurement and Disposal of Public Assets Authority. There are also procurement rules and regulations for guiding the conduct of the acquisition function by government agencies. In addition to these domestic procurement laws and regulations, there are international laws and regulations. There are also accepted international procurement best practices that ought to be followed. Procurements on donor-financed projects, for example, are to be undertaken following the procurement rules of the respective development partners, such as the World Bank, the European Union and African Development Bank guidelines, among others.

The international public procurement best practices include competition, transparency, accountability, value for money and non-discrimination. These principles are also the foundational pillars of good governance. Arguably, their principles have to be reflected in an attempt to achieve both specific government procurement objectives as well as general and broader government objectives. Professor Thai (2006) considered the government's socio-economic objectives, which can be attained through a robust public procurement system. Procurement helps stimulate the government's economic

activities, which in turn helps address social goals like solving unemployment. Procurement can also be used to address gender inequality and other social inequalities (Bolton 2006). These objectives are, however, dependent on a corrupt-free public procurement system. Unfortunately, the procurement function of most post-colonial administrative systems in Africa has been riddled with the malaise of corruption (Basheka 2021). This undermines attaining socio-economic goals.

Corruption, not only the form and type found in the public procurement function, is fingered for standing in the way of efficient public service delivery. There is broader corruption in government systems. However, the corruption exhibited in the procurement functions and scattered across the entire procurement process is more dangerous because it stands in the way of acquiring what is needed for governments to function. From procurement planning through setting the evaluation criteria, evaluation of tenders, awarding contracts and contract administration and management processes, the evil of corruption is prevalent. The individuals managing the procurement processes directly or indirectly have found it a habit to deviate from the prescribed procurement procedures and rules through inducements of bribes. This detrimentally affects the quality of what is procured and has cumulative effects on public administration systems' effective and efficient functioning. Eventually, governance systems also fail, and the quality of public services delivered to the citizens becomes defective. Thus, the blame for Africa's governance crisis, which undoubtedly seems to have reached unimaginable levels and has recently attracted renewed scholarly and policy attention, lies in the corruption malaise in the public procurement function.

The African continent has been home to several administrative improvement experimentations. The continent has witnessed several public sector reforms aimed at improving the governance apparatus. Governments of Africa, including Uganda, were subjected to immense pressure from the advocates of new public management (NPM), which favoured the involvement of the private sector (PS) and civil society organisations (CSOs) in the delivery of public services. This pressure came through reforms, such as privatisation, outsourcing contracts and public-private partnerships. The ultimate responsibility of service delivery was put in the hands of PS systems, yet governments continue to be the agents of the people through regular elections. This would naturally imply that the government remains the key agency for service delivery. This has rather remained theoretical in the eyes of the citizens as the service delivery points make the PS more visible than the government itself.

Public procurement reforms in Africa have been implemented through three major phases. Firstly was in the period 1980-1995 when public financial management reforms driven by international financial institutions were undertaken, including reforming public procurement systems. One key feature of the NPM was the introduction of outsourcing to private companies. Secondly,

there was a period in 1998 when Africa witnessed the first African Public Procurement Conference in Abidjan, which aimed to create common frameworks to improve accountability and transparency in procurement. Thirdly was the period within the 2000s, which saw the enactment of procurement laws and regulations and the establishment of national procurement agencies. Recently, most efforts have been directed to electronic procurement systems to address the corruption in public procurement. The goal has been to develop efficient, transparent, corrupt-free public procurement systems. Effective and well-managed public procurement is valued as a key factor in achieving good governance and economic development (Luigi & Dae-in Kim 2010, p. 290). This chapter supports the view of Ameyaw, Mensah and Osei-Tutu (2011) view that an adequate national procurement system should meet the dual-national goals and international standards and best practices. Such a procurement system ought to ultimately operate efficiently and effectively. Unfortunately, this goal is only achievable if the problem of corruption is addressed.

■ The nature of the problem

Public administrators in an effective functioning administrative system are constitutionally mandated to deliver public services and breathe life into public policy (Basheka & Sabiiti 2019, p. 192). Some modest literature exists on the subject of public procurement generally. Public procurement has been considered both a clerical and a tactical function (Snider 2010, p. 275). However, this tactical or clerical function is highly regulated (Ameyaw et al. 2011; Bolton 2006; Jones 2007; Thai 2008). One wonders how a highly regulated function becomes characterised by corruption malaise. The existing loopholes in the public procurement systems have been pronounced at higher levels of government, which has equally attracted intense academic debates. While public procurement is a highly legislated aspect of government, there are reports of fragmented procurement procedures and a lack of professional procurement expertise. In addition, the absence of open competitive tendering (especially for foreign suppliers), widespread corruption, and the lack of transparency have been fingered as the problems of building a sound public procurement system (Jones 2007, p. 3).

Deep-rooted procurement fraud and corruption have far-reaching repercussions within society and among individuals in that society (Ngugi 2012). Fraud, which is the intentional misrepresentation of facts to defraud (Akullo 2013), has often been exploited to benefit private individuals at the expense of a broader societal good. The goal of building a well-governed public procurement system needs to first address the issue of corruption with its associated real or actual negative and detrimental effects.

Whereas procurement laws and institutions were established, and the public procurement function was reformed and has continuously been

managed by allegedly 'professional' experts in the field, and there are legalistic and bureaucratic processes (Thai 2008) for managing the public procurement function in most post-colonial administrative systems, the actual and perceived corruption in this function has cast doubt on the move to promote good governance in Africa. The positive outcomes expected of a well-functioning procurement system on good governance have remained only imaginary to the citizens. This is evidence of the poor quality of services. Corruption in the public procurement function has prevented every effort intended to deliver better services. Procurement corruption is a lucrative white-collar 'crime' in government machinery (Akullo 2013; Basheka 2009). This crime has had dangerous negative effects on the functionality of state functions and is likely to continue unless serious efforts are made to address its root cause.

In the African continent,¹ the anti-corruption institutions and mechanisms have painstakingly failed to achieve their intended purposes because the processes are often compromised and undermined by the political executive (Dza, Gapp & Fisher 2013; Fagbadebo 2019). Corruption has tended to make it difficult to integrate the public procurement function into a more strategic view of government efforts (Ambe & Bandenhorst-Weis 2014, p. 244). The problem of corruption has 'toxic' effects on societies (Carino 1986). In developing countries, corruption acts like a tax that adds to public service costs (Olken 2007). With political connections, corruption allows less productive firms to bypass regulations and win government contracts (Mironov & Zhuravskayay 2016). Corruption makes it possible for those engaged in exchanging benefits (Warren 2004, p. 328) for their personal gains at the expense of the broader public interests. Understanding the characteristics of corruption is also not an easy task. It has been construed that public procurement corruption research studies have been difficult to undertake, just like the judicial processes which aim at investigating and addressing this form of corruption because of many reasons.

Firstly, unlike other crimes, which have physical elements and circumstantial evidence measures to pin the culprits when arraigned in courts of law, procurement corruption appears discrete and is concealed among those actors who get involved. Secondly, procurement corruption is intellectually undertaken within a context of competing determinants and tends to involve organised groups working to protect each other. The use of technology has recently facilitated these schemes. A mere pen stroke and a computer click effectively aid procurement systems in defrauding institutions. Thirdly, the actors in public procurement are both visible and invisible and cut across institutions and contexts. There is a network of individuals scattered across the chain of government systems that 'aid' each other to ensure their

1. This chapter represents a substantial reworking of elements in Fagbadebo and Dorasamy (2021:7).

schemes go undetected. These networks are within public sector, and others reside in the private sector. Some actors are located within countries, while others are offshore and transact only through local agents. Some actors have the technological capacity to delete all computer trails if they opt to conscript the information technology professionals in their chain.

■ Conceptual and theoretical debates on governance and corruption

■ The concept of corruption

Corruption is historically connected to the institution of government. From the moment that people of ancient times conceived their form of government, corruption existed. Then, through the medieval, industrial revolution, and contemporary times, corruption has always been present in different forms but with the same negative consequences. Corruption is etymologically derived from *corrupter*, which means to break something. The act of procurement corruption involves the breaking of laws, rules, ethical norms, trust and best practices. Corruption in public procurement is an act where public office is used in a manner that contravenes the rules and, as regards public procurement, acquisitions of goods, services and works are undertaken in contravention of procurement regulations and procedures to award tenders to undeserving firms or through inflating contract prices or payment of non-existing deliveries.

Those who run the bureaucracy or the administrative systems of government use their offices to exploit the powers delegated to them by the government and engage in illegal or unauthorised rent-seeking activities (Blackburn, Bose & Haque 2005). These constitute some of the parameters of corruption. Tanzi (2013, p. 36) has demonstrated resilience in documenting the dangers of corruption. As a towering corruption scholar, he has likened corruption to an elephant, which may be difficult to define, but easy to recognise when it occurs. By its nature, corruption stands in the way of effective governance and any attempt at building a sound public procurement system.

Procurement governance comes from two concepts: procurement, which is concerned with acquisition, and governance. Authors tend to define the concept of governance based on their disciplinary contexts. For example, how a legal practitioner understands governance differs from how a public finance expert uses the concept. A human rights advocate and an economist will have a different understanding of governance and the measures that ought to be used to determine its levels. Kooiman (2006) has illuminated that the totality of interactions, in which public and private actors participate, aimed at solving social problems and providing socio-economic opportunities, is governance. Mukherjee (2010, p. 53) considers good 'governance to be a set of principles'

towards 'maximization of citizen welfare - efficiency, effectiveness, participation, accountability, the rule of law'. In all these debates, what is clear is that government as an institution exists to serve the primary interests of its citizenry.

■ Governance and not the government

The concept of governance has sometimes been used to refer to the processes of decision-making and the processes by which decisions are implemented (Wood & Dupont 2006, p. 34). The need to differentiate governance from the government is of utmost significance. Osborne and Gaebler (1992, p. 34), for example, in an attempt to make this distinction equated government as merely an institution for the delivery of public services while the role of governance was to 'steer' the community toward common goals. Hughes (2003, p. 76) has also attempted to make a 'distinction between government and governance'. His view is 'that governance refers to the institutions of the ruling power to govern, which is a much broader concept that includes forms of government'. Henry (2010) summed up the 'difference between government and governance' this way:

We are moving away from government, or the control over citizens and the delivery of public benefits to institutions of the state, and we are moving towards governance, or configuration or laws, policies or organizations, institutions, cooperative arrangements, and agreements that control citizens and deliver public benefits. Government is institutional; and yet governance is institutional and networked. (p. 38)

Good governance consists of an effective public service system, a reliable judiciary and an administration that uses resources responsibly - especially in financial and human resource management (World Bank 2008). Good governance requires all government functions, including the public procurement function, to be executed with minimum disturbance to the public service delivery supply chain. The principles of public procurement and good governance - efficiency, 'effectiveness, value for money, competition, transparency, non-discrimination, and fairness' must characterise the procurement and governance system. Procurement regulation offers a level of 'transparency and competition' (World Bank 2008). Competition, it is argued, offers benefits that are typically higher than alternative methods of direct awards to private contractors, works and services implemented by SOEs, or sector-specific rules that limit competition (Bosio & Djankov 2020).

From a general view, governance means the process through which power is exercised to manage the collective affairs of a community, a country, a society or a nation (Gisselquist 2012). When this is connected to the public procurement function, the concept of procurement governance emerges. Procurement governance builds from the general view of governance, incorporating the rules and processes, institutions and their interactions to enable entities of government to acquire goods, services and works efficiently

and economically. Governance is to be considered while discussing the accountability relationships among different stakeholders who perform various responsibilities to deliver the required public services (Bassett et al. 2012). In the public procurement function, members of the contracts and evaluation committees, accounting officers, and user department members involved in the public procurement processes need to follow accountability relationships as they each undertake their mandates in the procurement process. This aims at the attainment of some of the other broader objectives of a public procurement system.

■ The concepts of procurement governance

This author has argued elsewhere that public procurement governance entails how best public procurement acquisition processes are conducted within public organisations. All agencies of government exercise it as they attempt to facilitate the delivery of public services (Basheka 2021, p. 115). Procurement governance builds from the concept of governance which is already seen to be multifaceted and has attracted various meanings from different disciplines. Vyas-Doorgapersad and Aktan (2017, p. 30) acknowledged the historical origin of the concept of good governance within the public administration field. With this historical origin, the concept has tended to be applied by all disciplines. The concept in this chapter is restricted to the public procurement function.

Public procurement aims to deliver goods and services. It has been argued it helps in addressing some other objectives of government (Uyarra & Flanagan 2009, p. 2). What is uncontested is that for this function to achieve its objectives, it must be well-governed. While there may be variations on what exactly constitutes a well-governed procurement system, the standard criteria used for this assessment is whether the best practices or the principles of public procurement are in place.

Development partners strive to indicate that a well-functioning procurement system is an essential requirement of government reform efforts if their funds can be used effectively to promote development (Abeillé 2003). It has been suggested that a well-functioning public procurement system is governed by a clear legal framework that establishes the rules for transparency, efficiency and mechanisms of enforcement. Such a system should be supported by an institutional arrangement that assures consistency in overall policy formulation and implementation (Hunja 2003). A good public procurement system should be corruption-free, or corruption levels need to be minimum levels. Such a procurement system needs to be supported by strong monitoring and evaluation. The procurement system needs to build a value-based belief system driven by the core traditional public service values of the need to serve a broad citizen audience than individual interests (Basheka 2020).

Bolton (2016, p. 4) reported from the South African context how over the years, the range of public policies that public procurement could use to promote social inclusion had broadened, unlike in the few years when public procurement was used as a tool to protect the environment. There is a renewed debate on how and why public procurement is and should be used to stimulate innovation, and this perspective is receiving growing attention and acceptability (Basheka 2020). The strong argument in favour of this reasoning is the increasing purchasing power of governments and the corruption pandemic, which has tended to characterise most public procurement projects. The link is simple. If corruption in the public procurement systems can be addressed and there is more inclusivity in the public procurement processes, government projects will be delivered at a reduced cost.

■ Forms, trends and actors in public procurement corruption-case study of Uganda

Procurement is done through a tendering process. The ultimate economic goal of the legislature in formulating the procurement law, that guides the tendering process was to ensure the (cf. Appolloni & Nshombo 2014):

[C]hoice of the economically and qualitatively best options out of the various alternatives presented by the different bidders. The assumption is that the choice would guarantee the best quality of the outputs of the projects thereby leading to effective service delivery. However, when the process is compromised through corruption, the quality of the outputs would be suspect, and the outcomes would create poor service delivery. Consequently, good governance would be in abeyance; abandoned, incomplete, or poorly executed public projects would affect the delivery of socio-economic benefits to the citizens. This is a recurring problem in Africa. (n.p.)

Basheka (2021) recently demonstrated that it was no longer contestable that the African continent, in its diversity, faced complexities in the delivery of public services and one major area widely fingered as the cause for this malaise was corruption. Basheka (2021) reported:

[7]hat while good governance was seen in contemporary times as a solution to the problems of most African societies, there was an apparent absence of analytical frameworks to guide how best the good governance prescriptions could be applied in addressing corruption. (p. 116)

This was because corruption remained the biggest threat in the management of most public sector functions.

Bosio and Djankov (2020) have reported that the size of public procurement as a share of GDP is nearly identical across low-income, middle-income and high-income countries. Among the 190 countries that they examined, low-income economies procured on average 13% of GDP in goods, services and works. Middle-income countries procured 13.2% of GDP, and high-income

countries procured 14% of GDP. These differences were statistically insignificant. Botswana, a middle-income country, procured 28% of GDP while Sri Lanka, another middle-income country, was found to have procured only 6%, Kenya 26% of GDP, and Madagascar 5%.

Public procurement utilises funds from taxpayers. Consequently, the size of public procurement varies across countries based on the approved budgets. In developing countries, the money spent through procurement is estimated to be above 50%. The procurement budget estimates of a country like Uganda are over 60% of government resources. Central government purchases in the Middle East and Africa range from 9% to 13% (Gul 2010, p. 1). Public procurement amounted to US\$11tn out of a global GDP of nearly US\$90tn in 2018. This figure indicated that 12% of the global GDP was spent following procurement regulations (Bosio & Djankov 2020). The figures of the procurement budget indicate that public procurement plays a vital role in both developed and developing countries (Odhiambo & Kamau 2003, p. 10).

Procurement corruption can happen at any or all of the stages of the procurement cycle. Political meddling undermines the effectiveness of the process of good procurement governance. As part of the procurement cycle requirements and in preparation for the invitation or solicitation of bids, public agencies develop specifications (for procurements classed as goods or supplies), terms of references (for consultancies) and Bills of Quantities (for works) (cf. Lynch 2022). They sometimes proceed to undertake a process of prequalification of providers, which generates a shortlist of bidders for the needed items, in some cases, who will be called upon when the need to procure arises. At times they go through open bidding procedures to obtain either quotations or proposals for the needed procurements.

Within various countries' procurement laws, different procurement methods have been prescribed by the laws on how procurements should be undertaken for the goods or supplies, services or works. The respective procurement methods have been allocated thresholds, upon which they each need to be applied. Special conditions and features to be met by public agencies and organisations through their procurement departments, staffed by procurement professionals as they work with the contracts or tender committees and accounting officers to solicit bids, have been elaborated. There can be selective means of procurement, especially where prequalified lists exist, and in some cases, the use of competitive acquisition methods is recommended. Instances, which allow direct procurement methods from the providers or the use of micro-procurement methods where the items required are of a certain cost, have also been legislated.

Procuring agencies place adverts or invitations from the providers to apply for contracts for required items. Standard bidding documents and procedures have been described by procurement regulations in several countries' laws.

Bids are received and evaluated, and an evaluation report is prepared by the evaluation teams and submitted to the contracts or tender committees for approval to award a contract before the accounting officer of the entity undertaking procurement makes a formal communication to the emerging provider. Communication is made to the winning service provider in writing about the awarding of a contract and the provider is expected to show acceptance of the offer. There is, however, a window for raising complaints against the entire procurement process by dissatisfied actors in the procurement process once the bid award decision is placed on the entity's noticeboard about the impending contract award. This process is termed administrative review and has various institutional arrangements through which this complaint can be handled. Firstly, it is handled at the procuring entity level. Secondly, it can be handled at the procurement regulatory authority level. Thirdly, it can be heard at the tribunal appeals level. Assuming there are no complaints or the complaint has been concluded and the winning company has accepted the procurement award decision, the implementation of the procurement is expected to start and upon completion of the required goods and services as per contract, the provider is paid. Contract management and performance appraisal will be undertaken before payment for what is supplied to the entity.

Corruption in public procurement involves the abuse of the procurement processes and diverting from established legal frameworks and it takes a multitude of forms (Basheka 2021, p. 117). Procurement corruption takes place at each of the stages of public procurement, although the magnitude certainly differs. The most common forms of procurement corruption in Uganda include violations of procurement procedures, the use of high-ranking officials to influence procurement decisions and bribery-induced violations of procurement procedures by government officials in collaboration with private providers (Basheka 2009). Those who engage in procurement corruption are both politicians and administrative officials in both senior and junior positions. They tend to be involved covertly or overtly in this malaise of public procurement corruption. Covertly, those with personal interests tend to appoint officers to specific positions to manage the processes of procurement. Through this mechanism, they remotely manipulate the processes in their favour. Some politicians and administrators tend to influence public procurement contracts' award to their preferred bidders even when open competitive tendering has been used. The numerous public procurement reforms in various countries of Africa appear not to have anticipated a procurement system that was likely to be manipulated to this extent.

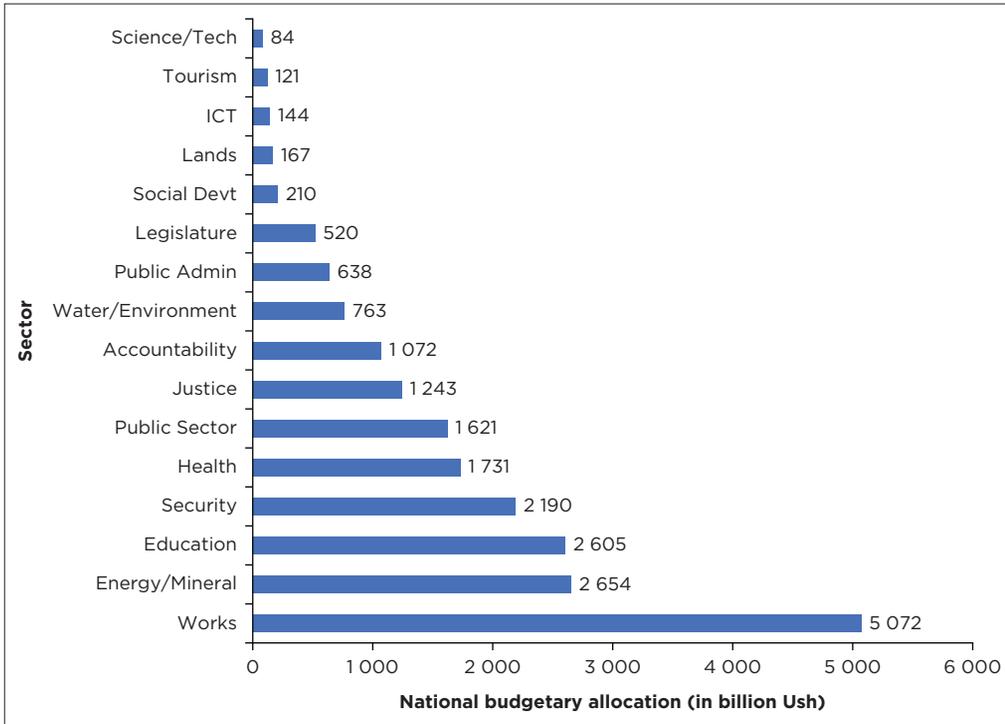
There is no doubt that procurement contracting is a lucrative business that involves huge finances. Those who wish to influence procurement

decisions target those procurements which involve a sizeable amount of money. A minister of government or a permanent or chief secretary of a ministry can hardly be excessive in acquisition processes for stationary or other small office-supply items. This, however, is also not a general proposition as they may have some exceptions. The appetite for involvement in public procurement to do influence-peddling tends to increase with the number of funds budgeted for a particular procurement and in the context of sector-specific procurements. A ministry involved in national examination systems, for example, would deal with stationery on a huge budget, and this makes it a lucrative area of interest. 'Procurement corruption is perpetuated through procurement planning distortions, supplier collusion and dodgy computation of costs by evaluation teams' (Basheka 2021, p. 128). The outcome of these manoeuvres is poor quality goods and services delivered as well as a pitiable performance of civil and construction works.

Public procurement corruption is also perpetuated through supplier collusions, where suppliers themselves collude amongst themselves to defraud the government. There is also supplier-government official collusion and unrealistic computation of contract award or variation costs by evaluation teams. These scenarios affect logical procurement decisions. The magnitude of procurement is based on a procurement budget in a fiscal year. As an example of the magnitude of corruption based on the procurement budget for a country like Uganda, the budget allocations for the 2017/18 fiscal year was as follows:

Figure 2.1 demonstrates that the biggest procurement budgets in Uganda during the fiscal year in question were in the sectors of works, education, health and justice, as well as the water and environment. This trend of budgeting has consistently characterised the budgeting system in the last five years. Moreover, these are sectors that touch the heart of a country's public service system and need to be better governed. The argument advanced here is that corruption tends to be high where money is allocated. The corruption likely to be in the tourism sector is not as likely to be experienced in the works sector because of the volume of resources involved. As the allocation of budgets increases, the opportunities for procurement corruption are elevated as the biggest percentage of such budget allocations is meant for the acquisition of various requirements.

Where corruption enters any of the sectors with huge budgets as they undertake procurement, the negative consequences cannot be overemphasised. The political class seeks to leverage the state's power to advance its sponsors' socio-economic interests. Private individuals with political connections access the public treasury through colluding practices in public procurement at the



Source: Republic of Uganda (2016).

Key: ICT, information and communication technology.

FIGURE 2.1: National budgetary allocation by sector, 2017–2018.

expense of the general public, which is denied better service delivery. Yet (Matebese-Notshulwana 2021):

[P]rocurement is an institutional arrangement to advance effective public service delivery. The menace of corruption permissible by the political elite compromises the responsibility of the government, thereby jeopardizing good governance. (p. 21)

The consequence of this procurement corruption nexus is prevalent in what this chapter calls a governance crisis.

Arguably, both (Matebese-Notshulwana 2021):

[P]ublic procurement professionals (procurement officers in their various categories) and non-professionals get involved in corruption as either the users of the required procurements or as part of the decision-making actors who manage public procurement processes. (p. 21)

These are public administrators who drive the machinery of government in their thousands and at different ranks. Basheka (2014) asserted that:

[P]ublic administrators (including public procurement officials) either can enable the effective functioning of the government or can lead to the overthrow of the government. Strong governments are run on institutionally strong, efficient,

effective systems, anchored on publicly determined, predictable, and increasingly rational rules of behaviour. (p. 655)

A system is as good as the personnel who run it. Where there are competent and corrupt-free personnel, the influence of government is felt in society.

■ Procurement corruption and the governance crisis-the relationships

Governance has already been seen to refer to processes and systems in which organisations are led to fulfil their mandates. Governance rests strongly on the principles of openness, integrity and accountability (Fofie 2016; Gro Holst & Bjorn 2018) and has been strongly defended to be critical for public sector performance. In situations where there is a governance crisis, good governance parameters are missing. Good governance is necessary for economic development, citizen support and democratic stability (Van Doeveren 2011). The instilling of governance is achieved through a code of conduct that is implemented to ensure that organisations maintain desired behaviour. When there is unhindered procurement corruption, the good governance agenda is undermined.

Public procurement is key to government operations. Procurement, therefore, ought to be conducted following the best practices. Governments are governed through the Constitution. The laws established to govern procurement, like public procurement acts and regulations, prescribe the procedures on how to handle government acquisition. The Constitution of a country establishes the executive, judiciary and legislature. The same constitution allocates powers and responsibilities to each of these organs of the state (Funk 1972, p. 296). Under each of these broad structures of the state, other specific institutions are mandated to work under the doctrines of separation of powers and checks and balances to fulfil the broad government agenda to the citizens. Corruption has unfortunately penetrated these institutions and, therefore, often stands on their way to effective functioning. In *Public Administration and Corruption in Uganda*, Basheka (2013, p. 45) raised a concern about how corruption continued to poison any efforts to provide members of society with better services and that the marriage between public administration and corruption seemed a forced one.

The legislature makes procurement laws and passes the budget for procurement requirements. The legislature also plays an oversight role and demands accountability. The executive implements the laws and undertakes the actual procurements of goods, services and works. The executive equally is expected to present the accountability on how the appropriated funds have been implemented. The judiciary resolves procurement disputes and interprets laws related to procurement. The judiciary also has administrative roles like the swearing-in of members of procurement tribunals which are a key public

procurement requirement in many countries. The rule of law enables governments to fulfil their mandates to the citizens.

Undoubtedly, the traditional role of government has changed and has been questioned, especially by the advocates of NPM philosophies. But even where the PS has been given space to operate within the public realm, regulation remains the work of the government. The PS is a key player in public procurement, and it has operated under the forces of demand and supply with no significant regulation. This has given way to a governance crisis, with rampant corruption being the definitive feature. McCue, Prier and Swanson (2015) examined the dilemmas that procurement professionals faced in the execution of their functions. The professionals operated under competing demands and the environment of their operations had what the author terms as conflated values and goals. Government purchasing professionals were called upon to (McCue, Prier & Swanson 2015):

[D]evelop new flexible structures and processes that devolve purchasing responsibility, yet maintain accountability and control; limit the opportunity for fraud/mismanagement while reducing operational constraints; increase economic efficiency while satisfying political demands for minority/local/small and women-owned business participation; increase open and transparent competition while achieving best value, and applying best practices while confronting legal limitations. (p. 177)

Public procurement supports the government agenda when the process is economical and efficient (Basheka 2021). There is no doubt that public procurement, if correctly undertaken, could effectively support all government functions (McCue & Gianiks 2001). As Cogburn (2003) correctly demonstrated, if the procurement function fails to deliver quality goods and services in a timely fashion and at an economical price, the performance of the government suffers. This suffering creates a crisis in the governance apparatus of any country. This implies that procurement is central to the running of governance institutions, and once this function is infested with corruption, there is a direct negative effect on the functioning of governance institution structures as they execute their mandates.

Dza, Fisher and Gapp (2013, p. 1) remind us of the state of public procurement more than 16 years ago. Procurement reforms have been undertaken in some African countries and similar trends and processes have been followed. The emphasis of these reforms has been to ensure 'modernity', transparency, competition, as well as fairness in the procurement process. In the reform efforts, administrative and structural systems have been put in place to run procurement acquisitions professionally. Unfortunately, the implementation of most procurement reforms in Africa has been fraught with problems. Huge expectations are now placed on all procurement practitioners to make improvements in this procurement function (Lau 2010). While procurement officers can, in their interest, choose to violate procurement procedures and

tend to work under the direct influence of powerful politicians (Akullo 2013, p. 48), the functioning democratic society demands politicians to exercise an oversight role on the executive. They are expected to raise the alarm when those in executive authority engage in procurement fraud and corruption. Politicians who divert their attention to procurement tenders through corruption negate their constitutional obligation. Procurement corruption, in a way, blinds such political classes from exercising their oversight functions and scrutiny of the executive's expenditure. Transparency and accountability are, in the end, seriously compromised.

The administration of justice is a key ingredient of good governance. There has to be a rule of law that goes alongside the doctrines of checks and balances as well as of separation of powers. Procurement corruption has implications for the administration of justice and the promotion of the rule of law. Courts equally require goods and services to execute their mandates. These must be acquired through a procurement undertaking. Once corruption tendencies compromise this process, it will not only influence the quality of goods and services procured but will affect the execution of legitimate mandates of these institutions. Courts require timely stationery, computers, vehicles and general administrative and logistical requirements to dispense justice. Should procurement of these requirements be characterised by corruption, the dangers and implications on the rule of law and governance will be huge. Beyond courts are the Directorates of Public Prosecutions, the police force and the prison authorities, among other key law and order sector institutions. These are not immune from procurement corruption. The entry of this disease affects the functionality of those institutions.

Within the context of governance, accountability is one central pillar and at the heart of good governance and efficient public procurement systems (Soudry 2007). Transparency is another element that moves alongside accountability. Lack of transparent and accountable systems subjects the vast resources channelled through public procurement systems to the danger of corruption and misuse (Jeppesen 2010). Within the administrative systems of Uganda, accountability institutions with a constitutional obligation exist. The office of the Auditor-General, the Parliamentary Public Accounts Committee, the Local Government Committee, the Procurement Regulatory Authorities and the Inspectorate of Government (Ombudsman) are some of the key accountability institutions. Procurement corruption has also entered these institutions and has stood in the way of effective processes of acquisition.

Akullo (2013, p. 47) identified the political and technical staff as major actors in procurement corruption in Uganda. Corruption in procurement is high in sectors that are central to the agenda of promoting good governance. The issue of corruption generally, especially in the procurement function, has reached alarming levels in the continent. At the same time, the governance agenda has received renewed interest among policymakers, development

partners and academia. But the African continent now has serious deficits in its governance balance sheet. The rule of law, for example, is seriously affected, human rights violations are increasing, corruption is at its highest peak, and the independence of the judiciary is seriously compromised. The procurement reforms, which many countries in Africa have implemented since the 1990s, appear to have largely failed to bring the desired changes.

■ Conclusion

The role of good governance in promoting efficiency in public sector performance is undisputed. Good governance is demonstrated through a system that portrays transparency, good administration and accountability. The primary interest of any government should be to serve the public interest (Pau & Ciurea 2020). The public sector has been urged to find ways to improve its efficiency (Robert, Paweł & Joanna 2021). The desire to improve this efficiency requires the promotion of all ideals of good governance, which must be applied in all government functions. Public procurement is one such critical function.

There is a need to aspire to have an efficient and transparent public procurement system. Governments now find themselves torn between the exact size and role of the public sector and the PS in service delivery. Government and the PS now play a complementary role. While governments undoubtedly rely on the PS to deliver on their mandates through what has been called public-private partnership models, they retain the primary role as agents of the citizens to deliver good public services. There has been a call for a restricted interface between these two sectors, with the public sector being called upon to scale its regulatory function. The restricted interface of public and PSs has however been argued to create incentives for corruption (Coppier & Piga 2007). Transparency alone is not enough to reduce corruption levels, but institutions should have the capacity to convey credible threats. The call for purchasing agencies to continue exercising a control function through strict adherence to legal, professional and administrative requirements that define the purchasing process (McCue & Pitzer 2000) is still vital. There is also an urgent need to respond to conflicting values and deal with unforeseen problems.

In deepening good governance, organisations need to leverage and explore technology that could address some of the enduring structural challenges faced by African countries in their attempt to promote efficiency. Even within this desire, care for the safety of the technology-enabled systems is needed. There will be a need to invest in cyber security systems and a culture of regular system auditing. Public administrators (including public procurement officials) will still have a noble task of addressing corruption in public procurement. The professional organisations formed to improve procurement professionalism

need to go on the drawing board and work on a strategy for protecting the profession's integrity. The desire should be to develop a post-colonial administrative system that was hoped to be devoid of the problems that now characterise the same systems. Colonial masters were accused of corruption and other evils, and the call for independence by most African countries was to reverse this trend. African countries now find themselves with the same problems, and one wonders whether this is not a trend that should worry all actors, including public procurement professionals.

The quest for good governance and better service delivery has been a key post-NPM philosophy in many African countries. While the government has maintained its primary role, the introduction of other payers in governance beyond government has added more complexities. The private sector, the CSOs, religious institutions and academia are now key actors in promoting governance. Public procurement needs to be seen as a facilitator of the execution of the mandates of government. There is a need for stronger monitoring and evaluation of public procurement systems' performance and the laws that have been put in place. The policy level implication of the debate in this chapter is that appropriate policy and regulatory regimes for undertaking current public procurement processes need to be revisited. Procurement corruption requires the creation of different structures, but these have to be built on the principles of separation of powers with clear checks and balances.

A mixture of traditional and modern safeguards against corruption is suggested. There is a need to promote inclusivity in the procurement processes. For example, the involvement of females, the youth and the disabled needs to be scaled up and should be a top agenda. Anti-corruption agencies need to have specific anti-procurement corruption units, which professionals in multifaceted levels of disciplines should staff. Procurement reporting and research studies will need to be scaled up at all levels of government. The chains of patronage need to be broken.

Corruption, bureaucracy and export orientation of firms in Africa

Ibrahim Mukisa

Department of Economic Theory and Analysis,
School of Economics, Makerere University,
Kampala, Uganda

Edward Bbaale

Department of Economic Theory and Analysis,
School of Economics, Makerere University,
Kampala, Uganda

Joweria M. Teera

Department of Economic Theory and Analysis,
School of Economics, Makerere University,
Kampala, Uganda

■ Introduction

The effect of institutional quality, particularly corruption and bureaucracy, on economic outcomes has attracted considerable debate amongst researchers and policymakers in the last two decades. Corruption indicates the poor institutional quality of a country and significantly distorts economic growth more generally and other intermediate economic outcomes, such as firm-level productivity, exporting and investment, among others. Firm managers pay bribes while running different business-related activities requiring an

How to cite: Mukisa, I, Bbaale, E & Teera, JM 2022, 'Corruption, bureaucracy and export orientation of firms in Africa', in FG Netswera, OM Fagbadebo & N Dorasamy (eds.), *State-owned enterprises in Africa and the economics of public service delivery*, AOSIS Books, Cape Town, pp. 47–66. <https://doi.org/10.4102/aosis.2022.BK270.03>

interface with government bureaucrats, such as export and import activities, and access to government infrastructure services. According to Svensson (2000), firms' total sum of bribes is directly related to their ability to pay. Some authors have argued that corruption reduces the growth rate of firm sales, productivity and capital accumulation and negatively affects innovation and R&D (Fisman & Svensson 2000; McArthur 2002; Paunov 2016). On the other hand, other authors contend that corruption is a sunk cost and hence contributes to the overall production cost and hence adversely affects investment growth apart from presenting a barrier for firms to self-select into export markets (Asiedu & Freeman 2009; Cooksey, Mullei & Mwabu 2002; Olken & Pande 2011).

Two prominent hypotheses in the literature represent conflicting views concerning corruption's effect on economic outcomes. A body of literature supports the 'greasing of the wheels' hypothesis, arguing that corruption provides the 'oil' that removes friction in economic or business transactions and negotiations (Huntington 1968; Leff 1964; Leys 1965; Lui 1985). Along the same lines of argument, some macroeconomic studies argue that corruption enhances GDP growth (Dreher & Gassebner 2013; O'Toole & Tarp 2014). Some enterprise-level studies contend that corruption enhances firm sales, profitability, productivity and employment, among other firm-level economic outcomes (Jiang & Nie 2014; Mendoza, Lim & Lopez 2015; Sequeira & Djankov 2014; Vial & Hanoteau 2010; Williams & Kedir 2016; Wu 2009).

Another strand of scholars of economic development finds support for the 'sanding the wheels hypothesis'. They argue that corruption creates friction in the flow of economic transactions to the extent that corruption reduces investment and overall economic growth (Asiedu & Freeman 2009; Brunetti, Kisunko & Weder 1997; Brunetti & Weder 1998; Fisman & Svensson 2007; Hall Robert & Jones Charles 1999; Kaufmann & Wei 1999; Keefer & Knack 1996; Mauro 1995; Ugur & Dasgupta 2011; Zelekha & Sharabi 2012). It is clear from the foregoing analysis of literature that the authors paid no attention to the impact of corruption and bureaucracy on exports or international trade in general. Nonetheless, some authors established that corruption significantly impacted export competitiveness from a macroeconomic perspective (Beck, Maher & Tschoegl 1991; Hines 1995; Lambsdorff 1998).

The relationship between exporting and firm-level productivity was adequately studied where both 'learning-by exporting' and 'self-selection hypotheses' were tested using enterprise surveys. Bernard and Jensen (1995) and Clerides, Saul and Tybout (1998) pioneered this work. Following these works, a large number of papers were published for both developed and developing countries (Bbaale 2011; Bernard & Wagner 1997; Bigsten et al. 2000; Castellani 2002; Girma, Greenaway & Kneller 2003; Wagner 2007).

Just like the earlier studies that used aggregate data, this body of literature that used enterprise data did not pay particular attention to the role of corruption and bureaucracy as either an impediment or a driver of export performance or productivity in general.

More recently, a strand of literature testing the ‘greasing and sanding’ hypotheses of corruption has emerged using enterprise surveys, especially the World Bank Enterprise Surveys (WBESs). Whereas some authors found support for the ‘greasing of the wheels’ hypothesis (Méon & Weill 2010; Vial & Hanoteau 2010), others supported the ‘sanding’ of the wheels’ hypothesis (De Rosa, Goroochurn & Görg 2010; McArthur & Teal 2010; Méon & Sekkat 2005; Jain 2001; Fisman & Svensson 2007; Tuyen et al. 2016). It is noteworthy that these authors analysed corruption and bureaucracy in relation to firm productivity and not trade flows in general or export performance in particular.

Studies using gravity models (Dutt & Traca 2010; Ghodsi 2013; Thede & Gustafson 2012) used macroeconomic data to investigate the impact of corruption on trade flows. These authors registered mixed evidence on the effect of corruption on international trade. From a firm-level point of view, we found only six papers analysing corruption and export participation of firms (Ahsan 2015; Cieslik & Goczek 2015; Imran, Ur Rehman & Khan 2019; Kimuyu 2007; Makochehanwa & Mahofa 2021; Olney 2015). Cieslik and Goczek (2015) studied corruption and export performance in post-communist countries and found a negative and statistically significant relationship. Ahsan (2015) investigated whether corruption attenuates the effect of red tape on exports for a sample of 26 European and Central Asian countries. His findings confirmed the existence of the attenuating effect. Kimuyu (2007) contends that corruption does not grease the wheels of commerce but instead reduces firm growth and exporting in Kenya. Imran et al. (2019) argued that corruption enhances firm sales and exports, especially in low-income economies compared to the high- and middle-income countries. Makochehanwa and Mahofa (2021) revealed that corruption indirectly increases the probability of exporting through intermediaries and decreases the probability of exporting directly.

From the foregoing discussion, the researchers note that there (Moyo 2013, p. xx) exists scanty empirical literature on the effect of corruption on the export orientation of firms despite the existence of WBESs for at least two waves for both developed and developing countries. The absence of empirical evidence regarding the effect of corruption on the export orientation of firms, particularly in African countries, is this chapter’s essence. Using a WBES dataset for 26 African countries, this chapter explores the effect of corruption on firm export participation. Our key research question is: Does corruption impede or enhance firms to self-select into global markets? Does bureaucracy matter for firm-level export orientation?

The remainder of the chapter is as follows: the 'Methodology' section includes the analytical framework, empirical strategy and data; the 'Findings' section presents the evidence of the impact of corruption on firm-level export orientation, and the chapter concludes with policy implications.

■ Methodology

■ Analytical framework

The researchers present the self-selection model adopted from Bbaale (2011) and previously used by Bernard and Wagner (2001), Bugamelli and Infante (2003), Greenaway and Kneller (2004) and Greenaway and Yu (2004). This model is premised on firm heterogeneity concerning productivity. It is argued that each firm must pay sunk costs of entry into foreign markets. The model assumes that there is a productivity threshold below which a firm cannot enter into export markets to the extent that only highly productive firms can afford to pay sunk costs and hence self-select into export markets. These models that incorporate sunk costs of exporting in the analysis account for the small share of firms in many countries that are exporters and explain why exporters are usually more productive than non-exporters.

However, the researchers extend this model by including corruption as part of the sunk costs of exporting. A firm might pay a bribe to government officials as a one-off to get an export license. In this case, corruption appears as a sunk cost of export activity. It is also plausible to think that the payment of a bribe makes the exporter build a network with government officials to the extent that a firm might not need to pay another bribe for the next period. In this, corruption is not only a fixed cost of exporting but might also be beneficial to the firm in terms of making it easier to access global markets. On the other hand, corruption can be a variable cost of exporting where exporters might need to pay a bribe each time government officials handle export papers. For example, exporters might need to pay a bribe to acquire a good storage facility or to circumvent administrative delays and queues each time an export activity takes place. In this way, corruption might be a variable cost of exporting. The informal payments made by firms to government bureaucrats is a percent of sales made by the firm, and hence literature has defined it as a 'bribe tax' (De Rosa et al. 2010)

In this model, the researchers also include 'red tape' defined as the government bureaucratic procedures which business firms must go through to conduct business legally. Government regulatory procedures are associated with time wastage as top business managers and their representatives must spend a good percentage of their time dealing with government bureaucracy.

Literature (see De Rosa et al. 2010) has termed this as ‘time tax’. The longer the red tape, the more difficult it might be to break into export markets.

In this theoretical exposition, the authors first present a firm’s problem with no sunk cost of entry into global markets. Let τ_{it} be a binary categorical variable equal to 1 if Firm i exports at the time t and 0 otherwise. The firm maximises the following function:

$$\text{Max}_{\tau_{it} \in \{0,1\}} \{ \pi_{it}(Z_{it}) + \eta_{it} \} \tau_{it} \quad [\text{Eqn. 3.1}]$$

π_{it} is a measure of profits that firms can generate from their export activities. These profits are argued to be a function of firm-specific as well as market environment characteristics (Z_{it}) and the identically and independently distributed error term (η_{it}). It is noteworthy that firms are risk-averse and will only decide to enter the export market if they realise positive profits, otherwise they will only participate in domestic markets:

$$\tau_{it} = 1 \text{ if } \pi_{it}(Z_{it}) + \eta_{it} > 0 \quad [\text{Eqn. 3.2}]$$

This expression can be written in terms of a static, discrete model of a firm’s decision to participate in global markets:

$$\tau_{it} = \begin{cases} 1: \text{if } \phi Z_{it} + \eta_{it} > 0 \\ 0: \text{Otherwise} \end{cases} \quad [\text{Eqn. 3.3}]$$

In the equation above, firm profits π_{it} are represented by firm-specific and market characteristics (Z_{it}). Actually, (Z_{it}) is a vector containing characteristics, such as firm size, productivity, age, capacity utilisation and ownership, among other firm-level characteristics that influence the profit level that a firm can earn through export activities.

The model in expression Eqn. 3.3 does not account for the sunk costs that firms must incur to operate in global markets. In reality, firms must incur sunk costs of exporting, which include bribe tax or corruption, time tax or red tape or bureaucracy, the establishment of marketing channels, upgrading of the products to fit international standards, advertising, gathering information and dealing with the different legal and economic environments in the foreign country (Greenaway et al. 2004).

The presence of sunk costs in the model makes a firm’s decision to participate in global markets dynamic. This implies that a firm decides to participate in global markets with an expectation of maximising profits over the expected period of exporting activity net of sunk costs. Hence, when deciding to participate in global markets, a dynamically maximising firm will look beyond the present period. This is based on the premise that exporting in the current period carries with it the advantage of being able to export in

the subsequent period without paying the sunk costs (Hussinger 2004). Let ζ represent the sunk costs that are assumed to be identically distributed amongst all firms and that they are constant over time. The firm's payoffs from exporting take the following form:

$$\begin{aligned} & \pi_{it}(Z_{it}) + \eta_{it} \text{ if } \tau_{it} = 1 \text{ and } \tau_{it-1} = 1 \\ & \pi_{it}(Z_{it}) - \zeta + \eta_{it} \text{ if } \tau_{it} = 1 \text{ and } \tau_{it-1} = 0 \\ & 0 \text{ if } \tau_{it} = 0 \text{ and } \tau_{it-1} = 0 \end{aligned} \quad [\text{Eqn. 3.4}]$$

The authors use a single-period discount rate (σ) to show that the optimal export activity over time satisfies the following value equation:

$$V_i = \text{Max}_{\tau_{it} \in \{0,1\}} \{ \pi_{it}(Z_{it}) - (1 - \tau_{it})\zeta + \sigma E_t(V_{it+1}) \} \quad [\text{Eqn. 3.5}]$$

Firms will find participation in the global markets profitable if:

$$\tau_{it} = \begin{cases} 1 := \pi_{it}(Z_{it}) - (1 - \tau_{it-1})\zeta + \sigma [E_t(V_{it+1} | \tau_{it} = 1) - E_t(V_{it+1} | \tau_{it} = 0)] \\ 0 : \text{otherwise} \end{cases} \quad [\text{Eqn. 3.6}]$$

Part of Equation 3.6 that appears in the square brackets can be interpreted as the expected current value of participating in global markets having paid the sunk costs in the previous period. The higher the expected profits, the higher is this expected value. This expression can be presented slightly differently to indicate the firm's decision rule to penetrate export markets as:

$$\tau_{it} = \begin{cases} 1 := \pi_{it}(Z_{it}) + \sigma [E_t(V_{it+1}) | \tau_{it} = 1 - E_t(V_{it+1}) | \tau_{it} = 0] > (1 - \tau_{it-1})\zeta \\ 0 : \text{otherwise} \end{cases} \quad [\text{Eqn. 3.7}]$$

The expression implies that a firm will find it profitable to engage in the global trading arena if the current and expected value from exporting activities exceed the sunk costs of export entry.

■ Empirical strategy

To empirically estimate the impact of corruption and bureaucracy on firm-level export orientation, the authors specify an empirical probit model:

$$\tau_{itjc} \text{ - exp} = \beta \text{corruption}_{itfc} + \lambda \text{Bureaucracy}_{itjc} + \gamma' Z_{itjc} + \xi_t + \xi_j + \xi_c + \eta_{itjc} \quad [\text{Eqn. 3.8}]$$

$$\tau_{itjc} \text{ - direxp} = \beta \text{corruption}_{itfc} + \lambda \text{Bureaucracy}_{itjc} + \gamma' Z_{itjc} + \xi_t + \xi_j + \xi_c + \eta_{itjc} \quad [\text{Eqn. 3.9}]$$

$$\tau_{itjc} \text{ - indirexp} = \beta \text{corruption}_{itfc} + \lambda \text{Bureaucracy}_{itjc} + \gamma' Z_{itjc} + \xi_t + \xi_j + \xi_c + \eta_{itjc} \quad [\text{Eqn. 3.10}]$$

In Equation 3.8, the dependent variable is the overall export status dummy variable that equals 1 if the firm exports and 0 if the firm only sells domestically. In Equation 3.9, the dependent variable is a dummy variable equal to 1 if a firm exports directly and 0 otherwise. In Equation 3.10, the dependent variable is a dummy variable equal to 1 if a firm exports indirectly and 0 otherwise.

Corruption and bureaucracy are the main variables of interest, and the authors measure them using two indicators following Tuyen et al. (2016) and De Rosa et al. (2010): The first indicator is a dummy variable equal to 1 if, during the survey, a firm replied ‘frequently’, ‘usually’ or ‘always’ to the question ‘Is it common to have to pay some irregular additional payment or gifts to get things done about customs, taxes, licenses, regulations, services, etc.?’ Bbaale and Okumu (2018) refer to these ‘bribes’ as follows:

This indicator is referred to as bribe incidence. The second indicator is the bribe tax, which is defined as the percentage of firm sales, which is paid informally as bribes. During the survey, firms were asked a question concerning the percentage of total annual sales, or estimated total annual value, which is paid as bribes to government bureaucrats. (p. 225)

Bureaucracy or red tape is measured as the ‘percentage of top-management time that is spent dealing with government regulatory procedures’ (Bbaale & Okumu 2018, p. 225). This indicator is also known as time tax in the literature, especially by De Rosa et al. (2010). During the survey, firms were asked a question concerning the percentage of top-management time that is spent dealing with ‘government bureaucracy in the process of conducting business activities’ (Bbaale & Okumu 2018, p. 225). Another measure of bureaucracy is customs being an obstacle to business operations. During the survey, firms were asked ‘how much of an obstacle is customs and trade regulations?’ The responses were ‘no obstacle’, ‘minor obstacle’, ‘moderate obstacle’, ‘major obstacle’ and ‘severe obstacle’. The researchers construct a dummy variable equal to 1 if a firm responded as customs and trade regulations being a major and severe obstacle and zero otherwise.

Z_{itjc} is a vector of observable control variables specific to the firm and these account for differences between firms. These variables include firm size, firm age, firm productivity, email use, website use, international quality certification, access to financing, ownership and infrastructure, particularly electricity. Finally, ξ_t , ξ_j and ξ_c are time, industry and country fixed effects that are included in our model estimations. ε_{itjc} is the zero-mean error that is identically and independently distributed across firms/white noise.

The authors estimate Equations 8, 9 and 10 using a simple probit model. However, the authors noted and considered the concerns of the endogeneity of corruption and bureaucracy in the export status equation. There are plausible arguments in the literature that make us worry about endogeneity: It has been argued that more efficient and profitable firms are more likely to

afford bribe payments. In addition, ‘bureaucrats are likely to target more efficient and therefore profitable firms’ (Bbaale & Okumu 2018, p. 226). Another issue of concern is the measurement error in the data (Tuyen et al. 2016). It is argued that ‘since corruption is an illicit activity, many firms might be less willing to provide actual data as far as their corruption status is concerned’ (Bbaale & Okumu 2018, p. 226). Following Fisman and Svensson (2007), Tuyen et al. (2016) and De Rosa et al. (2010), the country-industry-year average level is used as an instrument for firm-level corruption. According to William W. Olney (2015, p. 17), this ‘strategy minimizes endogeneity concerns and measurement error issues by identifying variation in firm-level corruption that is because of factors that are common to other firms within that specific market’. Consequently, the authors estimated Equations 8, 9 and 10 using the IV-probit estimation strategy to identify the causal impact of corruption more carefully on firm-level export orientation. However, the Wald test for the exogeneity of the instrumented variables was statistically insignificant in all three cases. This implied that there was insufficient information in the sample to reject the null of no endogeneity, so a regular probit regression became more appropriate. Consequently, the authors based all our interpretation and discussion on the regular probit regression output, and for lack of space in the chapter, the IV-probit output is not shown. However, on request, these findings can easily be made available.

■ Data

The authors used the WBES of 26 African countries. The WBES questionnaire has been harmonised across the world since 2006 and for some countries, data are as recent as 2017. The greatest virtue of the WBES is that at least two waves of data exist for most African countries, hence making it possible to compute growth rates where necessary. Additionally, WBES has a broad range of economic outcome variables that can be used to answer the key questions of this chapter and beyond appropriately. The variables include but are not limited to access to finance, annual sales, sales three years ago, annual employment, employment three years ago, workforce composition, corruption/bribery, bureaucracy, infrastructure, trade, business obstacles, such as customs and trade regulations, age of the firm, ownership, infrastructure, like electricity, taxation, informality, innovation and technology among others. The WBES asks firms about the percentage of national sales, the percentage of sales that are direct exports and the percentage of sales that are indirect exports. The survey also asks firms whether they have paid any bribes or gifts in exchange for public service and also asks firms the percentage of their sales paid informally to government officials. Additionally, the survey asks firms about the percentage of top-management time spent dealing with government bureaucracy.

■ Findings

The authors present both descriptive and empirical findings. It is always prudent to present the descriptive findings first to the firm ground for the empirical findings.

■ Descriptive findings

Table 3.1 shows the summary statistics, while Table 3.2 shows the correlation matrix. The authors noted no threat of multi-collinearity from the correlation matrix in our data. Export status was our dependent variable and was represented in three dummies: export status (total; all exporters combined), direct exporting and indirect exporting. Table 3.1 shows that 23% of firms in our sample were exporters, whether directly or indirectly. There is a higher share of firms in our sample that exported directly (17%) compared to 11% of firms that exported indirectly through an intermediary (Table 3.1). In terms of corruption, it was noted that almost 40% of the firms in our sample have ever made informal payments to government officials, indicating that corruption is quite rooted in Africa. Considering the bribe tax, on average, close to 2% of firm sales were paid informally to government officials.

In terms of bureaucracy or red tape, the management in our sample spent over 7% of their time dealing with the government regulatory requirements. This indicates that time-tax is quite significant in African countries.

TABLE 3.1: Summary statistics.

Variable	Obs	Mean	s.d.	Min	Max
Exporting (total)	13 556	0.228902	0.420142	0	1
Indirect exporting	13 556	0.109029	0.311687	0	1
Direct exporting	13 556	0.167085	0.373065	0	1
Time tax	12 440	7.379711	15.47034	0	100
Bribe incidence	13 556	0.394069	0.488668	0	1
Bribe tax	10 744	1.672683	5.925646	0	100
Customs obstacle severe	12 461	0.1792794	0.3836015	0	1
Firm productivity	10 632	93973.47	467631.4	0	4,995,737
Foreign ownership	13 556	0.128356	0.334499	0	1
Age	13 352	18.1	15.6	0	133
Quality certification	13 124	0.188662	0.391255	0	1
Email use	13 528	0.528755	0.499191	0	1
Website use	13 519	0.294918	0.456023	0	1
Medium firms	13 556	0.315801	0.464851	0	1
Large firms	13 556	0.189141	0.391635	0	1
Loan	13 265	0.20686	0.40507	0	1
Overdraft	13 250	0.265736	0.441741	0	1

Key: s.d., standard deviation; Obs, observations.

TABLE 3.2: Correlation matrix.

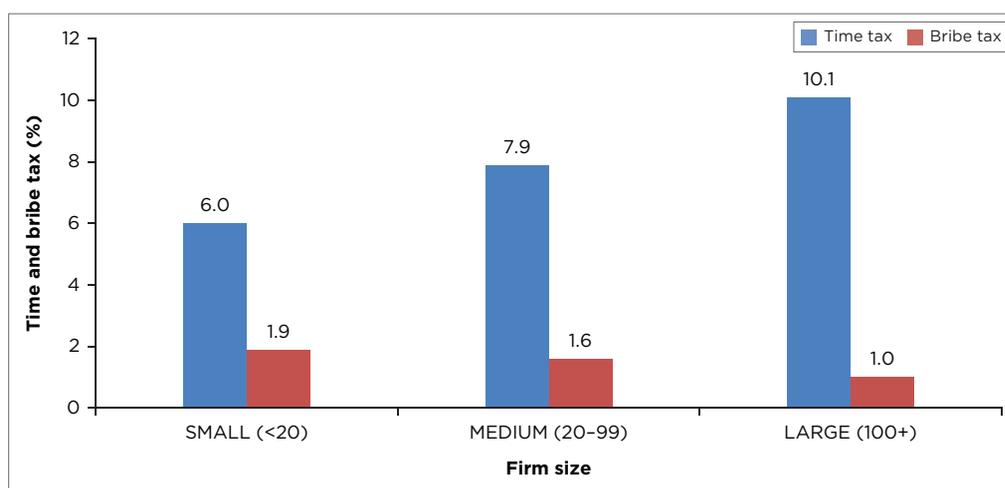
	Exporting	Indirect exp	Direct exp	Bribe incidence	Time tax	Productivity	Foreign	Age	Quality	Email	Website	Medium	Large	Loan	Overdraft	power outage
Exporting	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Indirect exporting	0.6421*	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Direct exporting	0.8220*	0.2494*	1	-	-	-	-	-	-	-	-	-	-	-	-	-
Bribe incidence	0.0579*	0.0763*	0.0362*	1	-	-	-	-	-	-	-	-	-	-	-	-
Time tax	0.0797*	0.0497*	0.0719*	0.0692*	1	-	-	-	-	-	-	-	-	-	-	-
Productivity	0.1835*	0.0553*	0.1846*	-0.0808*	0.0589*	1	-	-	-	-	-	-	-	-	-	-
Foreign	0.2046*	0.0901*	0.1994*	0.0313*	0.0436*	0.1327*	1	-	-	-	-	-	-	-	-	-
Age	0.1695*	0.0855*	0.1574*	-0.0478*	0.0402*	0.1236*	0.0165	1	-	-	-	-	-	-	-	-
Quality certification	0.3405*	0.1487*	0.3412*	-0.0277*	0.0742*	0.2199*	0.1562*	0.2195*	1	-	-	-	-	-	-	-
Email use	0.3134*	0.1270*	0.3062*	-0.016	0.1075*	0.2968*	0.1849*	0.2165*	0.3338*	1	-	-	-	-	-	-
Website use	0.3153*	0.1354*	0.3141*	-0.0437*	0.0758*	0.2356*	0.1441*	0.2275*	0.4170*	0.5331*	1	-	-	-	-	-
Medium firm	0.0166	0.0393*	-0.0082	0.001	0.0237*	0.1101*	0.0491*	0.0896*	0.0153	0.1926*	0.0871*	1	-	-	-	-
Large firm	0.3699*	0.1066*	0.3896*	-0.0364*	0.0852*	0.1799*	0.1694*	0.2416*	0.4083*	0.3482*	0.3856*	-0.3281*	1	-	-	-
Loan	0.1878*	0.0810*	0.1814*	0.0362*	0.0589*	0.1644*	0.0771*	0.1007*	0.1389*	0.2278*	0.1489*	0.0597*	0.2225*	1	-	-
Overdraft	0.2396*	0.1000*	0.2294*	0.0545*	0.0670*	0.2254*	0.1400*	0.1360*	0.1965*	0.3264*	0.2345*	0.0803*	0.2840*	0.3990*	1	-
Power outage	-0.0117	0.0109	-0.0281	0.0540*	-0.0035	-0.0515*	0.0185*	0.016	-0.0406*	0.0093	-0.0528*	0.0220*	-0.0207*	0.0525*	0.0094	1

*p < 0.1.

Additionally, 18% of firms indicated that customs and trade regulations were a severe obstacle to business operations (Table 3.1). Furthermore, the authors attempt to classify firms by bribes and time tax. It has been found that 'large firms spend a higher percentage of the top-management time (over 10%) dealing with government bureaucracy compared to small and medium-sized firms' (Bbaale 2011, p. 11). Similarly, large firms pay a smaller bribe tax (slightly above 1% of their sales) (Figure 3.1). This might imply large firms are always 'subject to relatively more government control/regulations compared to counterparts' (Bbaale 2011, p. 11). Also, there might be 'economies of scale' in bribe payments to the extent that large firms pay a lower percentage of their sales in bribes.

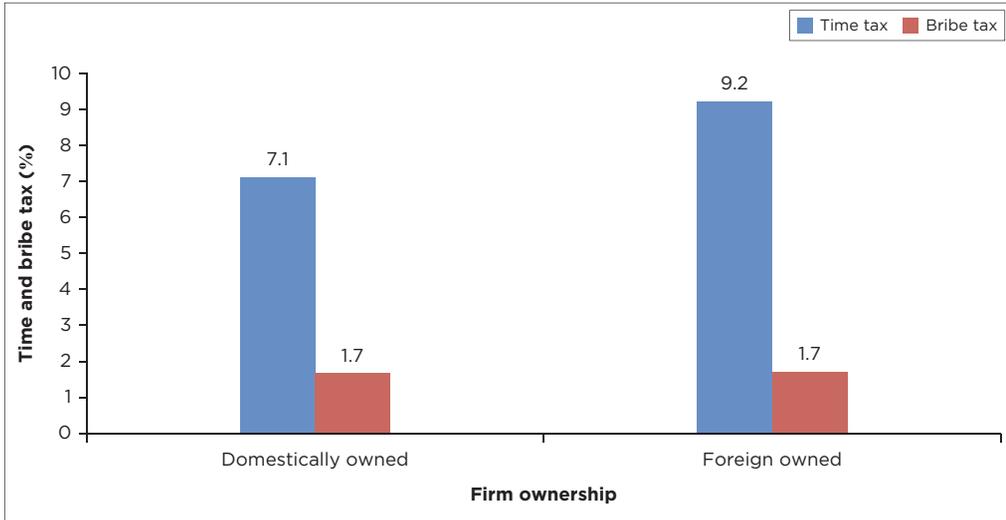
Figure 3.2 reveals that 'foreign-owned firms spend a higher proportion of top-management time dealing with government bureaucracy compared to domestically owned firms' (Bbaale 2011, p. 11). Despite this, there is no significant difference in the bribe tax paid by foreign-owned firms and domestically owned firms, even though foreign-owned firms pay a slightly higher bribe tax.

Figure 3.3 shows the average percentage of time and bribe tax by the export orientation of firms. It is indicated that direct exporters experience a slightly longer red tape (10% of top-management time) compared to counterparts, while there is no difference in the red tape faced by indirect exporters compared to all exporters combined. This might be attributed to the fact that direct exporters might be bigger, mostly foreign-owned and hence government officials deliberately target them for the bureaucratic engagements.



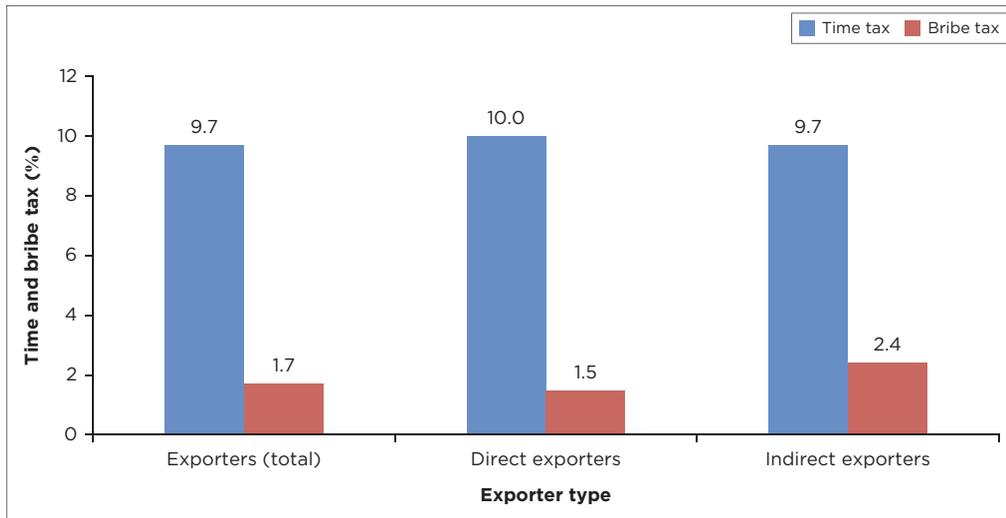
Source: Author's own work.

FIGURE 3.1: Average percentage of time and bribe tax by firm size.



Source: Author's own work.

FIGURE 3.2: Average percentage of time and bribe tax by firm ownership.



Source: Author's own work.

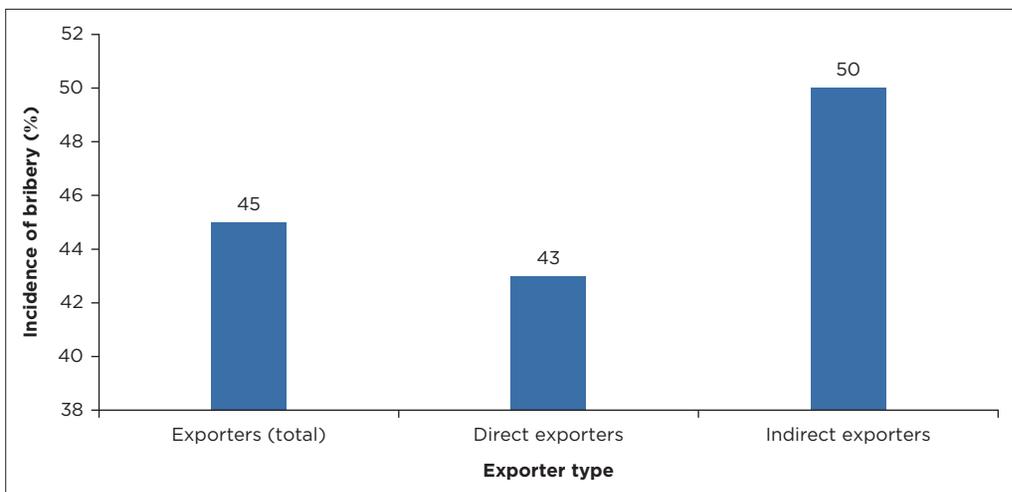
FIGURE 3.3: Average percentage of time and bribe tax by export orientation.

In terms of the bribe tax, indirect exporters pay a higher percentage of their sales in bribes (2.4%) compared to direct exporters (1.5%) and 1.7% for all exporters combined. In the same vein, Figure 3.4 shows that 50% of firms that are indirect exporters responded as having paid a bribe to government officials compared to 43% of firms that are direct exporters and 45% of all exporters combined. This is attributable to the fact that exporting via an intermediary might involve little more steps and hence more bribes before export is made compared to firms that export directly.

In terms of firm age, our findings reveal that starters (1 year or younger) face relatively longer red tape, followed by old firms (over five years), while young firms (between 1 and 5 years) experience the shortest red tape (Figure 3.5).

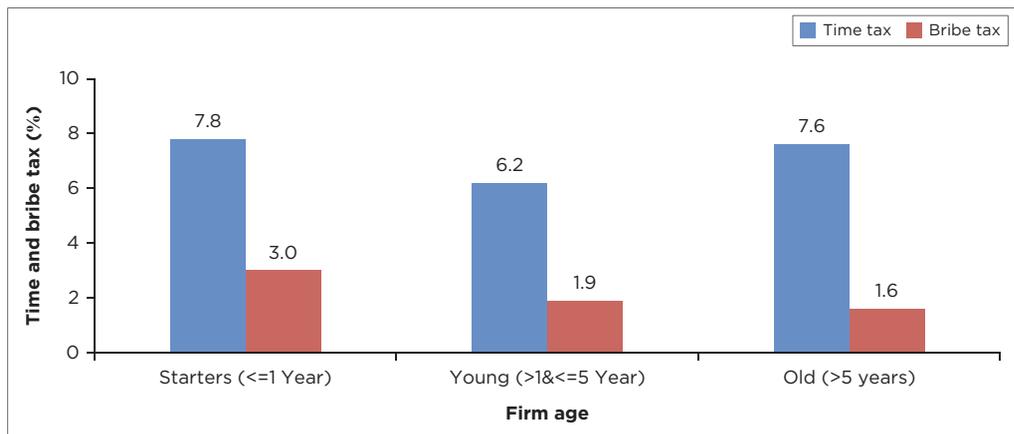
In his article ‘Corruption and firm-level productivity: Greasing or sanding effect’, Bbaale (2011) says:

Starters also pay a higher proportion of the ‘bribe tax’ compared to young and old firms. This might imply that firms that have just entered into business go through a lot of bureaucratic engagements with government officials in an attempt to complete the paperwork required to operate their businesses and also end up paying a higher proportion of their sales in bribes. (p. 13)



Source: Author's own work.

FIGURE 3.4: Average percentage of firms by bribe incidence.



Source: Author's own work.

FIGURE 3.5: Average percentage of time and bribe tax by firm age.

Higher bribe tax might also be because of scale effects. Starters are usually small; hence, bribes might appear more significant in their sales.

■ Empirical findings

For the empirical analysis, the authors estimated three probit models: all exporters combined (Table 3.3), indirect exporters (Table 3.4) and direct exporters (Table 3.5). In all our models, the Wald statistic and p -value are statistically significant; hence there is sufficient information in the data to reject the null hypothesis that all the slope coefficients are jointly zero.

TABLE 3.3: Exporting (all exporting firms), bureaucracy and corruption.

Variables	(1)	(2)	(3)	(4)
	Marginal effects	Marginal effects	Marginal effects	Marginal effects
Bribe incidence	0.0283*** (0.0104)	- -	0.0223*** (0.00803)	- -
Time tax	0.0125*** (0.00385)	0.0107 (0.00784)	- -	- -
Firm productivity	0.0180*** (0.00362)	0.0181** (0.00712)	0.0151*** (0.00277)	0.0102* (0.00617)
Foreign ownership	0.0698*** (0.0132)	0.0703** (0.0277)	0.0660*** (0.0105)	0.0677*** (0.0232)
Firm age	0.0168*** (0.00630)	0.0246** (0.0116)	0.0100** (0.00477)	0.0136 (0.00993)
Quality certification	0.118*** (0.0116)	0.118*** (0.0224)	0.112*** (0.00902)	0.103*** (0.0190)
Email use	0.0637*** (0.0126)	0.0303 (0.0226)	0.0732*** (0.00977)	0.0507** (0.0199)
Website use	0.0536*** (0.0118)	0.0413* (0.0233)	0.0554*** (0.00924)	0.0514** (0.0205)
Obtained a loan	0.0152 (0.0114)	0.0281 (0.0219)	0.0176* (0.00899)	0.0247 (0.0193)
Obtained an overdraft	0.0236** (0.0116)	0.0326 (0.0215)	0.0328*** (0.00891)	0.0462** (0.0184)
Power outage	-0.0314** (0.0138)	-0.0202 (0.0286)	-0.0195** (0.00979)	-0.0152 (0.0235)
Bribe tax	- -	-0.0109 (0.00673)	- -	-0.00860 (0.00610)
Custom obstacle severe	- -	- -	0.0578*** (0.00918)	0.0327* (0.0192)
Observations	5532	1557	9153	2016
Log pseudolikelihood	-2068.7771	-567.24631	-3404.3378	-726.12001
Pseudo R^2	0.3235	0.3444	0.3162	0.3331
Prob > χ^2	0.0000	0.0000	0.0000	0.0000
Country FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes

Standard errors in parentheses.

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

TABLE 3.4: Indirect exporting, bureaucracy and corruption.

Variables	(1)	(2)	(3)	(4)
	Marginal effects	Marginal effects	Marginal effects	Marginal effects
Bribe incidence	0.0379*** (0.00825)	- -	0.0270*** (0.00639)	- -
Time tax	0.00699** (0.00318)	0.00345 (0.00685)	- -	- -
Firm productivity	0.00478* (0.00287)	-0.00143 (0.00582)	0.00382* (0.00224)	-0.00428 (0.00488)
Foreign ownership	-0.000298 (0.0112)	0.0144 (0.0240)	0.00908 (0.00890)	0.0398** (0.0192)
Firm age	0.0174*** (0.00520)	0.0191* (0.0104)	0.0108*** (0.00403)	0.0132 (0.00872)
Quality certification	0.0559*** (0.00985)	0.0637*** (0.0203)	0.0565*** (0.00778)	0.0473*** (0.0170)
Email use	0.0129 (0.0108)	0.00733 (0.0205)	0.0215** (0.00855)	0.0193 (0.0177)
Website use	0.0290*** (0.00987)	0.0240 (0.0208)	0.0248*** (0.00800)	0.0404** (0.0177)
Obtained a loan	-0.00294 (0.00944)	-0.00278 (0.0196)	-0.000246 (0.00747)	0.00173 (0.0165)
Obtained an overdraft	0.00922 (0.00950)	0.0149 (0.0186)	0.0133* (0.00730)	0.0169 (0.0155)
Power outage	-0.0110 (0.0115)	-0.0252 (0.0250)	-0.00468 (0.00827)	-0.0198 (0.0202)
Bribe tax	- -	-0.00435 (0.00622)	- -	-0.00490 (0.00531)
Customs obstacle severe	- -	- -	0.0187** (0.00754)	0.0230 (0.0162)
Observations	5513	1532	9137	2006
Log pseudolikelihood	-1505.471	-452.2329	-2528.0228	-562.67643
Pseudo R ²	0.1738	0.1931	0.1503	0.1865
Prob > Chi ²	0.0000	0.0000	0.0000	0.0000
Country FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Industry FE	YES	YES	YES	YES

Standard errors in parentheses.

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Therefore, all variables jointly explain our dependent variables sufficiently well. In the same vein, the log-likelihood ratios are sufficiently high, indicating that our models fit the data significantly well.

The findings reveal that the incidence of bribes is important in enhancing the export participation of firms. A firm that paid a bribe to increase the probability of exporting by 2%–4% for the entire sample of exporters (Table 3.3) and indirect exporters (Table 3.4). However, the effect of bribe incidence is more pronounced among indirect exporters than for the full sample of exporters. Being paid a bribe increases the probability of exporting

TABLE 3.5: Direct exporting, bureaucracy and corruption.

Variables	(1)	(2)	(3)	(4)
	Marginal effects	Marginal effects	Marginal effects	Marginal effects
Bribe incidence	-0.000306 (0.00950)	- -	0.00852 (0.00727)	- -
Time tax	0.0101*** (0.00355)	0.0160** (0.00681)	- -	- -
Firm productivity	0.0144*** (0.00324)	0.0243*** (0.00600)	0.0117*** (0.00247)	0.0171*** (0.00532)
Foreign ownership	0.0599*** (0.0116)	0.0405* (0.0228)	0.0567*** (0.00904)	0.0367* (0.0197)
Firm age	0.00582 (0.00567)	0.00480 (0.00965)	0.00563 (0.00432)	-6.91e-05 (0.00856)
Quality certification	0.0869*** (0.0102)	0.0731*** (0.0183)	0.0840*** (0.00778)	0.0769*** (0.0156)
Email use	0.0739*** (0.0121)	0.0415** (0.0205)	0.0759*** (0.00924)	0.0641*** (0.0180)
Website use	0.0544*** (0.0105)	0.0711*** (0.0188)	0.0478*** (0.00809)	0.0588*** (0.0169)
Obtained a loan	0.0132 (0.0101)	0.0154 (0.0174)	0.0150* (0.00787)	0.0202 (0.0156)
Obtained an overdraft	0.0200* (0.0105)	0.0211 (0.0185)	0.0244*** (0.00796)	0.0345** (0.0158)
Power outage	-0.0250** (0.0123)	-0.0154 (0.0234)	-0.0283*** (0.00871)	-0.0117 (0.0198)
Bribe tax	- -	-0.00441 (0.00622)	- -	-0.000191 (0.00569)
Custom obstacle severe	- -	- -	0.0391*** (0.00807)	0.00106 (0.0163)
Observations	5519	1560	9132	2020
Log pseudolikelihood	-1738.2241	-438.98294	-2825.1374	-571.90628
Pseudo R ²	0.3375	0.3945	0.3316	0.3785
Prob > Chi ²	0.0000	0.0000	0.0000	0.0000
Country FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Industry FE	YES	YES	YES	YES

Standard errors in parentheses.

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

by 3%–4% for indirect exporters and 2%–3% for the full sample of exporters. This effect is statistically significant at a 1% level for the full sample and the indirect export models. However, the incidence of bribery is not statistically different from zero for the direct exporters. This finding is in line with Figure 3.3 and Figure 3.4 where indirect exporters paid a higher average bribe tax, and a higher average percentage of indirect exporting firms reported having paid a bribe compared to direct exporters.

These findings seem to suggest that it is much harder for indirect exporters to engage in export business and that they must pay bribes for them to do so. This might also imply that corruption greases the wheels of export trade to

TABLE 3.6: List of countries in our sample.

Country	Wave 1	Wave 2	Frequency
Angola	2006	2010	291
Benin	2009	2016	142
Botswana	2006	2010	199
Burundi	2006	2014	162
Cameroon	2009	2016	208
Cote d'Ivoire	2009	2016	310
DRC	2010	2013	365
Ethiopia	2011	2015	706
Egypt	2013	2016	3188
Ghana	2007	2013	669
Guinea	2006	2016	162
Kenya	2007	2013	810
Madagascar	2009	2013	467
Malawi	2009	2014	268
Mali	2007	2010	461
Mauritania	2006	2014	132
Namibia	2006	2014	287
Niger	2009	2017	103
Rwanda	2006	2011	140
Senegal	2007	2014	508
Swaziland	2006	2016	145
Tanzania	2006	2013	713
Togo	2009	2016	80
Uganda	2006	2013	685
Zambia	2007	2013	668
Zimbabwe	2011	2016	665

Key: DRC, Democratic Republic of the Congo.

the extent that a firm that engages in corruption finds it easier to penetrate the global trading arena compared to their counterparts. These findings are in line with Olney (2015), who finds a positive and statistically significant effect of corruption on the export orientation of firms. These findings are also in line with the body of literature that supports the view that corruption 'greases the wheels of commerce' (Méon & Weill 2010; Vial & Hanoteau 2010). However, our findings are in sharp contrast with a strand of literature that argues that corruption 'sands the wheels of commerce' (Alesina et al. 2005; Cieslik & Goczek 2015; De Rosa et al. 2010; Fisman & Svensson 2007; Jain 2001; McArthur & Teal 2010; Méon & Sekkat 2005; Tuyen et al. 2016).

The importance of corruption in enhancing international trade activities should be viewed as indicative of an inefficient institutional framework of countries where bureaucrats tend to abuse the system. To make things work, firms have to pay a bribe in the face of an inefficient bureaucracy. Governments in Africa ought to improve the quality of institutions to relieve entrepreneurs of the extra burden of having to pay bribes to conduct business.

Bureaucracy measured by the time tax has a statistically significant association with the probability of penetrating the global trading arena. An increase in the time tax by 1% increases the probability of exporting by 1%–2% for the full sample model, direct exporters and indirect exporters. However, the time tax's effect on firms' export orientation is more pronounced among direct exporters than indirect exporters. An increase in the time tax by 1% increases the probability of export participation by 1%–2% among direct exporters and by only 1% among indirect exporters. These findings relate quite well with Figure 3.3, which indicates that direct exporters spend relatively more time engaging with government bureaucrats than indirect exporters. Whereas bribing is more important for indirect exporters, bureaucratic engagement is more important for direct exporters. These findings, however, are in sharp contrast with De Rosa et al. (2010), who find a negative and statistically significant effect of the time tax on economic outcomes, particularly firm-level productivity.

The positive effect of bureaucracy on the probability of exporting might, on the one hand, be attributed to the networking that top firm managers establish with government bureaucrats, which consequently makes exporting easier. The network and collaboration built with government bureaucrats might help firms circumvent some of government regulatory procedures that might have otherwise made exporting relatively more difficult. On the other hand, it might point to the existence of an inefficient institutional framework that does not allow the business to thrive without an extra burden imposed on traders. Therefore, governments in Africa ought to eliminate the red tape to make it easier for many other firms to export in the face of a dismal share of firms that are exporters (only 22% of firms in our sample).

In line with the self-selection hypothesis, firm productivity is positive and statistically significant in influencing the probability of export participation. An increase in firm productivity by 1% increases the probability of export participation by 1%–2%. However, the effect of firm productivity on the export orientation of firms is more pronounced among direct as compared to indirect exporters. For direct exporters, the effect of firm productivity is robust across all models estimated; however, for indirect exporters, the effect is non-robust and is weakly significant at the 10% level. The positive and significant effect of firm productivity on self-selection into export markets is in line with previous literature (Bbaale 2011; Bigsten et al. 2000; Girma et al. 2003; Wagner 2002).

Ownership of the firm matters in influencing the export orientation. Firms owned by foreign entrepreneurs compared to counterparts owned domestically increase the probability of exporting by 4%–7%. This effect is statistically significant at a 1% level of significance. However, the effect of foreign ownership on export orientation is more pronounced among direct than indirect exporters. The probabilities of foreign ownership are both economically and

statistically significant and robust across all models for the direct exporters and are non-robust for indirect exporters. The importance of foreign ownership on the probability of export participation is underlined in the previous literature, such as Cieslik and Goczek (2015), Bbaale (2011) and Olney (2015), among others.

Firms with an internationally recognised quality certification have a big advantage over others in the global trading arena. Having a globally recognised quality certification increases the probability of export participation by 5%–12%, and the effect is statistically significant at the 1% level and robust across all models. However, in all specifications, the probability is higher for direct than for indirect exporters suggesting that an internationally recognised quality certification is more important for the latter than the former. Website and email use increase the probability of exporting by 2%–8% and the relationship is statistically highly significant at the 1% level. However, the effect of this information and communication technology (ICT) is more important among direct than indirect exports. The economic and statistically probabilities are more significant for direct than indirect exporters. This might not be surprising because direct exporters must get in touch with their customers directly, whereas indirect exports go through an intermediary and hence ICTs might not be very important.

Source of finance (loan and an overdraft facility) increases the probability of exporting by 1%–5%. However, they are non-robust across models but are more pronounced among direct than indirect exporters. As expected, poor infrastructure reduces the probability of exporting, as it is an indirect cost to the production process. Power outages reduce the probability of exporting by 2%–3% and the relationship is highly statistically significant. Power outages are associated with an unwanted break in the production process and if continuity is to be sustained, it requires the use of generators, which pose a far much higher cost of production, which ultimately reduces the power to export. In line with the conventional wisdom that mainly international trade participants encounter customs and trade regulations as obstacles, firms that indicated that customs and trade regulations are a severe obstacle have a positive and statistically significant probability of exporting of 2%–6%.

■ Conclusion

The chapter set out to investigate the impact of corruption and bureaucracy on firm-level export orientation in Africa. The authors used the WBES for 26 African countries and employed a regular probit regression instead of the IV-probit after the null hypothesis of no endogeneity using the Wald statistic could not be rejected. The authors run three models for indirect exporters, direct exporters and all exporters combined.

It was found that direct exporters face relatively more regulatory bureaucracy compared to the indirect exporters to the extent that the average percentage of top-management time spent dealing with government bureaucracy is higher for direct than indirect exporters. On the other hand, indirect exporters pay a higher bribe tax than direct exporters, and 50% of indirect exporting firms reported having paid a bribe to government bureaucrats compared to 43% of direct exporters. The implication is that exporting via an intermediary seems more cumbersome than direct exporting.

Our empirical findings suggest that bribe incidence increases the probability of exporting. However, the effect of the bribe incidence on the export orientation of firms is more pronounced among the indirect exporters compared to the direct exporters. This might imply that indirect exporters must pay relatively more bribes for them to export compared to direct exporters. Bureaucracy measured as the percentage of top-management time spent on dealing with government regulatory requirements is positive and statistically significant in influencing the probability of exporting. However, the effect of bureaucracy in influencing the probability of exporting is more pronounced among direct exporters than among indirect exporters. It might imply that direct exporters spend a little more time engaging with government bureaucrats before they export compared to indirect exporters.

The findings on corruption and bureaucracy suggest that whereas bribing is more important in enhancing the export activities of indirect exporters, bureaucratic engagement is more important in enhancing the export activities of the direct exporters. These findings are in line with a strand of literature that supports the view that corruption 'greases the wheels of commerce' and are in sharp contrast with a strand of literature that argues that corruption 'sands the wheels of commerce'.

The importance of both bureaucracy and corruption in enhancing the export business in Africa is indicative of an inefficient public sector that cannot allow business activities to thrive without imposing an extra burden on the entrepreneurs. Consequently, the African government ought to fight corruption and reduce the red tape to create an environment where businesses can thrive without exposing entrepreneurs to extra burdens. The existence of corruption and bureaucracy might account for the dismal share of exporting firms in Africa (only 22% of firms in the sample) which governments ought to expand to enjoy extended benefits of export participation.

Enterprise dynamics and employment creation in Africa

Edward Bbaale

Department of Economic Theory and Analysis,
School of Economics, Makerere University,
Kampala, Uganda

Ibrahim M. Okumu

Department of Policy and Development Economics, School of Economics,
College of Business and Management Studies, Makerere University,
Kampala, Uganda

■ Introduction

The need to create decent employment in African countries is a matter of great policy concern. There is little wonder then that the International Monetary Fund (IMF) (2017) emphasised that sub-Saharan Africa's population is growing very fast, to the extent that by 2035 it will have added more youth of working age to the workforce than the rest of the world's regions combined. An appropriate response that can help eliminate the surplus of youth joining the labour market is for Africa to create 12-15 million jobs annually (African Development Bank 2020). Yet, Africa's employment elasticity of growth is quite low at 0.4 for a period since 2000 compared to 0.7, which is recommended for both employment and productivity growth (African Development Bank 2020).

How to cite: Bbaale, E & Okumu, IM 2022, 'Enterprise dynamics and employment creation in Africa', in FG Netswera, OM Fagbadebo & N Dorasamy (eds.), *State-owned enterprises in Africa and the economics of public service delivery*, AOSIS Books, Cape Town, pp. 67-86. <https://doi.org/10.4102/aosis.2022.BK270.04>

Inevitably, a very big shadow economy has emerged in Africa whereby up to 90% of jobs outside agriculture are in the informal sector, which also contributes 38% of GDP in sub-Saharan Africa (IMF 2017). Globally, the informal economy in sub-Saharan Africa is the second largest after Latin America and the Caribbean. Employment in the informal sector outside agriculture varies, from 34% in South Africa to 90.6% in Benin (International Labour Organization 2018).

While the informal sector has a great potential for job creation in sub-Saharan Africa as it requires minimal fixed and financial capital, it is associated with the greatest probability of job demise, with many firms failing to celebrate their first birthday. Their nature includes household enterprises that are not formally registered, like street vendors or domestic workers who make their existence vulnerable to shocks, such as the COVID-19 pandemic. The African Development Bank (2020) estimates that 25–30 million jobs could have been lost due to the COVID-19 pandemic mostly affecting the working poor. In terms of unemployment, the Southern hemisphere of Africa is the global leader with an unemployment rate of 26%, yet Northern Africa stands at 12.5%, which is less than half that of Western, Central and Eastern Africa (International Labour Organisation [ILO] 2018). Against this background, policymakers in Africa need to identify a group of firms that can generate decent and lasting employment opportunities for the increasing population.

■ Motivation

Africa's employment predicament has ignited a debate among researchers and policymakers concerning the possible sources of employment creation. Indeed, in any business environment, there is always a double effect of both job creation and job destruction because of the dynamic nature of business firms. While some firms might grow their output share or become new entrants to the business map leading to job creation, others might contract their output share or even exit completely, leading to job destruction. The net effect of the two opposite forces, job creation and destruction, is known as net job creation (Li & Rama 2013). Firm dynamism (entry, exit, expansion and contraction) therefore accounts for worker reallocations across enterprises and thus partly contributes to aggregate employment and productivity growth (Bartelsman et al. 2005; Li & Rama 2013).

This study intends to contribute to the ongoing debate among policymakers concerning the sources of job creation by understanding whether the limited employment opportunities result from existing firms' inability to create more jobs or job destruction because of either exit or contraction of enterprises. Consequently, this study seeks to understand which firm groups are more likely to create or destroy jobs. Empirical literature generally finds a positive association between firm size, productivity

and growth (Ayyagari, Demirgüç-Kunt & Maksimovic 2011a; Bartelsman, Haltiwanger & Scarpetta 2009a; Melitz 2003; World Bank 2012). The exception is for large state-owned firms that were found to be less productive and innovative compared to large privately-owned firms (Ayyagari et al. 2011a). On the other hand, some authors posit that there is a negative relationship between firm size and growth (Evans 1987; Hijzen, Upward & Wright 2010; Lotti, Santarelli & Vivarelli 2003; Neumark, Wall & Zhang 2008).

Lotti et al. (2003) in their study of young and small firms tested Gibrat's law and provided evidence contrary to the law to the extent that firm size and growth are negatively related. Neumark et al. (2008) indicate that small firms and establishments create more jobs in the United States. Their findings confirmed a negative association between establishment size and job creation in the manufacturing and services sectors. Hijzen et al. (2010) find in the case of the UK that whereas small firms create more jobs, at the same time they account for the largest share of job destruction. Evans (1987) finds evidence that firm growth decreases with firm size after controlling for the exit of slow-growing firms from the sample. Furthermore, using a cohort approach to examine firm dynamics and employment growth in New Zealand, Meehan and Zheng (2015) find that while the smallest firms play a relatively significant role in accounting for net job creation, this growth involves a modest proportion of the smallest firms, while the majority of these firms do not grow much at all.

A twist in the literature provides evidence that there is no relationship observed between firm size and growth once age is controlled for in the United States (Haltiwanger, Jarmin & Miranda 2013). However, Haltiwanger et al. (2013) highlight the importance of business start-ups and young businesses in U.S. job creation, which is against the view that small businesses are net job creators. From a sample of 16 developed and emerging economies, Haltiwanger, Scarpetta and Schweiger (2010) used the analysis of variance to show that firm size accounts for the most job reallocations across country, industry and size cells.

Just as in the case of size, there is no consensus in the literature as to whether it is the young or old firms that generate more employment. For example, Hsieh and Klenow (2012) and Cabral and Mata (2003) posit that older firms are many times bigger than they were during the entry period for both the United States and Portugal, respectively, emphasising the importance of firm age in job creation. Similarly, Ibsen and Westergaard-Nielsen (2011) emphasise the important role of firm age over firm size in employment generation in the case of Denmark.

Furthermore, firms that endure the turbulences of the business environment and survive for a long time are initially larger than the rest highlighting the role of firm size (Li & Rama 2013). In contrast, Criscuolo, Gal Peter and Menon

(2014) studied the dynamics of employment growth in 18 countries and found evidence that young firms (five-years-old or younger) play a pivotal role in employment creation, while old small and medium enterprises (SMEs) shed off many jobs. Upon distinguishing the role of entry from the expansion of enterprises, Criscuolo et al. (2014) show that entry is associated with the highest share of jobs created. Furthermore, Criscuolo et al. (2014) argue that while young firms are more likely to exist, those that survive the turbulences grow faster than older firms. However, for the case of the UK, Butcher and Bursnall (2013) find that young firms are more likely to shed off a great share of jobs in an environment of a significant economic downturn which is also re-echoed by Criscuolo et al. (2014). Similar evidence exists for the case of the United States (Fort et al. 2012).

The empirical literature has brought into perspective the role of high-productivity firms as engines of employment creation. An intriguing characterisation given this perspective is by Birch and Medoff (1994) (Henrekson & Johansson 2010). Their characterisation invalidates the widely held view that small and young firms account for the greatest share of jobs compared to other categories. They contend that net employment growth is accounted for by a small share of firms growing at a 'rocket speed' – so-called 'Gazelles' which are not necessarily small and young (Meehan & Zheng 2015). In the same vein, they define the 'mice', as small firms whose growth and contribution to employment generation is dismal. Additionally, they refer to 'elephants' as large and stationary firms that might well, in some instances, cause a significant volume of job destruction. Some authors like Schreyer (2000) find evidence in support of the view that high-growth firms account for a disproportionately large share of gross jobs gained using data from five OECD countries.

The preceding empirical literature has influenced a shift in the policy debates in recent years, with support being more inclined to high-growth firms moving away from the promotion of small and young firms (Coad et al. 2014). It is thus of great interest for the proposed study to investigate whether net employment growth is generated by a few rapidly growing, not necessarily small and young firms. This notwithstanding, it is imperative to investigate whether the 'Gazelles' are young and small firms or exporters, foreign-owned firms or those with access to formal finance. There is consensus in the empirical literature that exporters, foreign-owned firms and those with access to formal finance are more productive compared to their counterparts (cf. Bbaale 2011). Following Henrekson and Johansson (2010), it is important to investigate whether net job creation is attributed to a small share of highly productive firms. It is important to understand whether these firms are younger or smaller than others or whether they are exporters, foreign-owned or those with access to formal finance.

In the case of developing countries, literature provides a contrary view of the 'Gazelles' suggesting that small and young private firms contribute disproportionately to job creation (Ayyagari, Demirgüç-Kunt & Maksimovic 2011b). Using the enterprise surveys for 99 developing countries, Ayyagari et al. (2011b) show that small firms employing less than 100 workers are the biggest contributors to job creation and also display the highest employment growth rates. Similarly, in a study of five transition economies from Central and Eastern Europe, six Latin American countries and three emerging economies from East Asia, Bartelsman, Haltiwanger and Scarpetta (2009b) show that job creation and employment growth are experienced most among small firms.

Furthermore, another strand of the literature suggests that irrespective of the size of the firm, net employment growth is partly attributed to the flexibility associated with existing labour regulation. Indeed, in a firm-level analysis of 14 Latin American countries, Kaplan (2009) argues that flexibility in labour regulations is associated with an increase in both job creation (by 2.59%) and job destruction (by 0.51%), although the total employment experiences an average net increase of 2.08%. In terms of firm size, Kaplan (2009) shows that labour regulation flexibility affects small firms most, followed by medium firms and lastly large firms. Specifically, net employment creation turns out to be 4.24%, 2.85% and 1.27% among small, medium and large firms in the event of labour regulation flexibility (Kaplan 2009). Hence labour market flexibility is a key driver of net employment creation, especially among small firms. Most importantly, the transition from a rigid to flexible labour regulatory framework would be associated with both job displacement (perhaps because of reduced cost of firing) and creation, although the net employment creation would be positive.

The foregoing empirical literature discussion suggests that (1) the relationship between firm size and job creation is inconclusive, (2) controlling for firm age, firm size is irrelevant in explaining job creation, (3) irrespective of firm size, the productivity of firm is what matters for job creation and (4) the nature of the business environment matters more to job creation than the size of the firm. Therefore, there is still no consensus on the sources of employment creation; hence, the debate is still far from reaching a conclusion among researchers and policymakers. Additionally, much of the empirical work has been done in developed countries (the United States and Europe) and middle-income countries (Latin America and Asia) and scanty empirical works are available for low-income countries (LICs) and yet it remains very impracticable to conclude LICs based on studies for developed and middle-income countries. Consequently, the essence of this chapter is to investigate which firm groups in terms of size, age and productivity, while controlling for the business environment characteristics account for the greatest share of jobs created in the case of African countries.

Using the pooled ordinary least squares (OLS) analytical technique, the results indicate that the gross job creation rate (GJCR) is increasing among medium and large firms in comparison to small firms. However, the gross job destruction rate (GJDR) is decreasing among medium and large firms in comparison to small firms. This suggests that employment growth is more likely among large and medium firms compared to small firms. Indeed, the results indicate that employment growth is increasing among medium and large firms in comparison to small firms in Africa which is consistent with empirical evidence elsewhere (Evans 1987; Hijzen et al. 2010; Lotti et al. 2003; Neumark et al. 2008) which shows that firm size and firm growth are inversely related. In terms of age, young firms and starters are associated with an increase in GJCR compared to old firms. Also, starters are associated with an increase in GJDR compared to older firms. Starters are 3.4 times more destructive for jobs as compared to their creation. Consistent with empirical evidence (Ayyagari et al. 2011b; Bartelsman et al. 2009b; Criscuolo et al. 2014; Hijzen et al. 2010; Meehan & Zheng 2015; Neumark et al. 2008), the results thus suggest that young and more so starters account for the highest rate of job creation and job destruction in Africa. Overall, however, irrespective of whether a firm is small, medium or large, young firms are more destructive to jobs than older firms in Africa. Furthermore, irrespective of whether the firm is a starter, young or old small firms account for the highest level of job losses in Africa. Hence job flows in Africa are partly accounted for by small and young firms, more so starters.

The remainder of the chapter is as follows: the 'Methodology' section presents the data sources and the empirical strategy; the 'Findings' section presents both descriptive and empirical findings on firm dynamics and employment creation, and the chapter concludes with policy implications.

■ Methodology

■ Data issues

To study firm dynamics and employment generation, the study used the WBES that exists for at least two waves for most African countries since 2006. The WBES is well-suited for this study because it has information for the variables of interest, employment (full-time permanent employees), firm age, firm size, the export orientation of firms, ownership (whether domestic or foreign) and access to formal finance, among other business environment and firm-specific characteristics. More importantly, firm-level information on full-time permanent employees is collected at two different points in time: the number of employees three years ago and the current number of employees. This makes it possible to compute the gross job creation and destruction

measures for each of the two waves found in the data. Another important advantage of the WBES in relation to this study is that it has information on the structure of ownership of firms (i.e. foreign versus domestically owned), the export orientation of firms (i.e., exporters versus non-exporters) and access to formal finance (having access to a bank loan or overdraft facility or not). As such, WBES helps us to assess whether firms and their employment potential is affected by these key firm characteristics. So, job creation and destruction indicators were computed and related to information on the sample share of foreign-owned firms, the share of exporting/non-exporting firms and the share of firms having access to formal credit in an industry.

■ Econometric analysis

The authors followed Balakrishnan (2008) and Criscuolo et al. (2014) to estimate the relationship between measures of job creation/destruction and firm size and age:

$$E_{ijtc} = \alpha + \beta Ageclass_{ijtc} + \gamma Sizeclass_{ijtc} + \eta GDP_{tc} + \xi_t + \xi_j + \xi_c + \varepsilon_{ijtc} \quad [\text{Eqn 4.1}]$$

where E_{ijtc} is the gross job creation over average total employment across the two periods or the ratio of gross job destruction over average total employment across the two periods, or the net growth rate (defined as the ratio of net job creation over average total employment across the two periods) of the firm i in the industry j at time t and country c . It measures worker reallocations following entry, expansion or contraction of an incumbent or exit of a firm. $Ageclass_{ijtc}$, as a set of dummy variables, captures 'starters', 'young' and 'old' firms, respectively. Starters are defined as a group of firms that are aged one year or younger. Young firms are defined as those firms that are between 1 and 5 years of age. Old firms are defined as those firms that are over five years of age. $Sizeclass_{ijtc}$, defined as a set of dummy variables, captures small, medium and large firms, respectively. Small firms are defined as those firms employing less than 20 workers. Medium firms are defined as those firms employing between 20 and 99 workers. Large firms are defined as those firms employing at least 100 workers. GDP_{tc} is the GDP of the country c at constant prices of 2010. Finally, ξ_t , ξ_j and ξ_c are time, industry and country fixed effects that will be included in the model estimations. ε_{ijtc} is the zero-mean error that is identically and independently distributed across firms/white noise.

The authors first estimated models with firm size classes as the only regressor. Then age was included to ascertain whether the effect of firm size fizzles out when age is controlled for to test what Haltiwanger et al. (2013) observed in the United States. Additionally, following Criscuolo et al. (2014), the study considered the interaction term between age and size

classes to understand variations in job creation and destruction rates and net employment growth across different age-size groups. This helped capture the role of firm age in the different firm sizes and also the role of firm size in the different age groups. Is it young and small firms, for example, that create a greater share of jobs but at the same time lead to the demise of many? This question can be answered through the interaction term between age classes and firm size classes.

Finally, the study investigated whether high-productivity firms are driving employment growth in Africa. The authors considered variables in the literature related to highly productive firms, export orientation, foreign ownership and access to formal finance. The first regression that was run included these variables to establish their strength in employment creation. Later, the authors introduced interaction terms between these variables and firms' age and size classes. This helped to understand whether it is young/old or small/large exporters that account for job creation/destruction. Alternatively, it helps to understand whether foreign-owned firms are young/old or small/large that account for job creation/destruction. The same is done for firms with formal credit accessibility.

■ Findings

This section is divided into two parts: the first is the descriptive evidence where insights are drawn from summary statistics and some graphical expositions of the issues under study. The second shows results from the econometric analysis. The study starts with descriptive evidence to lay a firm foundation for the empirical evidence.

■ Descriptive evidence

Table 4.1 shows the summary statistics of the variables used during the analysis. The current average employment of firms in African countries is 65 employees. This implies that, on average, the majority of firms in African countries range between small (less than 20 employees) and medium (20–99 employees) firms. Indeed, Table 4.1 shows that almost 60% of firms are small compared to 28% that are medium and 13% that are large (100+ employees). It is also observed that the average employment of firms three years before the year of the survey was 63 employees meaning that for a period of three years, firms employed, on average, only two more employees. This suggests limited employment growth amongst firms for the countries in a sample which is indicated to be, on average, 12%.

Indeed, at an industry level, gross job creation that measures all positive job variations between two periods of interest was on average 10 jobs created

TABLE 4.1: Summary statistics.

Variable	Obs	Mean	s.d.	Min	Max
Employees at the start of the business	22 419	31.5	106.8	0	2000
Current employment	27 071	65.1	234.6	0	5600
Employment 3 years ago	23 879	63.3	221.3	0	4500
Average employment	23 800	65.3	223.9	0	4750
Gross job creation	18 929	10.0	42.3	0	1000
Gross job creation rate	18 927	0.2	0.3	0	2
Gross job destruction	3598	-26.6	46.8	-391	-3
Gross job destruction rate	3598	0.4	0.3	0.0	2
Employment growth rate	23 716	0.1	0.4	-3.5	3.9
Log GDP	25 228	3.3	1.3	0.5	5.6
Age of the firm	26 930	16.1	14.6	0	133
Starters (1 year or younger)	27 420	0.01	0.1	0	1
Young (1-5 years)	27 420	0.1	0.4	0	1
Old (over 5 years)	27 420	0.8	0.4	0	1
Small (less than 20 employees)	27 420	0.6	0.5	0	1
Medium (20-99 employees)	27 420	0.3	0.5	0	1
Large (100 and larger)	27 420	0.1	0.3	0	1
Foreign ownership	27 420	0.1	0.3	0	1
Export status	27 420	0.2	0.4	0	1
Obtained loan	26 561	0.2	0.4	0	1

Key: GDP, gross domestic product; s.d., standard deviation; Obs, observations.

within a period of three years with an average job creation rate of 20%. On the other hand, gross job destruction, which measures the absolute value of all negative job variations between two periods of interest, was on average 27 jobs destroyed within a period of three years with an average job destruction rate of 40%. The GJDR doubles the GJCR in Africa, implying that jobs are destroyed at a rate that is twice higher than the rate at which they are created. This is an issue of great concern for African policy makers who must devise means to reduce the rate of job demise and also come up with new job creation channels that can endure business cycle turbulences. The study tackles this issue later in econometric analysis.

African firms are, on average, 16 years old, indicating youthful business entities on the continent. In terms of age dynamics, starters (1 year or younger) account for only 2% of firms in the study sample compared to 18% of young firms (one to five-years-old) and 80% of old firms (five-years-old). Starters, on average, employ 20 workers compared to about 27 workers employed by young firms and 75 workers employed by old firms (Table 4.2). This means that old firms house the majority of employees in Africa. In terms of the size dynamics, Table 4.2 shows that large firms house the

TABLE 4.2: Firm dynamics and employment outcomes.

Age/size	Current employment	GJCR	GJDR	Employment growth
Starter (≤ 1 year)	20.41	0.72	1.29	0.19
Young (≤ 5 years)	26.86	0.37	0.48	0.28
Old (> 5 years)	74.86	0.22	0.42	0.10
Small (< 20)	8.73	0.25	0.57	0.12
Medium (20–99)	38.42	0.24	0.36	0.12
Large (100+)	367.68	0.22	0.24	0.11
Total	65.10	0.24	0.42	0.12

Key: GJCR, gross job creation rate; GJDR, gross job destruction rate.

majority of the workers (368 workers, on average) followed by the medium firms (38 workers), while small firms account for the lowest average current employment of nine workers.

In terms of the job creation rate, on average, starters account for the highest job creation rate of 70%, compared to almost 40% for young firms and slightly above 20% for old firms (Table 4.2). In terms of the size dynamics, small firms have the highest job creation rate of 25%, followed by medium firms (24%), and large firms account for the lowest job creation rate of 22% (Table 4.2). In terms of job destruction rate, it is indicated that whereas starters account for the highest job creation rate compared to young and old firms, at the same time, they account for the highest job destruction rate compared to their counterparts. It is noteworthy that the job destruction rate of starters almost doubles their job creation rate. This implies that starters cut more jobs than they created. This might point to the high mortality rate among starter firms. Observing the third column of Table 4.2 further shows that the job destruction rate decreases with firm age to the extent that older firms have the lowest job destruction rate even though they have the lowest employment growth rate of 11%. However, it is noted that irrespective of age, the job destruction rate of African firms exceeds the job creation rate.

In terms of size dynamics, similar to starters, whereas small firms account for the highest job creation rate compared to medium and large firms, at the same time they account for the highest job destruction rate of 57% on average (Table 4.2). It is noted that the job destruction rate of small firms more than doubles their job creation rate (25% compared to 57%). This implies that small firms shed off more jobs than they create. Table 4.2 further shows that the job destruction rate decreases with the size of the firm to the extent that large firms have the lowest job destruction rate of 24% compared to the medium (36%) and small firms (60%). However, the job destruction rate exceeds the job creation rate irrespective of size.

In terms of the employment growth rate, the variation is visible, while considering age dynamics and is rather insignificant while considering size dynamics (Table 4.2). Young firms account for the highest employment growth rate of 28% compared to starters (19%) and old firms (10%). Table 4.2 further reveals that small and medium firms account for a higher employment growth rate compared to large firms. This implies that young and small/medium firms are more significant than their old/large counterparts in terms of employment growth. This is, however, not to water down the contribution of large firms in terms of employment growth. This is because the large base ensures that much as large and small firms may in absolute terms bring on board the same number of jobs, small firms will have a higher employment growth rate than large firms.

■ Econometric evidence

Descriptive evidence highlighted the role played by young and small firms in influencing employment creation amongst African firms. The study now embarks on econometric analysis to further understand firm dynamics and employment creation. Table 4.3 shows the relationship between measures of employment creation (GJCR, GJDR and employment growth) and firm size and age dynamics while controlling for the size of the economy as measured by GDP. The authors first regress each measure of employment creation on size only (but with country, industry and time fixed effects) to understand the role of firm size in isolation of firm age (models 1, 3 and 5 of Table 4.3). Later, the study controls for firm age to understand whether size reduces or diminishes once age is controlled (models 2, 4 and 6 of Table 4.3).

Without age, medium firms increase the GJCR by 0.014 percentage points compared to small firms (model 1, Table 4.3). However, once age is controlled for, it is revealed that medium and large firms increase GJCR by 0.02 percentage points compared to small firms (Model 2, Table 4.3). The age dynamics revealed that starters increase the gross job creation rate by almost 0.4 percentage points compared to old firms. Furthermore, young firms increase the rate of gross job creation by 0.14 percentage points than old firms. The coefficient on starters is 20 times larger than that on medium and large firms and slightly over three times that of young firms. This finding emphasises the role played by business start-ups in creating employment. Table 4.2 corroborates the finding, showing that young firms, especially starters, account for the highest job creation rate than old firms.

Considering the job destruction rate, the study revealed that medium firms reduced the rate of job destruction by 0.2 percentage points compared to small firms. Large firms reduce the rate of job destruction by almost 0.4 percentage points compared to small firms (model 3 and 4 in Table 4.3). The coefficient on large firms is double that of medium firms emphasising the

TABLE 4.3: Firm dynamics, gross job creation rate, gross job destruction rate and employment growth rate.

Variables	(1)	(2)	(3)	(4)	(5)	(6)
	GJCR	GJCR	GJDR	GJDR	Employment growth	Employment growth
Medium firms	0.0135** (0.00590)	0.0228*** (0.00583)	-0.222*** (0.0114)	-0.221*** (0.0114)	0.0553*** (0.00701)	0.0644*** (0.00698)
Large firms	0.00953 (0.00775)	0.0234*** (0.00767)	-0.353*** (0.0138)	-0.352*** (0.0138)	0.0849*** (0.00908)	0.0985*** (0.00906)
Young firms	-	0.142*** (0.00770)	-	0.00215 (0.0227)	-	0.159*** (0.00974)
Starters	-	0.362*** (0.0518)	-	1.249*** (0.289)	-	-0.0870 (0.0776)
Log GDP	0.0989** (0.0493)	0.141*** (0.0486)	-0.0577 (0.147)	-0.0294 (0.147)	0.134** (0.0620)	0.170*** (0.0616)
Constant	0.0219 (0.366)	-0.169 (0.361)	0.671 (0.662)	0.556 (0.661)	-0.234 (0.485)	-0.401 (0.482)
Observations	15 029	15 029	3393	3393	19 430	19 430
R-squared	0.060	0.086	0.222	0.226	0.092	0.104
Country FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes

Standard errors in parentheses.

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Key: GJCR, gross job creation rate; GJDR, gross job destruction rate.; FE, fixed effects; GDP, gross domestic product.

role of large firms in offering more stable employment opportunities. These findings support the observation in Table 4.2 where it is clear that small firms account for the highest rate of job destruction despite accounting for the highest rate of job creation at the same time. Starters increase the rate of job destruction by 1.3 percentage points compared to the old firms. The coefficient on starters is seven times that of the medium firms and slightly over three times that of the large firms (models 3 and 4 in Table 4.3). Table 4.2 corroborates this econometric finding where it is shown that starters account for the highest GJDR, albeit accounting for the highest job creation rate.

It is indicated in the employment growth (model 5 and 6 in Table 4.3) that medium firms are to increase employment growth by 0.06 percentage points compared to small firms. Large firms increase employment growth by 0.08–0.1 percentage points compared to small firms. Though statistically highly significant at the 1% level, the coefficients are in absolute terms smaller, implying that they are insignificant in the economic sense. Table 4.2 lends support to these findings, which indicates that across all firm sizes, there is an insignificant difference in the rate of employment growth. Looking at age dynamics, young firms increased the rate of employment growth by 0.16 percentage points compared to old firms. The coefficient on young firms is 2–3 times larger than that of medium and large firms. On the other hand, the coefficient on starters is not statistically different from 0. Table 4.2 supports

these findings, which shows that young firms, compared to starters and old firms, account for the highest growth rate in employment.

The findings find support in the existing literature (Ayyagari et al. 2011b; Bartelsman et al. 2009b; Criscuolo et al. 2014; Hijzen et al. 2010; Meehan & Zheng 2015; Neumark et al. 2008) that supports the view that it is young and small firms but more so starters that account for the highest rate of job creation on the one hand and the highest rate of job destruction on the other. Some authors expressed pessimism about small and young firms' survival and employment potential in the case of a recession (Butcher and Bursnall 2013; Criscuolo et al. 2014; Fort et al. 2012). A unique piece of finding, once age is controlled, is provided by Haltiwanger et al. (2013), who provided evidence of no relationship between firm size and employment. The results do not support the evidence by Haltiwanger et al. (2013). The authors find that those firm size coefficients become statistically and economically stronger once age is controlled.

Overall, the findings might imply that, with small physical capital, small firms find it easier to penetrate the market and begin operations hence creating employment opportunities quite easily. However, evidence suggests that it is exceedingly difficult for these firms to survive for long; hence, their quick death leads to the shedding of many jobs. Given that there is limited scope for employment growth in large enterprises, the African government ought to support the survival of business starters to guarantee stable and reliable employment opportunities for the majority. At the same time, large firms should not be ignored because they account for the most stable employment opportunities. Their rate of job destruction is quite low compared to SMEs. The same applies to old firms versus young firms. A government-specific intervention aimed at boosting their activities is quite optimal. This might be in terms of ensuring: good public infrastructure, such as stable and fairly affordable electricity and improved transport network to ease access to markets of both raw materials, labour and finished goods; financial inclusion; reduction in bureaucratic rigidities which induce bribe payment that acts as a fixed cost among firm operations and protection of property rights.

■ Is the interaction of age classes and firm size classes significant?

The authors attempt to analyse the importance of firm age in the different size classes and the importance of firm size in the different age classes by running models with interaction terms (Table 4.4). This analysis helps to draw further insights on which firm groups do create or destroy jobs: Is it young but small firms? Young but medium firms? Old but small firms? Or old but medium firms? Considering the GJCR (model 1 of Table 4.4), it can be shown that the interaction term on young and small firms increases GJCR by 0.09 percentage points and the relationship is statistically significant at the 1% level. The effect

TABLE 4.4: Firms dynamics: The importance of firm age in the different firm sizes.

Variables	(1)	(2)	(3)
	GJCR	GJDR	Employment growth
Young × small	0.0935*** (0.0109)	0.378*** (0.0293)	0.0188 (0.0134)
Young × medium	0.192*** (0.0159)	0.117*** (0.0422)	0.204*** (0.0201)
Old × small	-0.0266*** (0.00779)	0.351*** (0.0140)	-0.0995*** (0.00916)
Old × medium	-0.0143* (0.00801)	0.131*** (0.0135)	-0.0489*** (0.00941)
Log GDP	0.137*** (0.0488)	-0.0582 (0.147)	0.171*** (0.0616)
Constant	-0.124 (0.362)	0.323 (0.662)	-0.288 (0.482)
Observations	15 029	3393	19 430
R-squared	0.082	0.222	0.104
Country FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes

Standard errors in parentheses.

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Key: GJCR, gross job creation rate; GJDR, gross job destruction rate; FE, fixed effects; GDP, gross domestic product.

is even more pronounced by the interaction of young and medium enterprises to the extent that it increases the gross job creation rate by almost 0.2 percentage points. The relationship is highly statistically significant at the 1% level. The coefficient on the interaction term of young and medium doubles that on the interaction of young and small firms signifying the fact that young and medium firms account for the highest rate of gross job creation than their counterparts.

On the contrary, old and small firms reduce the gross job creation rate by 0.03 percentage points and the relationship is statistically significant at the 1% level. Old and medium firms reduce the rate of gross job creation by 0.014 percentage points and the relationship is marginally significant at the 10% level. Overall, the results in model 1 show that irrespective of firm size, young firms are associated with an increase in the rate of gross job creation, while old firms are associated with a reduced rate of gross job creation. On the other hand, irrespective of firm age, medium firms are associated with an increase in the rate of gross job creation compared to small firms, while small firms are associated with a bigger reduction in the rate of gross job creation than medium firms. These findings are in line with previous literature that emphasises the role of small or medium firms compared to large firms and the role of young compared to old firms (Criscuolo et al. 2014; Hijzen et al. 2010; Lotti et al. 2003; Neumark et al. 2008).

Considering GJDR (model 2 of Table 4.4), the interaction term on young and small firms increases the rate of gross job destruction by 0.4 percentage points and the relationship is statistically significant at a 1% level. Additionally, the interaction between young and medium firms increases the rate of gross job destruction by 0.1 percentage points. It is noted that the coefficient on the interaction on young and small is four times that of the interaction on young and medium firms. This implies that young firms account for the highest rate of gross job destruction irrespective of firm size. Likewise, small firms account for the highest rate of gross job destruction irrespective of age. The interaction term on old and small firms and the interaction of old and medium firms yield the same results. This implies that irrespective of firm age, small firms account for the highest rate of gross job destruction. Additionally, young firms are associated with a higher rate of gross job destruction than old firms, irrespective of firm size. These findings are in line with earlier findings where the study provides evidence that whereas small and young firms are so instrumental in job creation, they are at the same time responsible for the highest rate of job demise, which is corroborated by Hijzen et al. (2010).

Considering employment growth (model 3 of Table 4.4), the interaction term on young and medium firms increases employment growth by 0.2 percentage points and the relationship is statistically significant at the 1% level. The coefficient on the interaction of young and medium is 10 times that of the interaction on young and small firms. This implies that medium firms account for the highest employment growth irrespective of firm age. The interaction of old and small firms reduces employment growth by 0.1 percentage points and the relationship is highly statistically significant at the 1% level. Yet, the interaction term on old and medium firms reduces employment growth by 0.05 percentage points and the relationship is highly statistically significant at the 1% level. The coefficient on the interaction of old and small firms is two times that of old and medium firms implying that irrespective of firm age, small firms are associated with the highest reduction in the rate of employment. On the other hand, irrespective of firm size, old firms reduce the employment rate, while young firms increase the employment rate. These findings are similar to the findings in model 1 of Table 4.4 of the GJCR and find support in the previous literature (Criscuolo et al. 2014; Hijzen et al. 2010; Neumark et al. 2008).

■ Is it a few high-productivity firms accounting for the highest job creation rate?

There is consensus in the literature that some groups of firms like exporters, foreign-owned and those with access to formal finance are more productive than their counterparts despite being a few (cf. e.g. Bbaale 2011). Looking at the study sample, these groups of firms account for quite a lower share of the firms.

For example, exporters comprise only 18% of the sample, those with access to formal finance comprise 20% of the sample, and those foreign-owned firms comprise only 13% of the sample. Despite being the minority, they are more productive than their counterparts. For example, the labour productivity of foreign-owned firms is on average 6.3 million dollars compared to 4.9 million dollars for domestically owned firms. Labour productivity for those with access to formal finance is 5.5 million dollars compared to 5.1 million dollars for those with no access to finance (Authors' computations from WBES data set, various waves since 2006). The study, therefore, tests the hypothesis that few high productivity firms account for the highest job creation rate, and the results are presented in Table 4.5.

It is observed that being an exporter is statistically equal to zero in influencing gross job creation/destruction and employment growth. On the other hand, being foreign-owned reduces the GJCR by 0.015 percentage points and also reduces employment growth by 0.03 percentage points. This might be attributed to the fact that foreign-owned firms usually come with their labour force and also tend to use labour-saving technology, hence accounting for lower employment growth. Having access to formal finance increases the rate of gross job creation by 0.014 percentage points. Firms having access to finance can easily expand their business activities and hence increase the scope for employment.

Now the study considers the interaction terms of age and size classes with exporters, foreign-owned firms and those with access to formal finance. Being an exporter and a small firm increases the rate of job destruction by 0.13 percentage points and reduces employment growth by 0.04 percentage points. Both relationships are highly statistically significant at a 1% level. Being an exporter and young firm increases the gross job creation rate by 0.1 percentage points and increases the rate of employment growth by 0.13 percentage points. Both relationships are highly statistically significant at conventional levels. A foreign-owned small firm reduces the job creation rate by 0.03 percentage points, increases the rate of gross job destruction by 0.1 percentage points and reduces employment growth by 0.08 percentage points. A medium firm that is foreign-owned reduces the rate of job creation by 0.03 percentage points and employment growth by 0.04 percentage points. Therefore, irrespective of size classes, foreign-owned firms account for lower employment opportunities for the case of African countries in the study sample. On the other hand, foreign-owned and young firms increase the rate of job creation by 0.1 percentage points and also increase employment growth by 0.16 percentage points.

A small firm that has a loan increases the rate of gross job destruction by 0.13 percentage points and reduces employment growth by 0.05 percentage points. On the other hand, being a medium firm and having a loan increases

TABLE 4.5: Importance of firm age and size in the high-productivity variables (exporting, foreign ownership and access to finance).

Variables	(1)	(2)	(3)	(4)	(5)	(6)
	GJCR	GJDR	Employment growth	GJCR	GJDR	Employment growth
Exporter × small	-	-	-	-0.0178 (0.0114)	0.133*** (0.0281)	-0.0457*** (0.0138)
Exporter × medium	-	-	-	0.00747 (0.0108)	-0.0101 (0.0209)	0.00680 (0.0129)
Young × exporter	-	-	-	0.111*** (0.0219)	-0.0714 (0.0650)	0.127*** (0.0276)
Foreign × small	-	-	-	-0.0343*** (0.0133)	0.0965*** (0.0312)	-0.0811*** (0.0160)
Foreign × medium	-	-	-	-0.0320*** (0.0121)	0.0126 (0.0266)	-0.0375** (0.0149)
Young × foreign	-	-	-	0.115*** (0.0220)	-0.0386 (0.0751)	0.160*** (0.0283)
Loan × small	-	-	-	-0.00841 (0.0100)	0.127*** (0.0252)	-0.0491*** (0.0122)
Loan × medium	-	-	-	0.0204** (0.00980)	-0.0524** (0.0206)	0.0214* (0.0119)
Young × loan	-	-	-	0.132*** (0.0186)	-0.00125 (0.0569)	0.143*** (0.0236)
Log GDP	0.130*** (0.0485)	-0.0139 (0.149)	0.160*** (0.0620)	0.0938* (0.0488)	-0.134 (0.163)	0.140** (0.0623)
Medium size	0.0250*** (0.00597)	-0.219*** (0.0117)	0.0695*** (0.00720)	-	-	-
Large size	0.0240*** (0.00826)	-0.353*** (0.0150)	0.106*** (0.00986)	-	-	-
Starters	0.314*** (0.0553)	1.249*** (0.289)	-0.108 (0.0819)	-	-	-
Young firms	0.145*** (0.00781)	0.00764 (0.0232)	0.165*** (0.00997)	-	-	-
Export status	-0.000628 (0.00687)	0.00924 (0.0132)	-0.00320 (0.00829)	-	-	-
Foreign	-0.0150* (0.00775)	0.0152 (0.0159)	-0.0317*** (0.00947)	-	-	-
Loan	0.0144** (0.00644)	-0.00367 (0.0131)	0.000131 (0.00784)	-	-	-
Constant	-0.128 (0.358)	0.283 (0.632)	-0.343 (0.483)	0.0398 (0.361)	0.673 (0.690)	-0.182 (0.485)
Observations	14 494	3306	18 777	14 494	3306	18 777
R-squared	0.089	0.226	0.108	0.074	0.077	0.098
Country FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes

Standard errors in parentheses.

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Key: GJCR, gross job creation rate; GJDR, gross job destruction rate; FE, fixed effects; GDP, gross domestic product.

TABLE 4.6: List of countries in the study sample.

Country	Wave 1	Wave 2	Frequency
Angola	2006	2010	291
Benin	2009	2016	142
Botswana	2006	2010	199
Burundi	2006	2014	162
Cameroon	2009	2016	208
Cote d'Ivoire	2009	2016	310
DRC	2010	2013	365
Ethiopia	2011	2015	706
Egypt	2013	2016	3188
Ghana	2007	2013	669
Guinea	2006	2016	162
Kenya	2007	2013	810
Madagascar	2009	2013	467
Malawi	2009	2014	268
Mali	2007	2010	461
Mauritania	2006	2014	132
Namibia	2006	2014	287
Niger	2009	2017	103
Rwanda	2006	2011	140
Senegal	2007	2014	508
Swaziland	2006	2016	145
Tanzania	2006	2013	713
Togo	2009	2016	80
Uganda	2006	2013	685
Zambia	2007	2013	668
Zimbabwe	2011	2016	665

Key: DRC, Democratic Republic of the Congo.

the rate of job creation by 0.02 percentage points, reduces the rate of job destruction by 0.05 percentage points and increases employment growth by 0.02 percentage points. Small firms having loans are likely overburdened by loan servicing and more likely to cause a contraction of their activities or a complete exit from business hence shedding off jobs. However, medium-sized firms can use loans to expand their enterprises and also expand their employment scope. The ability of medium firms to effectively utilise credit facilities towards firm expansion could equally arise from their ability to hire specialised personnel to oversee not only the firm's financial performance but also the firm's production side. Additionally, young firms having loans also increases the gross job creation rate and employment growth by 0.13 and 0.14 percentage points, respectively. This might imply that a loan is a catalyst for employment creation amongst firms in Africa.

The key message from this analysis is that foreign-owned firms account for fewer employment opportunities in Africa, while having a loan increases the rate of job creation. It is noteworthy that irrespective of being an exporter, foreign-owned and having access to formal finance, young and small firms

are prominently influencing job creation and destruction rates. Consequently, policy should focus on ensuring the survival of young and small firms to reduce the rate of job demise in African countries. Providing access to affordable finance and inducing foreign-owned firms to employ more residents might be optimal.

Finally, GDP increases the gross job-creating rate by 0.1-0.14 and employment growth by 0.13-0.17 percentage points in all the specifications (Table 4.3-Table 4.5). This finding signals the importance of the size of the economy in influencing employment creation. It implies that the economy creates employment opportunities as it grows hence providing some support for the growth-with-jobs hypothesis.

■ Conclusion

This study set out to investigate enterprise dynamics and employment creation in Africa. The authors were motivated by a key question - 'what groups of firms create the most jobs in Africa?' The study used the WBES for a sample of 26 African countries. Both descriptive and OLS techniques were employed during the analysis.

The findings of the study show that the GJDR doubled the GJCR. This means that in the case of Africa, jobs are destroyed at a rate that is higher than the rate at which they are created. Whereas starters and small firms account for the highest job creation rate compared to counterparts, they simultaneously account for the highest job destruction rate compared to counterparts. Notably, the job destruction rate of starters and small firms almost double and more than doubles their job creation rate, respectively. In terms of increasing the rate of gross job creation, the coefficient on starters is 20 times greater than that on medium and large firms and slightly over three times that of young firms. This finding emphasises the role played by business start-ups in creating employment. However, starters increase the rate of job destruction by 1.3 percentage points compared to the old firms. The coefficient on starters is seven times that of the medium firms and slightly over three times that of the large firms.

In terms of reducing the job destruction rate, the coefficient on large firms is double that of medium firms emphasising the role of large firms in offering more stable employment opportunities. Considering the interaction terms, irrespective of firm size, young firms are associated with an increase in the rate of gross job creation, while old firms are associated with a reduction in the rate of gross job creation. On the contrary, young firms account for the highest rate of gross job destruction irrespective of firm size. Likewise, small firms account for the highest rate of gross job destruction irrespective of age. Additionally, irrespective of firm size, young firms are associated with a higher rate of gross job destruction than old firms.

Considering the effect of high-productivity firms versus age and size dynamics of firms, it is revealed that, irrespective of size classes, foreign-owned firms account for lower employment opportunities in the case of African countries in the study sample. On the other hand, foreign-owned and young firms increase the rate of job creation by 0.1 percentage points and also increase employment growth by 0.16 percentage points. Small firms having loans are likely to be overburdened by loan servicing and more likely to cause a contraction of their activities or a complete exit from business hence shedding off jobs. However, medium-sized firms can use loans to expand their enterprises and also expand their employment scope. Additionally, young firms having loans also increase the gross job creation rate and employment growth by 0.13 and 0.14 percentage points, respectively. This might imply that a loan is a catalyst for employment creation amongst firms in Africa. Finally, the GDP which was used as a measure for the size of the economy positively influences employment creation hence providing some support for the growth-with-jobs hypothesis.

Given that there is limited scope for employment growth in large enterprises, the African government ought to support the survival of business starters to guarantee stable and reliable employment opportunities for the majority. Governments ought to ensure access to affordable finance for young and small firms and also negotiate with foreign firms to employ more nationals. At the same time, large firms should not be ignored because they account for the most stable employment opportunities. Specific government interventions aimed at boosting their activities, such as ensuring a stable power supply and reducing corruption might be optimal.

Pillars supporting corruption in procurement practices: A case of non-public-serving state ownership enterprises

Nirmala Dorasamy

Department of Public Management and Economics,
Faculty of Management Sciences, Durban University of Technology,
Durban, South Africa

■ Introduction

Procurement is a strategic mechanism used by governments to ensure fair business practices. Being central to public service delivery, it is used to promote transformation, socio-economic development and good governance. Embedded in political systems, procurement policies are implemented to ensure accountability and consistency in processes, interpretation and application. The government has the responsibility to improve productivity through economies of scale. Sound procurement practices are one of the tools through which good governance can promote the well-being of the public sector. Many developing countries have established SOEs to assist in the growth of public and non-public sectors. State-owned enterprises or public entities are independent bodies that the government wholly or partially owns. The transformation of state agencies or assets into state-owned

How to cite: Dorasamy, N 2022, 'Pillars supporting corruption in procurement practices: A case of non-public-serving state ownership enterprises', in FG Netswera, OM Fagbadebo & N Dorasamy (eds.), *State-owned enterprises in Africa and the economics of public service delivery*, AOSIS Books, Cape Town, pp. 87-107. <https://doi.org/10.4102/aosis.2022.BK270.05>

corporations aims to promote more efficiency and efficient service delivery. State-owned enterprises are premised on the belief that public authorities, rather than full privatisation, provide the leverage to take advantage of private-sector efficiencies while maintaining public integrity and accountability.

As the government's delivery arm, SOEs significantly contribute to economic growth, public service delivery, improving income equality and reducing unemployment and poverty. Developing countries can consolidate socio-economic infrastructure growth through well-managed SOEs. Well-governed SOEs are premised on lowering the cost of capital, while increasing and maintaining sustainable investment and competitiveness (Matsiliza 2017). However, SOEs can be construed as being non-public-serving when they fail to contribute to national intentions for supporting improved quality of life, growth and development, and maintaining and expanding services based on financial viability and sustainability. The overall failure of SOEs to serve the public interest mitigates efficient and effective public service delivery expectations.

Strengthening the governance of SOEs is gaining momentum, as sound governance is associated with national growth, competitiveness and fiscal benefits. Sound governance is intended to enhance decision-making, operational efficiency and efficiency outputs. The World Bank (2014) emphasised the importance of governance to increase the economic performance of SOEs. Li and Flier (2007) asserted that since SOEs are critical for attracting domestic and foreign investment in developing countries, it is important that they maintain investor confidence, build competitiveness and promote socio-economic growth through sound governance practices.

Acts of corruption, such as dishonest behaviour by those in power, double-dealing, giving or accepting bribes or inappropriate gifts, under-the-table transactions, diverting funds, defrauding investors and laundering money have also been associated with unethical procurement practices. In cases where SOEs have succumbed to corrupt procurement practices, the effects on society, the economy and the political system have been destructive. In this regard, Rossouw (2005) argued that Africa's corruption scars can be healed through sound governance underpinned by ethical practices. Specifically referring to SOEs, prudent governance is imperative, given that SOEs play a significant role in contributing to the socio-economic goals of government.

While public procurement implies the acquisition of the right quality and quantity of goods and services at the lowest possible cost, various anomalies, such as irregularities and non-compliance with procurement practices have resulted in corruption. Often, such corruption arises when prices are unduly increased, there is nepotism in the award of contracts, non-compliance in advertising tenders, improperly constituted bid committees and conflict of

interest among bid committee members. Therefore, the nexus between public procurement and corruption is inevitable when poorly monitored control mechanisms exist. The abuse of public power, such as corruption in procurement practices, is particularly destructive for developing economies (Munzhedzi 2016).

In examining the role of SOEs, this chapter interrogates how corruption in procurement practices has turned such enterprises into non-public-serving entities, thereby hindering their significant contribution to growth and development. Drawing on an axiology philosophy, the study explores current procurement practices that deviate from what ought to be done or doing what is right among SOEs. An extensive interrogation of literature provided the basis for an in-depth insight into pillars reinforcing procurement corruption among SOEs. The interpretation and arguments provided create opportunities for further debate, new perspectives and research on the complexities associated with SOEs and procurement corruption.

■ Non-public-serving state-owned enterprises

State-owned enterprises in developing states further the agenda of the government to direct and sustain socio-economic development. Maximising the performance of SOEs must be a goal of overriding priority importance for governments. The quality of their governance is a critical pillar of SOE performance (Mathenge 2013). Good governance translates to socio-economic development. This is influenced by robust control, auditing and reporting systems that minimise risks of corruption, poor accountability and uneconomic decision-making (Githui 2012). As a key element of good governance, sound procurement practices should lead to the acquisition of goods and services in accordance with governance laws and procedures (Williams & Quinot 2007). Despite legislative frameworks regulating procurement, decision-making using discretionary powers is frequently violated, often resulting in procurement failing to be a value-adding process. There are a plethora of regional and international anti-corruption instruments, including the Uncitral Model Law on Public Procurement, the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, the United Nations Convention Against Corruption and the Convention Against Transnational Organised Crime. Others are the Southern African Development Community Protocol Against Corruption and the African Union (AU) Convention on Preventing and Combating. All these instruments have set binding standards for anti-corruption systems; nevertheless, it is clear that much more is required to curtail corruption in procurement practices (Sartor & Beamish 2018). Additionally, while multilateral organisations, such as the Commonwealth Association of Corporate Governance, the Organization of Economic Cooperation and Development and the United Nations Compact have instituted principles of good governance for countries

to adopt, corrupt procurement activities have hindered the emergence of an ethical environment (Mathenge 2013). In such instances, accountability, transparency and integrity are not forthcoming. Fourie (2015) has argued that this often happens in the public sector when the protection of SOEs is mainly a political consideration rather than a genuine attempt to use SOEs as a catalyst to address socio-economic concerns.

Arguably, neglecting a mindful exploration of governance options that reinforce the purpose of SOEs will invariably result in the non-achievement of national socio-economic goals in the long term (Khan, Nandhakumar & Panayiotis 2015).

Corruption scandals within SOEs have placed governance in the limelight. Amoako and Goh (2015) claimed that multiple and conflicting internal and external stakeholder interests impact organisational performance and long-term growth. Unethical conduct in SOEs is traceable to poor governance, underpinned by non-transparency and accountability, inefficiency and poor reporting and monitoring. Adele (2012) argues that governance failures in SOEs were mainly due to governments failing to effectively govern the internal control structures of SOEs and poor accountability and transparency.

In terms of public procurement, good governance requires a regulated environment that informs and reinforces procurement practices are by-laws and policies that engender ethical procurement interactions between various stakeholders. Kamal (2010) has noted the need for prudent governance for SOEs to drive the socio-economic agenda, especially in developing countries. Similarly, Ariff, Ibrahim and Othman (2007) posited that robust governance systems generate better operating performance and higher returns. In the context of Africa, developing countries have poor political and socio-economic backgrounds that impede the sustainability of governance principles. For example, weak investment confidence, financial crises and a lack of management capacity have been linked to governance deficiencies. These challenges are unique for SOEs because of political interference and conflicting interests. Some governments have considered privatisation to ameliorate poor performance. Such an approach has failed to address the dynamics facing SOEs, such as multiple objectives and government ministries pursuing conflicting goals.

■ Pillars supporting corruption in procurement practices

State-owned enterprises, as the custodian of public funds, have a fiduciary responsibility to be fair in any procurement activity. This extends beyond procedural fairness, as public interests need to be considered as well (Sartor & Beamish 2018). Therefore, procurement decisions influence not

only contracting parties but also public interests. The implementation of inconsistent procurement practices can be attributed to several factors.

In ensuring that taxpayers' money and public resources are not squandered, government and private suppliers are responsible for transparent and accountable procurement processes that support the provision of prioritised high-quality services. In the absence of such processes, procurement becomes vulnerable to corruption and fraud. Herein, the compromise of public interest is an inevitable outcome, ultimately failing to address socio-economic objectives. Therefore, socio-economical goals must be aligned with organisational and community goals.

Procurement processes that fail to address service provision quality, reliability and durability can be criticised for poor functionality. Poor functionality can be associated with unfair practices, ineffective competition, weak reporting accountability and ignoring value for money, which fundamentally blurs the principles of good governance. It can be argued that poor functionality is embedded in an organisational culture that is not outcomes-driven. Harrison and Baird (2015) argued that organisational culture could be used as a powerful force to overcome socio-economic challenges, while Tan and Sun (2012) viewed organisational culture as the 'invisible hand' influencing, maintaining and regulating all aspects of public sector management. However, when the invisible hand fails to produce the outcomes like organisational competitiveness and high-performance levels, then the public sector culture is not characterised by the achievement of outcomes. This is visible when procurement regulations, requiring transparency and accountability for formal bidding and tendering fail to attend to compliance due to poor governance.

■ Patron-client networks

It has been asserted that corruption is one of the greatest threats to socio-economic development (Beresford 2015). Beresford (2015) argued that corruption, a symptom of gatekeeper politics, gains prominence in patron-client networks. As patrons and gatekeepers, politicians derive their legitimacy and power through informal and personalised relationships with clients. Such networks allow politicians to control access to resources while distributing resources through patronage networks to enable them to regenerate their political power. The World Bank (2006) argued that while SOEs allow for enhanced economies of scale, many have contributed to extensive macroeconomic crises due to political patronage. Political patronage has resulted in mismanagement, governance challenges and poor SOE performance. For example, Szeftel (2000) cited the case of Sierra Leone, where clientelism produced opportunities for personal accumulation and corruption. The networked nature of the drug trade requires high levels of

political networking, which is not explicit, hence making it difficult to find links between criminals and politicians. The patronage system, which underpins the political economy of Sierra Leone, diminishes the political will to deal with complex corruption patterns in the country (OECD 2012). Herein, political attention is directed to the distribution of state resources, instead of the use of state power for socio-economic growth.

Similarly, Dawson (2014) cited the arms scandal and President Jacob Zuma's 'security upgrades' to his private homestead in South Africa as examples of politicians using their power to leverage contracts for personal enrichment. Oftentimes, such corruption was prevalent in politicians who used procurement activities to generate personal wealth. Further, Hyslop (2005) argued that crony capitalism, whereby politicians use their businesses to benefit from state contracts, is another example of political elites hindering development. Additionally, *tenderpreneurship* is another phenomenon being influenced by patron-client networks, with influential politicians acting as players and referees in the tender process.

■ Poor management wisdom

Beugré (2015) has argued that poor management is traceable to the lack of Ubuntu, Kgotla and the palaver tree within the African context of socio-economic development. All three concepts draw on a spirit of caring and humaneness, participatory decision-making and community empowerment. These governance systems are embedded in trust, reciprocity and obligation (Peng & Dess 2010). One can posit, therefore, that such traditional African values have a place in management, especially for socio-economic development, since management has served African states poorly. In this regard, Lu, Zhong and Kong (2009) asserted that the role of stakeholders is crucial for long-term survival; hence poor stakeholder relationships and non-cognisance of their rights can affect SOE performance.

Undoubtedly, procurement corruption issues are traceable to self-serving interests, unilateral decision-making and the absence of an obligation to serve the common good. Mangaliso (2001) attests that *tenderpreneurship* has retarded transformation in Africa by facilitating the concentration of wealth within well-connected networks. This has hindered communities from becoming engines of entrepreneurship within social structures at the community level.

■ Separation of ownership and control

Divergent interests among management, the executive and the board of directors are inconceivable when ownership and control are separated. By implication, SOEs are more likely to experience nonaligned interests based on

a division of labour that results from the separation of ownership and management. Mallin (2004) argued that conflict of interests will continue to perpetuate poor governance without controlling mechanisms. For example, management as a control mechanism may have access to information which may not be fully disclosed to the board. This may create uncertainty about the actual performance of management. The problem is accentuated when boards do not have a strong platform to monitor the performance of management. Further, in the absence of independent boards with strong monitoring functions, poor management control of SOEs can widen, as they are not subjected to external threats for non-performance.

Further, while the separation of ownership and control of SOEs may produce negative effects, the relationship between the owners and management can also perpetuate nepotism that transgresses good governance. For example, politicians representing public authorities as the owners of SOEs may be inclined to give privileges in resource allocation to SOEs. Moreover, Nguyen and Van Dijk (2012) have argued that politicians are more likely to provide favourable conditions for SOEs, given the fact that many politicians earlier served as top executives in SOEs. Unlike the PS, management in SOEs is not constrained by threats of bankruptcy and takeovers (Nguyen & Van Dijk 2012). Often, they are rescued by state equity injections into SOEs following poor performance, further insulating SOEs from the stringent requirements of the PS.

■ Lack of clear direction

Without clear primary and secondary objectives for SOEs, the measurement of performance becomes difficult. Further, prioritising multiple objectives can help in trade-offs, which is imperative for long-term sustainability. Whether it is improved financial performance or not, performance targets must be correlated to the recovery of capital costs. Additionally, Chiwamit, Modell and Scapens (2017) have advocated that apart from a value-added economic system being an important part of financial management, other non-financial performance measures should form part of an integrated performance management tool. This can significantly draw attention to adherence to sound governance practices relating to procurement. Amoako and Goh (2015) claimed that, while this is obvious, few governments have calculated the costs of not pursuing non-financial objectives like unemployment alleviation.

Cheteni (2018) further argued that the government's continuous aid given to failing SOEs, despite poor management accountability, provides an ideal breeding ground for inefficient allocation of resources and poor management decisions to fester. Despite a trajectory of financial losses, Eskom in South Africa has faced corruption scandals relating to procurement. Abuse of power due to inadequate internal control and oversight measures allowed the CEO

to secure coal contracts with huge kickbacks. Given the mandate from the South African government to safeguard its growth, the SOE continues to burden the South African taxpayer despite inefficiencies. In the absence of the government acting prudently on the macroeconomic instability and inflationary pressure generated from SOEs, they will continue to receive unfair state protection and exert monopolistic tendencies (Miyamoto & Yu 2000).

■ Political interference

Public procurement is susceptible to corruption not only because vast amounts of public funds are involved in procuring goods and services but also due to public officials and politicians having tremendous discretionary powers over public procurement (Ware et al. 2007). Amoako and Goh (2015) argued that bureaucrats and politicians who are the agents representing the interests of taxpayers are guilty of poor agency when self-interest permeates the attainment, exploitation and maintenance of power. Dalton and Dalton (2010) further identified the lack of private funding as an impetus for political influence and poor governance in SOEs. This promotes inappropriate political interference at the expense of public scrutiny and the application of good governance principles. The problem is compounded when SOEs are owned and monitored by several government agencies, making numerous agencies owners of the SOE, each with their agenda as regulators, financiers and shareholders. This creates incoherence in administering SOE policies, and the consolidation of ownership, difficult (Williams 2010). While in North Africa, SOEs contribute between 20% and 50% of economic value-added and account for approximately 30% of total employment (OECD 2012), SOEs often face a lack of competition and multiple competing objectives due to principal-agent issues. Further, separating political and board roles is critical for strengthening governance, as this ensures that independent decision-making by the board is not subjected to political influence (Leutert 2016). Undoubtedly, political interference can be posited negatively affecting the board's responsibility to ensure good governance, often translating into stakeholder interests and SOE performance not being protected (Methane 2013).

■ Lack of board independence

The functionality of the board is inextricably linked to the performance of SOEs. The extent to which boards are independent influences their functionality. When boards become tools of top management, rubber-stamping their actions, they fail to act as independent thinkers who can shape governance within the SOE. This lack of independence provides the opportunity for corruption to permeate the SOE.

The failure of the board of directors to lead SOEs independently has been cited as one of the major reasons for poor monitoring and accountability,

subjective judgments and unethical management (Dalton & Dalton 2010). Many of the scandals in the SOEs uncovered in recent years in Africa, such as the Eskom case in South Africa, could have been prevented if the board of directors was more ethically inclined. Without real authority being vested in the board through a legal and regulatory framework, the insulation of SOEs from political interference is weakened.

Further, the alignment of the board of directors to a political ideology negates structural independence, which is needed for managing compliance, conflict of interests, stakeholder interests and good governance (Balasubramanian 2009). In this regard, Karns (2011) argued that most often boards comprise members with political allegiance rather than management acumen, which is needed to overcome improper interference. Frederick (2011) maintained that the dominance of the board membership by executive members affects the independence of the board's membership. The ensuing lack of independence influences subjective outcomes contrary to good governance. Howard and Seith-Purdie (2005) have argued that without operational autonomy, boards might fail to advance the long-term interests of SOEs due to diverse stakeholder interests. The lack of competencies by non-executive board members to engage in discussions and decision-making at the executive level compounds the problem.

Interestingly, studies by Fan, Wong and Zhang (2007), Menozzi, Urriaga and Vannoni (2011) and Curi, Gedvilas and Lozano-Vivas (2016) found that a politically connected board of directors negatively affected the financial performance, board quality, strategic planning and effective governance of SOEs. Similarly, Miring'u and Muoria (2011) found that SOEs in Kenya, which had a higher number of non-executive boards of directors, demonstrated higher levels of financial performance. As an important dimension of governance practices, board independence positively impacts the performance of SOEs.

According to the agency theory, the board plays a critical monitoring role. Further, without strong internal governance structures supporting monitoring, boards cannot control ethical behaviour and accountability in the SOE. However, Kamel and Elbanna (2012) have noted that the lack of authority by SOE boards to control management weakens the confidence and trust between principal-agent. Vo and Nguyen (2014) and Guest (2009) argued that non-independent boards negatively impact transaction costs in decision-making, decrease the SOEs' impact on society and are more likely to have weak oversight responsibilities (Fan et al. 2007; Menozzi et al. 2011). The World Bank (2014) findings support this position, indicating that non-independent boards increase government influence in operational functions and decrease the profitability and efficiency of SOEs. Overall, a lack of experience, competencies and independence among board members can affect the functionality of the board and the performance of the SOE.

■ Non-transparency

The lack of transparency has a debilitating effect on socio-economic outcomes, triggering diminishing stakeholder confidence in the governance of SOEs (World Bank 2014). For example, untimely and unreliable auditing and reporting on the performance of SOEs affects trust between stakeholders and the government and negatively impacts the overall image of SOEs as role models of good governance. In this regard, Abdullah, Percy and Stewart (2015) have argued that reforms in the governance of SOEs must be supported by full disclosure of every aspect of SOE performance. Partial and unreliable disclosure often presents a distorted report of SOE performance. Undoubtedly, such disclosure is frequently driven by deliberate non-compliance to advance self-serving interests.

The lack of transparency, partly due to political interference, restricts public access to information. In the absence of mandatory reporting, oversight guidelines, maintenance of auditing and accounting standards and full risk disclosures, inefficiencies can escalate. Transparency and disclosure are crucial for enhancing accountability and performance. Accurate and timely auditing and reporting hold SOEs accountable for their performance (Jurkonis & Petrusauskaitė 2014). Kamal (2010) argued that credible disclosure is the cornerstone for government accountability, lowers the cost of capital and ensures efficient resource allocation. Disclosure plays a credible role in controlling behaviour linked to corruption. For example, corruption scandals like the SABC in South Africa continued for a certain period because of the dearth of timeous and credible information available to shareholders. In the absence of such transparency, incessant corruption can persist.

Relatedly, Williams (2010) claimed that the profit motive of SOEs runs counter to the social motives of providing services at the lowest cost. While SOEs need to run efficiently, excess income is not always used to reduce the cost of services. One could argue that a lack of a regulatory framework deprives the public of having social control over SOEs, thereby promoting the profit motive over the social goals of a developing country. This is facilitated by a lack of information on non-commercial social objectives and the associated costs of pursuing these objectives. Without such information, Amoako and Goh (2015) have posited that it becomes difficult to assess performance and raise issues around accountability. Without transparent and accountable procurement systems, the extensive resources channelled through public procurement systems run the risk of compounding corruption and the misuse of resources.

■ Dissipated accountability and monitoring

State-owned enterprises must be responsible when executing their functions so that their accountability as agents aligns with the expectations

of the principal. According to Ndiweni (2008), accountability links, inextricably, to constructive decision-making that extends beyond irreproachable integrity and moral values. In serving public interests, SOEs have a clear role in terms of socio-economic development. However, when decisions are non-compliant with accountable requirements, then it is right to posit that SOEs are not acting in the best interest of the public. Poor public interest compromises the performance of SOEs in terms of driving socio-economic development. In such instances, the result most often is poor management of public resources, ineffective financial management and poor accountability. Lipman and Lipman (2006) have intimated that incoherent implementation of monitoring and evaluation processes affects accountability. Without proper monitoring and evaluation processes, accountability for public resources cannot be determined. This means that the pursuance of effective governance is a possibility. While the need for monitoring and evaluation is well-documented, poor coordination within multiple reporting requirements increases the burden of administration and accountability. However, while monitoring and evaluation may not prevent corruption, it can serve as a tool to detect and eliminate acts of corruption.

■ Unethical governance and poor organisational culture

Globally, there are growing concerns with public procurement practices, which are non-compliant with ethical governance. While the agency theory points to the reality of self-interest in organisational life, strengthening an ethical culture is critical to preventing self-interest from flourishing. Therefore, the good governance framework of SOEs should include ethical considerations. Bhatta (2001) has averred that since humans are inherently inclined towards unethical behaviour, legislation and regulatory frameworks are not adequate to safeguard the public interest. The practice of ethics requires doing virtuous acts. However, with such diversity in Africa, interrogation of ethics across diverse organisational cultures is pivotal to mitigating the continuous crisis in governance within SOEs.

Liu et al. (2017) argued that sharing common values and beliefs supporting ethical conduct among stakeholders strengthens governance and organisational culture. A robust ethical framework forms the core of good governance. State-owned enterprises not governed by ethical principles will negatively affect the relationships among various stakeholders, apart from organisational performance. Without ethical guidelines supporting the structural framework for SOEs, their performance cannot be assessed against any ethical framework. Ali and Patnaik (2014) claimed that agreed values and shared assumptions about correct behaviours have a bearing on organisational culture. The absence of a deep organisational culture supporting ethical governance weakens performance,

and the overall commitment to quality is not considered a significant pillar for organisational success. One can argue, therefore, that just as financial auditing takes place, ethical auditing exposes non-compliance with internal and external ethical standards. Without an integrated system of ethics management within SOEs, it is not possible to integrate socio-economic goals (Mpinganjira et al. 2016)

Fourie (2015) has claimed that ethical procurement practices consider what is good for others in a rational manner, ultimately serving the public interest. This suggests that ethics extends beyond merely preventing corruption in public procurement. It implies that an ethical organisational culture deeply engrained resistance to corruption. Many corporate scandals in Africa prove that governance mechanisms do not guarantee translation into good governance. A collective commitment to an ethical culture that permeates throughout the organisation reinforces its conformance. In this regard, Mathenge (2013) opined that support from the board, government, management and executives is required to promote integrity, accountability, transparency, oversight and monitoring.

Huhtala et al. (2013) estimated that an ethical culture influenced organisational behaviour. For example, failing to use moral responsibility as a yardstick to ensure compliance with procurement processes can place the SOE at risk of failure. Additionally, it is difficult to manage risk and performance without nurturing an ethical culture within SOEs. Githui (2012) has stipulated that agreed and legitimate beliefs, values and attitudes which guide organisational performance promote a strong organisational culture. Such legitimacy promotes voluntary compliance. However, Fisher and Lovell (2009) have argued that moral obligation significantly provides much of the evidence on voluntary compliance. Therefore, individuals with low moral obligations will collude to further their corrupt activities. Their common interests facilitate non-compliance and poor organisational culture. Mathenge (2013) further added that values, such as trust and openness encouraged compliance, which collectively strengthened organisational culture. Shuhui and Seeger (2012) posited that merely increasing internal controls without instilling ethical elements into governance practices can have unintended consequences like increased manipulation.

From an investment perspective, evidence of ethical governance is a strategic and valuable tool to attract investors. Investors have a reliable means to make informed investment decisions based on accurate performance disclosure, which is important for expanding international competitiveness. Othman and Rahman (2014) suggested that by linking ethics to quality management, SOEs can exemplify good governance. There is a nexus between the ethical board of directors and sound governance because of reciprocal relevance. Such relevance drives SOEs to be responsible, responsive to stakeholder needs and comply with best governance practices. However, in

the case of state capture in South Africa, political meddling created a conflicting divide between public interest and influential political interests (Office of the Public Protector 2016).

Ultimately, a regulatory environment is inadequate to safeguard against corruption. An ethical organisational culture built on commitment from all stakeholders, which generates the expected 'eat, drink and sleep' ethical behaviour is required (Mathenge 2013).

■ Poor internal governance

Irreconcilable interests emerge when there is a separation between ownership controls. Therefore, policies and processes addressing conflict of interest between the principal, shareholders and board of directors should inform internal and external controls. Through the consistent application of standards and rules of engagement, the interests of stakeholders can be aligned. Hence, rules of engagement, such as transparency, accountability and trust can reduce misalignment of interests, while ensuring adherence to sound governance principles throughout the value-chain web of relationships (World Bank 2006).

Regular communication, such as reporting, should be a driver of internal governance. For example, Tanlamai and Juta (2011) have posited that audited financial statements not only provide an objective statement on the financial activities of an SOE but also allow for objective monitoring. Additionally, operational inefficiency and poor value maximisation investments inevitably emerge when the government fails to identify clear legal frameworks, reporting and evaluation rules and objectives for agents. Boateng (2016) cited the lack of audited financial information for SOEs in Ghana as a governance risk. While SOEs in Ghana were compliant with external governance requirements, they failed to apply internal governance practices. Such non-adherence to internal control practices impedes optimal operational decision-making, responsibility for performance and the ability to expand international competitiveness. One of the key elements of internal control is a robust system of internal auditing, which, according to Matsiliza (2017), should focus on addressing audit qualification issues and achieving unqualified audit status. This is important for assuring effective internal control and risk management.

State-owned enterprises cannot create a competitive advantage without focusing on efficiency and quality. This requires well-established governance processes that have stringent internal control policies. Boateng (2016) further argued that poor internal governance is also associated with unskilled executives, poor human resource management practices and performance contracts not linked to SOE market competitiveness. Such human resource-related factors are critical for the sustainability and success of SOEs in driving socio-economic development.

■ Grand corruption and contract bidding

Dela Rama (2012) has argued that grand corruption, in which the government serves as a bribery-generating mechanism, undermines the economy and destroys state functioning. Grand corruption transgresses regulatory processes because of influential political peddling. In the case of contract bidding, the legal and statutory system is undermined when the award of contracts is influenced by the personal vested interests of politicians and corrupt processes. The problem is accentuated when exposure of irregularities is subjected to a slow rendering of justice (Voliotis 2011). Additionally, when politicians influence the judicial system, this can influence the rendering of justice, especially in cases where there is a lack of political will to apply the rule of law. In this regard, Rose-Ackerman (2008) estimated that the use of an ineffective judiciary system by politicians to undermine the rule of law weakens socio-economic stability. The lack of confidence in both the judiciary system and the bidding process drives away genuine foreign and internal investors in SOEs, which runs counter to SOEs growing competitively. Arguably, grand corruption increases bribery practices, decreases the valuation of SOEs and weakens public sector governance.

■ Weak procurement integrity and best value

The OECD (2014) posited that best value should be the cornerstone of integrity in public sector procurement. Best value ensures quality, efficient, effective and economical delivery of services. Fourie (2015) argued that sound procurement integrity should ensure that the functionality of bidders is determined first before considering their tender prices. In such an instance, the government fails in its obligation to test administrative reasonableness against procedural integrity when it ignores the functionality of bidders due to vested, personal interests. In the case of Zambia, the OECD (2012) reported that corrupt practices in procurement and contracting are facilitated in an environment where patronage networks are high, oversight institutions are weak and government salaries are low. Some foreign investors' willingness to pay bribes to secure access to resources and markets fuelled these drivers of corruption in public procurement, especially in Zambia's SOEs.

However, suppose corruption is the engine driving procurement. In that case, major losses of public resources are inevitable, as evidenced by the R30 million lost due to corruption in SABC in South Africa in 2014. Because of unethical procurement operations, low levels of integrity prevailed. As supported by the OECD (2007), integrity and anti-corruption cannot be promoted without accountability and transparency. For example, without financial auditing and reports, there is a gap in evidence relating to the evaluation of procurement processes, management of contracts and verification of the controls ensuring fair, transparent, equitable, competitive

and cost-effective procurement systems. Further, in the case of Uganda, money laundering involving procurement corruption has been fuelled by a lack of monitoring capacity, poor transparency and the absence of legislation restricting international transfers (OECD 2012). This has made Uganda susceptible to corruption.

■ Weak risk management

State-owned enterprises must recognise the interests of stakeholders, especially when major decisions impact their needs. This is an integral component of risk management. Risk management within SOEs must consider asset management, interest rates and remuneration packages. In the absence of reliable auditing and reporting, risk management is threatened (OECD 2012). Often SOEs manage risks after the occurrence, rather than proactively avoiding potential risks. Kanyane and Sausi (2015) intimated that every SOE should be guided by a risk management strategy, which should optimise risk profiling and the management of an effective risk management system. In this way, risks like corruption in procurement practices can be identified through internal control mechanisms and nipped before becoming destructive. Matsiliza (2017) highlighted that a weak risk management system fails to consider strategic risk assurance, which in the case of corruption does not provide long-term solutions for the management of this risk.

■ Lack of will to adopt successful turnaround strategies

When SOEs face threats to their survival, dynamic turnaround processes are needed to return to sustained success (Schmitt & Raisch 2013). For example, the study by Fisman and Svensson (2007) found a relationship between bribery payments and business growth, reporting that in Uganda, a one-percentage-point increase in the bribery rate is associated with a reduction in business growth of three percentage points. The results showed that corruption negatively affected economic growth and the efficiency of public expenditures (Nguyen & Van Dijk 2012). This raises an urgency to reverse their performance decline with strategies that not only halt the decline but also promote the upturn process (Hoffman 1989; O’Kane & Cunningham 2014). This is dependent on several factors, such as the severity of the decline, attitudes of stakeholders, history of organisational governance and seriousness of intent to revive the SOE (Al-Ali et al. 2017). In terms of the seriousness of intent, Pandit (2000) emphasised that the lack of will to turn the crisis around can lead to organisational collapse. The lack of a will can be attributed to crisis denial, politicised leadership and lax oversight (Al-Ali et al. 2017; Pandit 2000; Schmitt & Raisch 2013). The lack of will to adopt turnaround strategies increases insecurities, aggravates disengagement with stakeholders, creates suspicions of leadership credibility and deepens

uncertainty of change (Steigenberger 2015). Therefore, it can be argued that the lack of will to adopt turnaround strategies to address corruption issues undoubtedly leads to corruption escalating, declining economic growth and eventual performance decline.

■ Lack of public sector professionalism

Judge, Douglas and Kutan (2008) have argued that a high level of public sector corruption positively correlated with a lack of high levels of professionalism. The creation of a professional public service could reduce the incidents of corruption as Pope (2000) and Ambe and Badenhorst-Weiss (2012) posited that an unprofessional public service increases the occurrences of corruption. A lack of professionalism in governance is not only attributable to low levels of education but also a lack of a professional approach to open governance (Mathenge 2013). The findings by Mathenge (2013), which reported that low levels of professionalism impeded the effectiveness of SOE governance in Kenya, support this assertion. This negatively impacted the stability and organisational culture of Kenyan SOEs. Shaheer and Chen (2017) argued that often the careers of SOE managers depend on their relationships with politicians.

One way of pleasing them is to accept bribe requests from influential public officials. This tendency grows in environments characterised by indiscipline because of the lack of adequate monitoring activities. State-owned enterprise managers more so, the absence of individual owners in SOEs does not provide a strong incentive for the close monitoring of managerial misconduct. Estrin et al. (2016) have averred that the focus on social objectives over profit improvement, the influence of bureaucracy and poor incentives to save costs are drivers for SOE managers to entertain bribe requests that will benefit building strong social connections with those on which the SOE is dependent.

Open governance is an important pillar of professionalism, as it facilitates awareness and effective implementation of laws and regulations. This ultimately promotes professional compliance. De Cleyn (2008) identified the lack of professionalism as one of the factors promoting non-compliance in SOEs. One of the reasons cited by Mathenge (2013) is the challenge of attracting and retaining ethical employees in the public sector. This consequently impacts consistency and sustainability in following and implementing governance processes. For SOEs, professionalism is not just about compliance. Upholding professionalism means navigating the field of corruption, even if it means losing investments.

■ Entrepreneurial board members

The architecture of good governance is premised on board members being fully engaged. However, enterprising board members use their roles as

a meaningful attachment to secure business for their private companies. In such instances, the self-interest of entrepreneurial board members transcends public interest. Self-employed board members use the tender process to secure contracts for service provision. This provides immense temptation to interfere in management functions. Poor governance enables collusion between entrepreneurial board members and management to conduct self-serving business interests. In this case, self-interest and opportunism drive financial motives, suggesting corruption that is not aligned with ownership interests.

■ **Weak monitoring of board performance**

The monitoring of boards is an integral dimension of good governance. However, competing objectives and priorities affect performance and can result in the monitoring of boards becoming complicated. Without effective performance monitoring of boards, there is limited opportunity to identify factors impacting their performance. Considering the massive public resources they manage, monitoring cannot be underrated in risk management. Consequently, recommendations cannot be made to improve their performance. In reflecting on performance agreements, which board members enter into, they need to deliver on their mandate not only as individual members but also as an entity. Jacqueline and Logan (2003) additionally contended that monitoring of boards provides a yardstick to assess their level of independence and misconceptions relating to trust.

The problem can be exacerbated when leadership at the board, executive and management levels is in a constant state of flux. Lack of continuity often results in monitoring becoming irrelevant. Further, without proper monitoring mechanisms in place, a culture of weak board performance may permeate the organisation. Therefore, it is difficult to delink poor performance from poor monitoring.

Weak monitoring can also emerge when the appointment of boards members is influenced by political patronage. Thomas (2012) has argued that the independence and competent performance of SOEs are sacrificed to the detriment of public-serving SOEs when monitoring is not prioritised. The lack of SOE transparency like risk disclosure, which negatively impacts efficiency, accountability and social control by the public accentuates this further. Most often, in such instances, the role of the board conflicts with protecting public interests and efficiency.

■ **Decentralisation of public procurement**

To obviate the challenges of complex administrative processes and delays and the lack of transparency associated with centralised procurement, many

governments have opted to decentralise procurement processes. However, decentralisation has created problems like lack of competencies, duplication of activities like several bid committees performing the same function, higher costs associated with buying in smaller quantities and non-compliance with regulations. Contrary to this, Moeti (2014) argues that decentralisation is associated with the efficient appointment of service providers, value for money, enhanced accountability and greater procurement transparency. If decentralisation is to succeed in addressing the accompanying challenges, then government must be not only decisive in dealing with corruption but also other ensuing problems associated with decentralisation of procurement. This has a close link to answerability for performance and the obligation to ensure that professional and ethical capacity exists to perform procurement functions at a decentralised level. In this regard, Horn and Raga (2012) have posited that without comprehensive training, the appointment of qualified staff, institutionalisation of professional and ethical standards and insulating procurement from political interference, decentralisation will cease to be a preference over-centralisation of procurement.

■ **Anti-competitive practices**

When serving the goals of socio-economic development SOEs need to ensure that value for money is attained through the free participation of service providers through the procurement system. This implies that fair and free competition opportunities should exist so that a robust economy can evolve wherein diverse contractors are given opportunities to tender for government work (Sartor & Beamish 2018). For example, in Nigeria, management in the Akwa Ibom State Corporation does not have free hands to make conscious decisions and take action to preserve state-owned capital because of serious state intervention, which limits competition. Without fair competition, officials will not consider the tenders submitted by contractors who provide the best value for money. In such instances, procurement systems cannot ensure the provision of quality services to the public, anti-competitive practices are not drivers of the best value for money principle (Syakroza 2009).

In the case of South Africa, despite a preferential system of public procurement, corruption in the tendering process has created an economy that is accessible to well-networked contractors. Such anti-competitive practices have failed to elicit fair competition's cost-effectiveness and commercial nature. Further, anti-competitive practices, such as a small number of businesses producing goods in a sector, unregulated monopolies and barriers restricting new firms from entering the market are inhibitors for markets achieving efficient resource allocation (Shaheer et al. 2017). Further, the institutionalisation of corruption makes bribery normal and weakens the competitive environment because financially resourceful bidders would not offer bribes.

■ Higher levels of power distance

Shaheer et al. (2017) have contended that high power distance in organisations grants power holders greater opportunities for self-enrichment as they are subjected to minimal audits on their use of power. Similarly, De Jong, Tu and Van Ees (2012) claimed that high-level public officials are more amenable to corruption practices and more likely to pressure management in SOEs to violate procurement practices because of bribery extortion from bidders. Further, managers in SOEs may not resist such requests in anticipation of future favours from corrupt high-level public officials. Rather, the higher level of power distance encourages submission to authority rather than the attainment of institutional goals. We can link this to the principal-agent dilemma, where powerful public officials pursue self-interest as agents. This generates not only managerial failure but also market failure because of non-public-serving interests. The higher levels of power distance, according to Cuervo-Cazurra (2006), make it difficult for SOE managers to refuse corrupt requests from senior officials. This difficulty is associated with dependence on senior officials for their promotions and a lack of focus on financial considerations, cost control, and efficiency enhancement.

■ The supply side of procurement corruption

Sikka and Lehman (2015) have posited that corruption has a demand and supply side, as only government officials cannot be corrupt. If contractors are not prepared to supply bribes, collusion cannot take place. Emerging economies in Africa are vulnerable, especially when international corporations are willing to subvert internal procurement controls in SOEs in pursuit of competitive advantage (Sikka & Willmott 2010). Most often, the focus is on surveillance controls to regulate the conduct of senior public officials associated with procurement activities. The government has limited power to scrutinise the internal controls of corporations with which it does business. Lured by competition, maintaining higher prices and profit-making, these large corporations use corrupt practices to secure government contracts.

In an environment where profits are linked with meeting business targets, corruption operates under the guise of entrepreneurial acumen (Previtali, Zatti & Scarozza 2018). This supply side of corruption receives support from opportunistic public officials who are willing to undermine internal controls so that both parties benefit, and from the states where such corporations domicile. Little can be done to control the supply side of corruption, as noted in the British Aerospace (BAE) case in Tanzania, in which BAE paid £29.5m pounds in 2010 to the Tanzanian government as a charitable contribution. However, this was preceded in 1999 by an agreement that BAE supply an air traffic control system to Tanzania to the value of £28m. Despite discrepancies in the actual value of the contract, the failure of BAE to keep

accurate financial records and officials deliberately not scrutinising payments, BAE was given unqualified audit reports and immunity from prosecutions by the UK government. In this regard, Sikka and Lehman (2015) argued that such states often focus on national interests rather than investigating the corruption of resident corporations.

■ Conclusion

Corruption has political, economic and social consequences for any nation. The mere adoption of compliance and anti-corruption practices is inadequate to create conditions that support universally condoned procurement practices for SOEs. Procurement practices based on the principles of good governance require a hybrid of systems and practices that extend beyond mere control and compliance. State-owned enterprises are more vulnerable to risks from corruption because of politicised boards and management, insulation from legal frameworks applicable to the PS, de-professionalisation, low levels of transparency and accountability and weak internal control and monitoring systems. Additionally, many operative areas, such as decentralisation of responsibilities, reduced rigidity in accounting, contract awarding procedures, administrative acts and authorisation, grant and other donation policies, and workforce recruitment promote corruption in procurement practices. At the same time, softer budget constraints and delayed effects of financial mismanagement on public budgets fuel corruption in procurement practices. Further, organisational culture, organisational strategy and payroll systems can also be considered drivers of corruption in SOEs. Therefore, principles relating to legal and regulatory frameworks, ownership functions, the equitable treatment of shareholders, the role of stakeholders, accountability, transparency and the responsibility of boards illustrate a strong link that exists between governance, organisational culture, compliance, ethics, control and monitoring.

In the absence of the government using its influence to ensure compliance with laws, regulatory processes, zero tolerance for corruption, and social responsibility corruption in procurement practices will continue to escalate. In an environment of growing corruption in Africa and globally, governments risk retarding socio-economic growth if they continue to operate in a non-compliant culture that supports corruption. Weak governance facilitates personal gain from corruption fuelling procurement operations involving government collaborations.

The effective management and performance of SOEs are dependent on a thoroughly engineered governance system that responds to multidimensional pillars of governance, which are endorsed by all stakeholders. This has to be reinforced by moral obligations, which perpetuate voluntary compliance. Unless there is a regulatory environment complemented by a strong ethical

environment, SOEs will continue to be subjected to corrupt activities. Transgressions in governance should not be tolerated, particularly in SOEs, which have been mandated to foster socio-economic transformation in developing economies. Using SOEs to promote political agendas and monopolistic practices, SOEs will fail to perform their mandated function in a developing country.

Counting the cost of state-owned enterprises failure in South Africa: Post-apartheid betrayals or mere inefficiency?

Fulufhelo G. Netswera

Office of the Executive Dean,
Faculty of Management Sciences, Durban University of Technology,
Durban, South Africa

■ Introduction

State-owned enterprises are legal entities established by governments the world over. They are firms, often large corporates, responsible for government management and commercial activities and are mostly found in natural resource industries, such as water, electricity, oil and gas, among others. Although the prominence of SOEs continues to grow in global economic affairs, corruption in the public and corporate sectors and worse, where the two intersect, is incessantly becoming a big concern worldwide. Corruption is credited as the single biggest contemporary problem facing humanity, hampering democracy and festering development.

How to cite: Netswera, FG 2022, 'Counting the cost of state-owned enterprises failure in South Africa: Post-apartheid betrayals or mere inefficiency?', in FG Netswera, OM Fagbadebo & N Dorasamy (eds.), *State-owned enterprises in Africa and the economics of public service delivery*, AOSIS Books, Cape Town, pp. 109-118. <https://doi.org/10.4102/aosis.2022.BK270.06>

That SOEs are important for the functionality of the state and their economies is indisputable. That states and SOEs are prone to corruption is equally indisputable. Irrespective of the state orientation – that is socialist, capitalist or even communist – SOEs remain huge pillars of the state and their economies, although their prominence may vary from one state formation to the next or even throughout the same state orientation across the world. Notwithstanding, the prominence of SOEs corruption worldwide is staggering. South Africa has a huge spread of SOEs across national, provincial and local governmental spheres, and these SOEs are equally embedded in corruption.

A majority of South African SOEs are currently deemed dysfunctional or on the verge of collapse. Many of them have not made profits in years and are struggling to pay salaries now. Since achieving democracy in 1994, South Africa has suffered major effects of corruption as a result of a weak state, capture of both state and SOEs by vested interests and consequently, the collapse of its major SOEs inherited from the apartheid government. It is estimated that corruption during the government tenure from 2008–2017 has cost the state over R1tn, according to the SABC (2019). Other reports (Merten 2019) suggest that state capture, which is a conglomeration of all state pillage during 2008–2017, is responsible for over R1.8tn, most of which is attributable to the SOEs.

This chapter focuses on the role of SOEs, their role in developing nations, and their susceptibility to grand corruption. The chapter firstly does this by looking at international perspectives on SOEs, their magnitude and role across various states, the prominence and functionality of SOEs in different state orientations and the state of SOEs in the post-colonial states, specifically in the developing nations with practical examples of China, Kenya and Zambia. Finally, the chapter looks at the state of capture, the burden of political corruption and its effect on the state of SOE in South Africa.

■ International perspective on state-owned enterprises

The IMF (2019) sees SOEs as having a huge presence and playing a significant role in global economies. These institutions are credited with setting off market failures, playing a ‘social good’ role in national economies and providing better control for national natural resources, such as water, gas, electricity and oil. It is estimated that SOEs account for 25% of the GDP of many countries, nearly 20% of investment and 5% of direct employment (Barkhouse 2020). According to the PWC (2015), the proportion of the SOEs in the Global Fortune 500 companies expanded from 9% in 2005 to 23% in 2014, suggesting their growing importance in role and scope.

The failure of SOEs because of inefficiencies and corruption in developing nations raises huge concerns regarding their appropriateness as vehicles for

ownership of these resources and the advancement of the national development agenda. The United Nations (UN) Statement of 09 December 2018 suggests that every year nearly 5% or more of the global GDP, that is US\$3.6tn, vanishes through corruption in the form of bribes (US\$1tn) and stolen monies (US\$2.6tn). The funds that are lost to corruption in developing countries are estimated to be 10 times more than the official development assistance received by the same nations (UN News 2018). This therefore implies that without corruption, developing nations may not even require aid and could be economically self-sustainable.

Corruption is also responsible not only for the failure of SOEs but for, among others, the collapse of states and entire economies. Corruption is therefore accountable for huge divestments and also for being the single biggest killer of jobs (Borga, Ibarlucea-Flores & Sztajerowska 2020). The definition of corruption and how it manifests in these institutions vary greatly dependent on who initiates it, who is involved, how they are involved and the nature of benefits intended out of this practice as well as the ultimate beneficiaries (Brown 2006; Gultung 2006; Phillip 2006).

Firstly, corruption can be defined as the use or abuse of public office and its resources for personal or private gains and private interests (Tanzi 1998). This might imply gains at individual or institutional levels and therefore influence differently the personnel, processes and resources involved. Secondly, corruption might include the abuse or misuse of public resources, including diverting such resources towards the benefit of an individual or groups as well as privately-owned institutions. This abuse might also come in a variety of forms that may include but are not limited to bribes and sales of shares in private corruption beneficiary institutions (Bukovansky 2006). Corruption is prone where the state is weak (Dobel 1978; Walton 2015). There is, however, also a recognition that there are factors that include the social, cultural and economic that inform and influence corruption.

Examining the nexus between SOEs and the state using enterprise survey data, Hellman and Schankerman (2000) compare factors, such as the quality of governance, state intervention in SOE decision-making, state benefits to firms and corruption payments. What the authors found is that economic reforms may improve governance in countries with a low degree of 'state capture' by vested interests versus in high-capture countries (Hellman & Schankerman 2000):

At the micro-level within any given country, they found clear evidence of substitution between the degree of state intervention, state benefits to firms, and overall corruption payments. This is consistent with a bargaining perspective of the relationship between enterprises and the state. But there is no such trade-off at the country level. (p. 545)

Findings from Hellman and Schankerman also suggest that across countries politicians, perhaps under pressure from powerful captor firms, may influence the scope for state regulation and intervention over SOEs.

■ State orientation as a catalyst to development

Debates on the state's role in development suggest that different state orientations influence the level of state involvement in the economy and, therefore, the development agenda of such a state. The political-economic theory yields a belief that the orientation of the state determines its agenda and resultant achievements. The main question is, will the state take a central role in the development of its economy, or is all that it would do going to be setting up a policy framework to regulate private economic players?

Karl Marx answered this question clearer than any other political theorist before, and perhaps, even after he departed from the scene, in what would come to be known as Marxism. In his theory of history, Marx argues that society rises and falls as they further and then impede the development of human productive power (SEP 2017). Marx's work explained the modes of production and existing or silent class struggles born from the exploitation of labour and other means of production. The challenge to the exploitative capital system that benefits only a minority elite in charge of the means of production led to thoughts of parallel and alternative economic systems. Challenges to such a status quo (capital) are best evident in the *Communist Manifesto*, commissioned by the Communist Party and produced jointly by Marx and Engels (1848). These works challenged the basic foundations of capitalism, including pricing and sales of labour, private ownership of land, other properties, and other means of production. The adoption of this framework yielded different results in the West as well as in the East, most notably in socialist and communist states.

During the Cold War (1947–1991), states throughout the world were defined through their alliances with the two superpowers, that is capitalism (United States of America) or communism (Soviet Union). The liberation struggles by the developing nations and specifically African states from the yoke of colonialism happened during this period with competing interests to support the liberation efforts from the two superpowers. This support was significant as it guaranteed newly found state orientation, that is socialist versus capitalist state (Ogunbadejo 1980; Telepneva 2014; Zoubir 1995). It is common knowledge that the ideals of communism on paper are seductive; however, communism ended with the Soviet Union in December of 1991. In the debate on the dichotomy of socialism versus capitalism, Wilkinson reminds us about the importance of maintaining a harmonious balance between greed and distribution. According to Wilkinson (2018), 'we need go-go capitalism to afford a generous welfare state and people won't support a go-go capitalism without a safety net'.

Throughout the world, the narrative with state orientation has largely shifted to embracing capitalism with a 'face of humanity' in its redistributive or social welfare outlook. Arguments for the overwhelming adoption of socialism are that it motivates individual commitment to productivity and guarantees return on investment. The political-economic narrative that is globally accepted is that of the development state wherein the state takes centre stage in macroeconomic planning, also referred to as state-led economy or development capitalism. This affords the state power to set the political agenda as well as the economic direction (Besley & Persson 2010; Edigheji 2005). Edigheji (2005) noted that post-independence, African states had mainly failed to operate as developmental states despite the interest, except for Botswana and Mauritius. These failures are believed to manifest out of the economic orientation of most states whose orientation is mainly (1) dominance of primary resources sectors, such as agriculture and minerals, (2) dependency on foreign aid, (3) low domestic capital formation and decline in DFI and (4) heavy indebtedness.

■ The state of the post-colonial state-owned enterprises

It is widely accepted that imperialist powers invested vast resources in the colonies through their colonial agenda. Arguments that abound, however, suggest that colonial investment was firstly meagre and secondly not for the benefit of the subjects of the colonies but for extractive purposes. Hence, the form of investments in the colonies were mainly those that only facilitated the extraction of natural resources like the railways and infrastructure, as well as the postal service system that enabled communication. The self-enrichment agenda on the backs of slavery, forced labour and slave wages is thought to be visible to the naked eye in the imperial cities (Niang 2019; Oyugi, Ocholla & Kaara 2018).

Kelemen (2007) examined the British Labour Party policy towards the colonies for the period 1920 and 1964. Summarily it concludes that the Labour Party policy was that of organising the African economies in subordination to the metropolitan interest. While some might think that the colonial past is behind us, Oyugi, Ocholla and Kaara (2018) believe that the contemporary political economies of Africa and specifically Kenya as an example are still highly embedded in their historical past. The lop-sidedness of power relations under colonialism is still evident in the unequal development that perpetuates in the post-colonial state. The democracy project has substantially compromised against the development of the colonies as the culture of corruption becomes endemic and benefits the stakeholders in the extraction industry and the local political elite, that is, the politician and bureaucratic leadership.

Emphasising the corruption by the elite, the British Broadcasting Corporation (BBC) in 2017 revealed an over US\$10bn energy scandal that involved the British Petroleum (BP) energy corporation and the political elite in Senegal. Thomas (2019) revealed blatant 'corrupt' agreements and payments to the Romanian explorer (Franks Tims) of over US\$650m with royalties of between US\$9bn and US\$12bn for the agreed period of 40 years. The current Senegalese president's brother and former president's son were made wealthy in the deal. Who knows how many more politically connected benefitted from this corrupt dealing?

Corrupt officials in the extraction industry that involved the political elite in the colonies (neo-colonial) seem to have become a new economic model. Instead of realising the equitable distribution of the general economic development outcomes in employment, tax revenues and social programmes, multinational corporations can cut corners by enriching the few elites. In his analysis of extraction activism in Africa, Niang (2019) thinks that the 'resource curse' theory which assumes that resource-rich countries tend to develop at a lower rate than those less endowed with resources, downplays the global structural imbalances. The theory equally ignores the adverse effects of predatory capitalism on resource-rich countries. Instead, he argues that Africa is not predisposed to corruption (African greed), unlike the corporations and states responsible for this corruption. Total blame should therefore rest on the bankrupt policy choices that favour resource extraction, which encourages rent-seeking and patronage rather than local beneficiation.

■ The Indian state-owned enterprise reform and development reversal agenda

In the case of India, like with other British colonies, basic SOE infrastructure was in place at independence. The eminent Indian scholar and politician Shashi Tharoor (2017) suggests that British imperialism was however an era of darkness. He suggests the imperial railway investments were only meant to roll out cannons to massacre rebellious Indian people, resulting in millions starving to death. The difference between India and African states today, however, is that India initiated an industrial policy in the post-colonial state. Mishra (2014) narrates the successive improvements from the first government to date and shows that in its first 5-year development plan (1951-1956), Prime Minister Jawaharlal Nehru anchored the state on a socialist economic development programme with a focus on supporting agriculture production and industrialisation. The second plan, called the Mahalanobis' model, strengthened public sector investment in SOEs between 1956 and 1961. Through this plan, coal production, steel plants and the Tata Research institute were established. In 1957, a talent search was instituted for nuclear power generation with huge investments leading to energy self-sufficiency and the

nuclear arms race. Communication and transportation systems were expanded, leading to a growth rate of 4.2%. Accordingly, the Indian post-colonial state took charge of reforms and development of its SOEs which in turn grew the economy and generated jobs (Tharoor 2017).

■ The Chinese state-owned enterprise anti-corruption agenda

Many controversies surround China's meteoric economic rise from a third-world economic status in the early 1970s into the second-biggest economy by 2011. This rise came amidst allegations of China's contravention of World Trade Organisation (WTO) rules as well as violations of the ILO's good labour practices (Don 2010; Jahiel 2006). Chan (1998) attributed the Chinese economic boom partly to the violation of international labour rights practices that resulted in labour exploitation, low wages and unbearable working conditions. By 2017, China had become the leading economy worldwide by purchasing power parity ratio. This means China produced goods and services worth US\$23.1tn, followed by the United States of America at \$19.4tn.

The unparalleled growth of the Chinese economy however started around 1978 coinciding with the implementation of its economic reform and opening up. As China reformed its economy, there was a high level of reliance on its SOEs to stimulate and propel growth and employment, among other things. Unfortunately, the central role of the SOEs coincided with swelling levels of corruption, which was mutual between the SOEs, government departments and the PS. He (2000) believes that the pro-democracy demonstrations that led to the 1989 Tiananmen Square uprising were mainly triggered by a high level of corruption and the push for the democratisation of the economy. Zengke-He thinks that China saw the most vicious anti-corruption efforts by the Chinese Communist Party thereafter. This push against corruption is now credited for brightening the future path of the Chinese economy. China has not hesitated to convict and harshly sentence politicians and senior government officials, which is now credited for low corruption levels.

■ The case of Kenya

In Kenya, Nwaura (2007) believes that as is the case everywhere else, SOEs were established by the colonial government to bridge the gap created by the PS for the public good. In Kenya, however, SOEs dominated sectors, such as agricultural trade and export, transport, communication and manufacturing. The state exercises an enormous amount of power over SOEs in some cases, being the sole shareholder.

On grand corruption in the state, SOEs and public procurement, in particular, John Githongo, the Permanent Secretary for Governance and Ethics appointed

by President Kibaki in 1990, concluded that post-colonial corruption in Kenya had taken on an ethical face and turned political patronage (Wrong 2009). In the 1990s, according to Transparency International, Kenya was trailing slightly behind Nigeria and Pakistan among the most corrupt nations. Whereas at independence in 1963, the Kenyan average per capita income equalled that of Malaysia, but by the 1990s, the Malaysian average per capita income was 10 times higher. In the post-colonial state, corruptions rely upon an intangible, unspoken agreement on what is tolerable behaviour. As a result, huge sums in millions of government dollars were being siphoned by the political elite through corrupt government contracts.

Analysing inequality, ethnicity and corruption in Africa, Githongo (2006) makes a convincing argument that post-colonial corruption in most African states continues along ethnic lines that were promoted by the colonial state, except for Tanzania. Because ethnic groups live in specific provinces in Kenya, Githongo (2006) was able to correlate service delivery such as roads, water and even death rate with the ruling ethnic groups. His call is that development with an equity face should become a new mantra for the post-colonial African states

On the changing economic and political landscape that influences SOEs in Kenya before and after structural adjustment programmes of the World Bank and the IMF in the 1970s, Nwaura (2007) argues that (1) At first SOEs performed poorly because they pursued non-economic objectives as their driver, (2) There had been other factors, such as inefficiencies and non-competitive services responsible for their demise and (3) Kenya's prolonged engagement with international lenders resulted in the *Privatisation Act* of 2005; however, the government refused to privatise its SOEs opting instead to privatise infrastructure improvement and service delivery. Importantly, the government entered into performance and bonus contracts with the directors of the SOEs. There is no evidence to suggest that through these measures alone SOEs performance improved despite unabating corruption even in the face of the 12 points of anti-corruption that Sutherland (2015) mapped.

■ The case of Zambia

Emerging out of the British colonial era, Zambia ran a huge socialist programme that became the biggest employer of the local population and supported regional liberation struggles. The Zambian Consolidated Copper Mines, for example, at its height employed over 90 000 personnel and in 1969 contributed 12% of global copper production. The Nigerian Rail Cooperation established in 1898 at one stage employed over 45 000 employees between 1954 and 1975. Huge inefficiencies and incompetence, however, ran down SOEs leading to the ousting of President Kaunda by former unionist Frederick Chiluba. Chiluba's Zambian market-driven, capitalist economic reforms led to partial as well as full privatisation of Zambian SOEs (Momba 2007).

Though the post-nationalist government economic reforms were hailed as a success story, cracks by 2001 showed that Zambian SOEs were repositioned for the patronage of the political elite. Examples of grand-scale corruption through the Development Bank of Zambia and Zambia National Commercial Bank and such scams as Zambia trans-operations (Zamtrop) are practical examples of failure (Craig 2000; Szeftel 2000).

■ South Africa's state capture, state-owned enterprises burden and political paralysis

The Department of Public Enterprises cites 700 SOEs to exist nationally, belonging to the national, provincial and municipal spheres of governments. These SOEs range from radio stations, electricity providers, railways, and national parks to bus services companies, among others. Of the 700 SOEs, 131 are categorised as national SOEs (SA Government n.d.). It is estimated that South African SOEs are responsible for employing more than 105,000 people. Most SOEs, such as Rand Water (1903) and the electricity supply commission (a.k.a. Eskom) (1923), were established during British colonial rule. Other strategic SOEs such as South African Coal, Oil and Gas Company (SASOL) (1950) and Development Bank of Southern Africa (1983) were established during the Nationalist Party apartheid government (1948–1990) under the policy of self-sufficiency (Niewijk 1999; Rogerson 1990).

The main policy direction of the post-apartheid South African government direction was that of the Reconstruction and Development Policy at first, characteristic of a social welfare state. While the policy got commonly known for its housing delivery, it said very little about SOEs. Two years later (1996), faced with revenue constraints, the government introduced a new policy direction called Growth, Employment and Redistribution (GEAR), arguing that redistribution can only happen if growth is realised. In GEAR, the state prioritised the restructuring of SOEs that include total sale, partial sale to strategic equity partners or sales with the government retaining a strategic interest. The outcome of this policy was a mixed bag of successes and failures characterised by internal disagreements in policy directives in the tripartite alliance of the African National Congress (ANC), SACP and Congress of South African Trade Unions (COSATU) (Pitcher 2012).

According to the OECD (2015), between 2015 and 2016, South African SOEs' revenue contribution amounted to 8.7% of GDP. By sectoral contribution, this represented 28.8% in transport, 27.3% energy, 16.3% communications, 8.03% financial services and 3.6% water. This can only represent a dwindling SOE stake in the South African economy.

Further policy directives came in the form of the Accelerated and Shared Growth Initiative for South Africa which became a national strategy in 2007 and a modified black economic empowerment (BEE) policy of 2003 which was

turned into the Broad-Based Economic Empowerment (B-BEEE). What has become obvious is that through all these policy shifts, SOEs have continued to perform dismally and most recently even highly inefficiently, engulfed in unprecedented levels of corruption (Gumede & Asmah-Andoh 2016). Corruption has been synonymous with state procurement, starting with the US\$4.8bn Arms Deal of 1999. In the governance era between 2008 and 2017, large-scale corruption brought most SOEs to the verge of collapse. By 2019, a State Capture Commission was established to unravel the looting of state resources, including those of the SOEs. In 2019, Eskom alone had amassed a debt of R440bn and required a further R200bn in rescue packages from the government. At the same time, other major SOEs were in debt, including the South African National Roads Agency at R47bn; SAA at R22bn and SABC at R1.8bn (Prior 2019). Brothwell's (2020) reports suggest that only one SOE (South African Forestry Companies Limited [SAFCOL]) was profitable.

Unless corruption associated with SOEs governance and procurement in South Africa is addressed, the state will continue to bleed in SOE subsidies. The IMF estimates that SOW would add 13.5% to the overall debt of the South African economy in 2020. This is at the time when South African debt has increased to R4.5tn and 80% of the GDP as observed by, among others, Mbatha (2020) and Mkhabela (2020).

■ Conclusion

It is quite evident that the success of the SOEs in the post-colonial state is a constant struggle that all former colonies had to address. There are three main choices that states had to address that ultimately determine the performance of SOEs. The first such choice regards the economic reformation choice. It is evident in the examples of China, Kenya and South Africa that a nationalist approach to SOE management often renders them inefficient and prone to corruption. The second important choice is the ownership model. This may vary from full to partial ownership with an effect on performance and efficiency. Lastly, there is an important need to focus on and address corruption within SOEs directly and at the intersection between the state, SOEs and private interest groups.

The state of South African SOEs is already past dire straits as political, governance and procurement corruption outcomes have not only led to the demise of SOE prospects but a huge government debt. This is where China was in 1976 and was able to turn around its fortunes by putting a huge premium on addressing the state of corruption in SOEs. With SOE debts and state debts at unprecedented levels, it might already be too late to rescue some fully-owned SOEs, but reform in partial and full privatisation might be the only immediate option.

Corruption, citizen participation and service delivery in Nigeria and Mauritius

'Tunde A. Abioro

Department of Local Government and Development Studies,
Faculty of Public Administration, Obafemi Awolowo University,
Ile-Ife, Nigeria

■ Introduction

Issues relating to governance, development, policy, citizen participation and service delivery, among others, have been prevalent not only in Nigeria and Mauritius but in developing and developed nations. Of note, Nigeria and Mauritius were colonised by the British; while Nigeria became independent in 1960 and currently practices a presidential system of government, Mauritius gained her independence in 1968 and practices a parliamentary system of government. Unlike the Nigerian state that is sharply divided along the Muslim north and the Christian south with six geographically and politically recognised regions across the North (east, west and central) and South (east, west and south), respectively. Mauritius is divided into four

How to cite: Abioro, TA 2022, 'Corruption, citizen participation and service delivery in Nigeria and Mauritius', in FG Netswera, OM Fagbadebo & N Dorasamy (eds.), *State-owned enterprises in Africa and the economics of public service delivery*, AOSIS Books, Cape Town, pp. 119-128. <https://doi.org/10.4102/aosis.2022.BK270.07>

ethnic groups 'Sino-Mauritanian, Muslim community, Hindu community and the general population as well as those who do not belong to any of the communities'.

The Nigerian experience presents various challenges ranging from poverty, high unemployment rate, youth restiveness and violence, endemic corruption, herders and farmers clashes, cattle rustling, kidnapping and robbery, as well as terrorism and insurgency, among others. Overtly, the Bertelsmann Transformation Index (BTI) 2018 expressed that the transformation of the political and socio-economic system must still be considered quite high. Although the decisive institutions are quite stable and even allowed for a (periodic) change in leadership, it has unfortunately not addressed, let alone overcome, the socio-economic and socio-cultural dichotomy between the underdeveloped, poor north and the historically booming south or the even more pronounced dichotomy between the few rich and the many poor. Mauritius has more nature-related challenges as a result of the unfavourable geographical location and is thus susceptible to natural hazards, despite the low deposit of natural resources. Though socio-economic struggles often seem to separate the citizens of the Nigerian state in recent times, Mauritius majorly observes accentuated divisions during elections.

The Nigerian economy was agrarian at independence until the 1970s when crude oil was discovered in commercial quantity and services ballooned. Mauritius as a country relied heavily on sugar cane production; and only diversified after independence in textile, tourism and information technology (Abioro 2017; BTI 2018).

Nigeria has a huge population of 204,567,962 and a total land area of 910,770 km² (351,650 mi²). Its economy increased by 2.55% in Q4 of 2019 against 2.28% in the previous period. It has a GDP per capita of US\$2 222 (nominal, 2019 est.), and it ranks 138th in the world with 2.0% GDP growth. However, Mauritius has a tiny population of 1,217,136; equivalent to 0.02% of the total world population. With a total land area of 2 030 km² (784 mi²), its GDP increased 3.1% in Q3 of 2019 against 3.5% previously. It has a GDP per capita of \$11 280 (nominal, 2018 est.) and ranks 61st in the world. However, it had a 3.9% growth rate in 2019 (Trading Economics 2020; Worldometer 2020).

This study is structured into sections touching on corruption, theoretical exposition that explains the distributive purpose and nature of government in developing nations, the role of the state in service delivery, as well as citizen participation in Nigeria and Mauritius. It ends with a concluding remark that contains some recommendations that will be capable of assisting a more responsible and responsive developing nation in fighting graft and improving service delivery through enhanced participation of the citizens.

■ Understanding the state of corruption in Nigeria and Mauritius

Although not exclusive, the CPI was measured by the degree of corruption as seen by business people as well as the perception that is determined by the government sector. In 2019, Nigeria scored 26.00 (100, highly clean and 0, highly corrupt) to rank 146. Over the same period, Mauritius was valued at 52.00 and the country, according to Transparency International, is the 56th least corrupt nation out of 180 countries (Transparency International 2019). Despite the various anti-corruption agencies in both countries (that will later be discussed in this study), observably, the CPI fluctuated.

Table 7.1 shows the CPI of Nigeria and Mauritius from 2008 to 2019. Efforts were made to curb corruption but with contestable outcomes in the two countries.

Corruption as a vice is perpetuated in sectors of society and every nation, irrespective of the development status, suffers from it in differing proportions. It is an act that denies the citizens of socio-economic benefits and the essential purpose for which governments were created. In Nigeria, there have been corruption cases involving the senior members of the cabinet – the former Attorney General of the federation Mohammed Bello Adoke was charged to court over bribery and abuse of office in a \$1.2bn Malabu Oil deal (involving a controversial transfer of the country's OPL 245 oil field), and he was arraigned in February 2020 (Guardian Newspaper 2020). In the same year, the former head of the Pension Reform Task Team, Abdulrasheed Maina, was arraigned for money laundering, false declaration of assets and diversion of over N100bn pension funds (Vanguard Newspaper 2021). In 2018, the charged former minister of petroleum Diezani Alison-Madueke to court for financial misappropriation of N3.32bn; US\$39.7m respectively and acquiring choice property across the globe from proceeds of corrupt practices (Africanews 2021).

Also, Babachir Lawal, the erstwhile aid to the president of the country, was removed from office in October 2017 after the president considered the recommendation of the administrative panel headed by Professor Yemi Osinbajo, the current vice president of the country. The panel investigated and indicted

TABLE 7.1: Corruption perception index of Nigeria and Mauritius (2008–2019).

Date	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Value (Nigeria)	27.00	25.00	24.00	24.49	27.00	25.00	27.00	26.00	28.00	27.00	27.00	26.00
Change %		-7.41	-4.00%	2.06%	10.23%	-7.41%	8.00%	-3.70%	7.69%	-3.57%	0.00%	-3.70%
Value (Mauritius)	55.00	54.00	54.00	50.67	57.00	52.00	54.00	53.00	54.00	50.00	51.00	52.00
Change %		-1.82%	0.00%	-6.16%	12.49%	-8.77%	3.85%	-1.85%	1.89%	-7.41%	2.00%	1.96%

Source: Transparency International (2019).

Lawal in the grass-cutting saga at the Internally Displaced Person's camp in Yobe state to the tune of N544 million of the Presidential Initiative on the Northeast fund. The former National Security Adviser, Col. Dasuki Sambo is currently in detention over an arms procurement and embezzlement saga running into over US\$2.1bn. Also, the ex-Chief of Defence Staff Alex Badeh faced a 10-count charge of alleged diversion of over US\$20m. Notably, there are several other ongoing investigations and charges involving public officials.

Similarly, some corruption cases in Mauritius saw the resignation of President Aameena Gurib-Fakim in 2018 to the tune of US\$27 000 over the diversion of money meant for a charity credit card on jewellery and other private uses. Earlier in 2015, Navin Ramgoolam, the former prime minister, was arrested on charges of money laundering to the tune of about US\$23.3m in various currencies.

■ National response to corruption in Nigeria and Mauritius

Nigeria and Mauritius are signatories to international agreements to fight corruption, such as the UN and AU, among others. However, other national interventions have produced documents to fight graft and other financial irregularities such as the '*Central Bank of Nigeria Act, Public Complaints Commission Act, Criminal Code Act, Money Laundering (Prohibition) Act, Penal Code, Code of Conduct Bureau and Tribunal Act, Corrupt Practices and other Related Offences Act*', among others (Ikpeze 2013). Meanwhile, other institutional frameworks for combating corruption in Nigeria include the 1999 Constitution of the Federal Republic of Nigeria (as amended). However, the Economic and Financial Crimes Commission (EFCC) and the Independent Corrupt Practices Commission (ICPC) have recently served more in this regard. *The Nigerian Financial Intelligence Unit Act* of 2018 became an independent body. Until then, it was a unit merged with the EFCC (NFIU 2018). Like the EFCC and ICPC, NFIU seeks to prevent the perpetuation of corruption, money laundering and other economic-related crimes.

In 2002, the government of Mauritius introduced the Independent Commission Against Corruption to check corruption and money laundering offences (with powers to investigate and confiscate proceeds of corruption). Further, the *Prevention of Corruption Act* (PoCA) 2002 defines its functions and jurisdiction. Also, Siddiqui, Melita and Rahman (2019) note that the:

Financial Intelligence Unit was established by the *Financial Intelligence and Anti-Money Laundering Act* in 2002. It is the main agency for the request, receipt, analysis, and dissemination of financial information regarding suspected proceeds of crime and alleged money laundering offenses as well as the financing of any activities or transactions related to terrorism. (p. 2)

By 2015, other laws, such as the Asset Recovery Bill, allowed public prosecutions. Of note, there were attempts to curb the menace of corruption

that has negative effects on the service delivery of both countries. Without the establishment of anti-corruption laws and agencies, the performance of the two countries in curbing the menace of corruption no doubt presents a bleak picture for improved service delivery. Incidentally, despite the anti-corruption agencies, both countries still rank poorly in CPI, which affects the development of the various sectors of the economy and discourages local and international development partners.

■ Theorising state, governance and participation in the public process

Hobbes, Locke and Rousseau, among other proponents of social contract theory, had noted that states come into being either by voluntary submission or through agreement. However, the processes sometimes do not go without the instruments of intimidation, harassment, oppression and compulsion (see Abioro & Adefeso 2016, p. 181). The theory further expresses that government is an agreement between people and in this case, it is the governed and the people in government. Prior, man lived when there was no form of government or instrument to determine, formulate or enforce laws. The period is generally regarded as the era of nature; during the period, man was subject only to nature.

However, Appadorai (1975) observed that every man desires happiness most of the time, likewise classical utilitarians, such as Bentham and Mill. Similarly, Ecurus believed the value placed on pleasure and pain especially as it is the responsibility of the government to ensure that the citizens live a better life. Unarguably, functions of government include securing lives and property, providing basic infrastructure that can facilitate rapid growth and development, standard currency as well and regulation of businesses, among others. Thus, modern states are saddled with the responsibility of meeting the needs of the larger populace. Furthermore, the democratic approach to the theory of decision-making is instructive. According to DeSario and Langton (1987), the activities involving government and the role of the citizens cannot be overemphasised. Kweit and Kweit (1986) expressed that such involvement can either be direct or through representatives. Meanwhile, rather than assessing the efficiency or rationality of governmental decisions, the response is usually the criteria for evaluation.

The responsibility of the state is to facilitate and enhance the living conditions of the people through national interventions that emanate from well-thought-out policies (Abioro & Adefeso 2016, p. 182). Unfortunately, the modern-day government is faced with ever-increasing daily responsibilities, and as the scope increases, it is unfortunate that the means of meeting the basic challenges keep decreasing, even with corruption threatening the provisions to meet the demands.

■ Understanding governance, state and its welfare responsibilities

Abioro (2017) defines governance as the process of exercising economic, administrative and political authority within a state. However, Abioro and Daramola (2018, p. 305) expressed that expression of interests, the exercise of rights and obligations and mediation of differences among others represent the tenets of governance structure. Okeke (2010) also noted that:

[G]overnance could be said to have evolved from the need to organize society towards the achievement of a common goal. An opinion, worth considering, is that society derives its roots from the solitary man who later got transformed into an extended family person to fulfil the need for socialization. Within this union, he enjoyed the love, care and company of family members and recognized their inherent and inalienable rights to preserve the love, harmony and cohesion within the family, and for a better life. (p. 3)

According to Abioro (2017), 'the state grew out of the formation of man in units that made families and formed small and large communities'. It had collective desires and wishes to secure itself and its family, property, and economic enterprise. These were followed by the desire to transform society into a modern one where potentials can be nurtured and enhanced (Abioro & Daramola 2018). Understanding governance from another perspective, the Ibrahim Index of African Governance (IIAG) (2017) described it as the engagement in civil society participation; political participation; free and fair elections; election monitoring agencies and legitimacy of the political process. Meanwhile, Kaufmann (2005) also expressed that governance was more about achieving the common good because it is institutionally inclined. His conceptualisation was further classified into the political dimension, the economic dimension and the institutional dimension.

Meanwhile, Hope (2005) was clear on emergence as a core determinant in governance performance and he identified processes of emergence to include: election, selection, appointment or delegation. The purpose however remains the attainment of sustainable growth and development. However, Vidhya (2003) opined that it has a different meaning for different classes of people, but to the vast majority of the people in the developing nations, it is synonymous with intimidation and coercion, reinforced by a subtle, ever-present threat of brute force. Accordingly, it can be seen as the process and practices through which an entity is organised to achieve its mandate. Instructively, the United Nations Development Programme (1997) described it as the retention and responsibility of power to ensure socio-economic development. Typically, governance presents itself as the exercise of how state powers and resources are advanced for socio-economic development. Also, it is important to state that the European Commission (EC) in 2006

was concerned about behaviour, processes and rules as the core of governance concerns. In this, interests are not only articulated but resources are also managed and responsibilities are carried out (EC 2006).

Another dimension that Adeyeye (2016) expressed e-governance to the discourse on ensuring effective and efficient service delivery. It was expressed as the new wave in opening up the business of government to the people and the adoption has indeed made the government more accessible, responsible and accountable. It is apt to reiterate that focus of governance analysis is presumed; generally, it involves ensuring optimum service among others.

■ Concept of citizen participation in governance

Arguably, the terms ‘citizen’, ‘public’, ‘involvement’ and ‘participation’ have conceptual consensus. They represent ‘a process through which citizens have a voice in the public policy process and ultimate decision-making’. Lammer (2015) expressed that participation in the context of citizens and governance is regarded as:

[A] means to an end and not an end itself. It is an activity or process undertaken by government institutions to realize particular objectives. Also, it is a deliberate and goal-oriented activity of government institutions involving especially members of the society. (p. 1)

Of note, citizens’ engagement with various institutions and agencies of government is purpose-filled. Fox and Meyers (2015) describe citizen participation as:

[7]he involvement of citizens in a wide range of activities that relate to the making and implementation of policy including the determination of levels of service, budget priorities, and the acceptability of physical construction projects in order to orient government programmes towards community needs, build support and encourage a sense of cohesiveness within society. (p. 22)

Further, Cornwall and Gaventa (2012) defined it as a process through which stakeholders’ influence and share control development initiatives as well as the decisions and resources that affects them. Participation is also perceived to a large extent as involving more than one side. The needs assessment is carried out, therein, consultations take place. Also, appraisal precedes the implementation and execution stages, and by extension monitoring and evaluation. Thus, the foundation for service delivery, for improved living conditions, is preserved (Chikerema 2013). As citizens are presumed to be involved with the government officials, government officials are in turn under obligation to keep the citizens informed about government programmes and activities, with the attended opportunities to play their role in the determination and implementation of such policies.

TABLE 7.2: Participation index of governance in Nigeria and Mauritius (2007–2016).

2016 Rank/54 (participation)	Country	2016 score/100.0	10-year trend (2007– 2016)	Annual average trend (2007–2016)	5-year trend (2012–2016)	Annual average trend (2012–2016)	Remarks
17	Nigeria	62.7	+11.5	+1.28	+9.9	+2.48	Increasing improvement
1	Mauritius	88.1	–2.3	–0.26	–0.1	–0.03	Slowing deterioration

Source: Mo Ibrahim (2017).

Mo Ibrahim’s (2017) governance index measured as presented in Table 7.2 represents the participation index of governance in Nigeria and Mauritius which shows that while participation is increasingly improving in the former, it is slowly deteriorating in the latter over the period of one decade (2007–2016).

■ Accountability and service delivery

The World Bank (2004) expressed accountability as the core of the debate on service delivery especially after the World Development Report of 2004. Similarly, Joshi (2010) noted that:

[A]ny attempt by states or citizens to place information or processes that were previously undisclosed in the public domain accessible for use by citizen groups, providers or policymakers can be defined as transparency initiative. (p. 18)

The influence of accountability and transparency in the literature on service delivery cannot be undermined. Of note, Schedler (1999) expressed the fact that the level of public accountability understands the relationship between power holders and delegators. Kaunain (2018, p. 44) identifies four elements of the accountability relationship to include: ‘setting standards, getting information about actions, making a judgment about appropriateness, and sanctioning unsatisfactory performance’.

Public office holders or maintenance officers often demand accountability from services where both are expected to adopt new technologies or policies that can enhance improved services. However, Joshi (2010, p. 5) stated that ‘one of the strongest set of claims in relation to service delivery is that accountability and transparency initiatives expose corruption’. Transparency will expose corruption and other discrepancies in public accounts, interventions, efforts, reforms and initiatives. The underlying assumption, therefore, is that participating individuals can and will make good use of information made available to the public through transparency and accountability initiatives. Meanwhile, with transparent and up-to-date information adequately used,

public office holders will have a greater responsibility to improve service delivery (Abioro 2021; Menocal & Sharma 2008). The attempt here is to illumine explicitly that transparency and accountability can enhance service delivery which is one of the cores of every government.

■ Measuring social service delivery in Nigeria and Mauritius

Welfare programmes, as social interventions in Nigeria and Mauritius, are motivated and sponsored by the state, though it is in response to the desire and demands of the people. Abioro and Daramola (2018) have noted, among other services rendered by the government are health care delivery, child protection, housing and education and others. In the submission by Lumumba-Kasongo (2006), the African situation can best be understood as the overthrow of traditional social welfare by liberal welfare.

Abegunde (2014) also expressed that since the 1980s, the gap between public requests and state policies in most parts of the third-world has widened. However, it is apt to state that the motive behind the creation of the services is motivated by the desire to create wealth among the citizens. Meanwhile, the clog created in the wheel of delivery is a result of corruption, embezzlement and mismanagement that cannot be quantified especially in developing countries with weak institutions to fight it.

Table 7.3 depicts the service delivery index in Nigeria and Mauritius. The delivery of services was generally measured in areas of performance in human development areas and specifically in the provision of social safety that was

TABLE 7.3: Service delivery by human development (2007–2016).

Rankings	Listing	Country	2016 score/100.0	10-year trend (2007–2016)	Annual average trend (2007–2016)	5-year trend (2012–2016)	Annual average trend (2012–2016)	Remarks
2016 Rank/54 (Welfare)		Nigeria	48.9	+4.3	+0.48	+4.8	+1.20	Increasing improvement
		Mauritius	76.5	–3.6	–0.40	–1.5	–0.38	Slowing deterioration
2016 Rank/54 (Education)	32	Nigeria	43.7	+0.9	+0.10	–0.7	–0.18	Warning signs
	1	Mauritius	84.2	+4.7	+0.52	–0.3	–0.08	Warning signs
2016 Rank/54 (Health)	45	Nigeria	60.7	+12.5	+1.39	+9.1	+2.28	Increasing improvement
	2	Mauritius	97.6	–1.1	–0.12	–1.3	–0.33	Increasing deterioration

Source: Mo Ibrahim (2017).

prevalent among developing nations. Similarly, IIAG (2017) shows the ranking in Africa of Nigeria and Mauritius as well as the performance in the mentioned sectors over the period of ten years.

■ Conclusion

Despite the tightly held opinion by citizens that states are central to wealth (re)distribution in many African countries, the expediency remains that citizens' involvement is not new in public affairs. These activities and engagements involve deliberation on local issues, decision-making within communities and, more importantly, participation in the governance process. However, corruption has posed the most serious development challenge to Nigeria or Mauritius and developing and developed nations. The implication has been inadequate service delivery in core areas of road and other critical infrastructures, such as bridges and rails, as well as social safety interventions like health, education and vocational engagements to reduce employment, among others.

However, developing nations should review the legislation establishing the anti-corruption agencies at intervals to ensure effectiveness even as more stringent actions are placed against corrupt officials. Meanwhile, as there is high public frustration on corruption and other related vices in Nigeria, cases of corruption in Mauritius are not high compared to what is obtainable in other countries of the continent.

In line with the expositions from the study, the advocacy for good governance is underscored; and technology remains a major means of aiding participation. Further, it will assist the governed in knowing how the business of government is transparently and accountably carried out. Thus, there is a need to increase and improve citizen participation in policy formulation and implementation. In effect, e-government initiatives will improve e-democracy and e-participation will reduce corruption and enhance the government's responsibilities to deliver on mandates.

Procurement, corruption and service delivery in state-owned enterprises in South Africa

Msuthukazi Makiva

School of Government,
Faculty of Economic Management Sciences, University of the Western Cape,
Cape Town, South Africa

Gregory J. Davids

School of Government,
Faculty of Economic Management Sciences, University of the Western Cape,
Cape Town, South Africa

■ Introduction

Globally, most countries rely on SOEs to manage and deliver certain services on behalf of the government. State-owned entities require good governance and management to remain commercially healthy and contribute to the country's economic growth. Some scholars express the view that SOEs are presumed to be controlled by the state, and work with it, to achieve socio-political goals (Aharoni 2018). State-owned entities are established under the *Act of Parliament* to be catalysts for public value creation (Price Water Coopers 2014, p. 4).

How to cite: Makiva, M & Davids, GJ 2022, 'Procurement, corruption and service delivery in state-owned enterprises in South Africa', in FG Netswera, OM Fagbadebo & N Dorasamy (eds.), *State-owned enterprises in Africa and the economics of public service delivery*, AOSIS Books, Cape Town, pp. 129-143. <https://doi.org/10.4102/aosis.2022.BK270.08>

South Africa had some SOEs during the colonial and apartheid epoch, which were expanded in post-apartheid in 1994, to approximately 128 (South African Government 2020). The SOEs, in general, are entrusted with multiple roles, including managing railways, telecommunications, harbours, roads, water, natural resources and electricity (Manyanga, Gori & Sewe 2016). At the same time, the SOEs are expected to be financially independent with a strong focus on rendering services on behalf of the state. These multiple roles can be overwhelming for the SOE to handle, as it may entail succumbing to political pressure and undue influence from other stakeholders. For instance, mismanagement and corruption through public procurement has been the epicentre of economic downfall and poverty perpetuation, which has been rife within the realm of SOEs.

Problems experienced by SOEs in the Republic of South Africa (RSA) ignited calls to privatise SOEs; these included Eskom, Passenger Rail of South Africa (PRASA), Telecommunications South Africa (Telkom) and SABC (Kane-Berman 2016). According to Kane-Berman (2016), mounting calls to privatise SOEs, particularly in South Africa, gained momentum just after the end of apartheid, when the ANC took over the governance of the country, in 1994. Twenty years later, in 2014, the government of South Africa instituted The Presidential Review on State-owned Entities Report (PRSOER). In that report, the major findings that were highlighted included the fact that SOEs in South Africa are yet to deliver on mandates placed on them (PRSOER 2014). The report recommended that SOE's role in building the economy needed to be redefined and harnessed.

This chapter investigates the socio-economic role played by SOEs in South Africa. It sought to understand the economics of SOEs in South Africa, paying close attention to procurement practices towards delivering services and how corruption prohibits public value creation. Extant secondary qualitative literature is the research method used to gather information.

■ Literature review: Philosophy behind the establishment of state-owned entities

Globally, SOEs generate approximately one-tenth of the world's GDP and represent approximately 20% of the global equity market value (Kowalski et al. 2013). In addition, according to Kowalski et al. (2013) and Landoni (2020, p. 77), more than 10% of the world's largest firms are state-owned, with joint sales of US\$3.6tn in 2011. In third-world countries, such as Africa, Asia and Latin America; SOEs provide an estimated 15% of the total GDP (Bruton et al. 2015, p. 92). Specific to South Africa, SOEs address market failure, promote urban growth and development, land reform, support BEE initiatives, job creation and poverty alleviation. In essence, this broader economic philosophy brings SOEs to the radar of importance in the world. These SOEs, which were

initially named Government Business Enterprises (GBEs) (RSA National Treasury 2006) in the South Africa context, are organised into various sectors, such as Transport, Defence, Telecommunications, Energy (oil, gas and electricity), Development Finance Institutions (FDIs) and 19 of these were associated to agriculture, mining, water, research, among many others.

The South African government's decision to create SOEs, especially post-1994, was largely influenced by the country's socio-political history and economic integration of all racial groups. In general, the function and contribution behind SOE development in South Africa is multi-purpose. The OECD (2009) and the World Bank (2006) distinguish SOE roles based on public goods provision, such as national defence. To be specific, Denel Ltd; a state-owned company in South Africa, is a key central player in the fraternity of national defence (Fourie 2014). Furthermore, OECD (2009) alludes to benefits, such as public health and education provided by SOEs. State-owned entities also improve labour relations, economic development and industrialisation (OECD 2009). In essence, the government invests in SOE development as markets could not fully mobilise capital to enable major infrastructure development for economic development (Sturesson, McIntyre & Jones 2015). It is, therefore, necessary to unravel models upon which SOEs are formed, and the regulatory framework guiding their governance.

■ State-owned entity models and selected governing tenets in South Africa

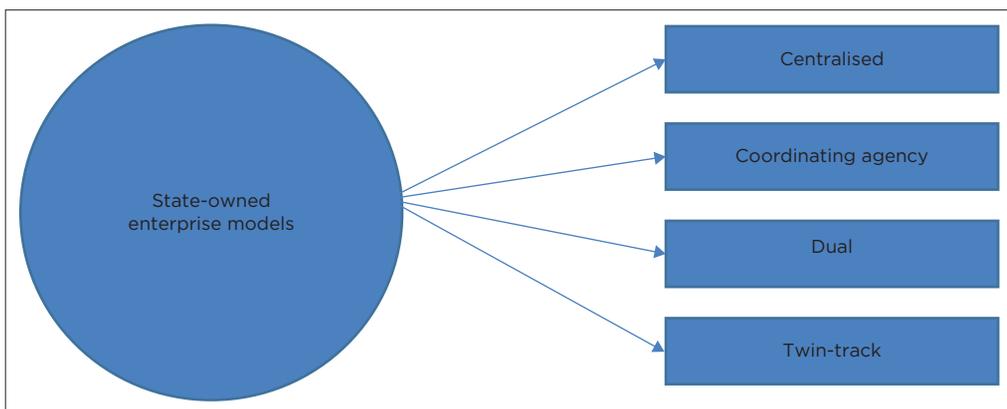
Bruton et al. (2015, p. 107) and OECD (2005) note SOEs' two-pronged ownership and control approach. According to Bruton et al. (2015) SOEs embody an element of state ownership and control on the one hand, while on the other hand they display fundamentals of private participation in ownership and control. Seemingly, the latter element is that which assists SOEs in having financial focus and profit generation. There is another critical socio-economic role endowed on SOEs: providing the community with primary services, such as water, energy, health, education and infrastructure which pertains to road construction, among many others (Daiser, Ysa & Schimitt 2017). This purports that SOEs are a critical engine, and a link between the economy and the state, and have the purpose of redistributing social services to communities, while ensuring economic development, and stabilisation.

Supporting the aforementioned view is McLaughlin (2020, p. 7) who states that the creation of SOEs in the domestic context, was a well-thought-through exercise aimed to serve as a vehicle for the provision of public services and to comply with the economic, and political demands of the states. A major premise is that the establishment of SOEs is to satisfy the socio-economic mandate of the state. Holburn and Fremeth (2019) state that SOEs support the state's commercial and public policy objectives. For instance, the latter

dictates the state’s policy objectives to the SOE, while the former is informed by technical models unique to each institution. As suggested by McLaughlin (2020, p. 15), it could be concluded that a unified purpose of SOEs is that of ‘an independent legal entity subject to control by governmental units, that engages in commercial activity for profit-making or strategic purposes’. Even at that, the government has to exercise majority ownership function, while being expected to exert minimal undue political interference in the company’s management (OECD 2018). This, for instance, would ensure that oversight and greater accountability measures are activated where necessary.

It is important to emphasise that SOEs are not a one-size fit, particularly when it concerns their model design. This means that how SOEs are governed may also differ from model to model, for which they are designed. For instance, OECD (2018) put forth five categories of SOE models. Here, the study adopts four models that are relevant to South Africa, and these are indicated in Figure 8.1.

In the *centralised model*, state ownership is established as a central holding company for a significant portfolio of SOEs (OECD 2018). In South Africa, in the energy sector, for example, the Central Energy Fund (CEF), empowered by the *Central Energy Fund Act* (Act 38 of 1977) of South Africa, is a central holding company for all SOEs operating in the energy sector. For example, this body in South Africa plays a central coordinating role, responsible for monitoring performance and coordination of governance practices across the SOE sector. CEF accounts directly to the government Department of Energy (DOE) on all matters of performance and governance, for its holding companies. The *Public Finance Management Act* (PFMA) of 1999 empowers the DOE to oversee state-owned companies, chiefly, those that account to it, as schedule (2) and schedule (3a) of the Act, prescribe.



Source: Author’s own work.

FIGURE 8.1: State-owned enterprise models.

According to OECD (2018), the central model embodied elements similar to the *dual model*. For example, the dual model suggests that two ministries exercise ownership functions, such as objectives setting and board nominations (OECD 2018). In this regard, the Department of Public Enterprise (DPE) and DOE both have a stake at Eskom, and so determine objectives and board nominations in South Africa. The *coordinating agency model* indicates countries where specialised government units are advisory to other shareholding ministries on operational and technical issues (OECD 2018). Their policy priority is to monitor SOE performance. In this instance, the Petroleum Agency of South Africa (PASA) and the Council for Geoscience play a technical advisory role and promote onshore and offshore oil and gas exploration on behalf of the government of South Africa.

There is also the *twin-track model*, which is functionally equivalent to the centralised model, but with two individual portfolios of SOEs, overseen by two different government bodies (OECD 2018). In this regard, the Department of Minerals and Energy, and DPE oversee the Petroleum, Oil and Gas Corporation of South Africa (PetroSA) and Electricity Distribution Industry Holdings. The latter is managed by the National Energy Regulator of South Africa (NERSA), while the former is monitored by CEF and PASA (chiefly, its technical aspect). These models suggest that one SOE would report to multiple government departments, while they do the same to their coordinating body.

Acknowledging the fact that SOEs are established based on explicit models, it is paramount to understand some of the governance tenets. Thus, from the above discussion it can be deduced that SOE governance tenets may be informed by technical-commercial frames specific to it, while simultaneously complying with existing state institutional creeds. This, for instance further implies that SOEs are functioning in a highly regulatory environment, and Box 8.1 depicts some of the policies.

Box 8.1 broadly outlines the selected regulatory framework chiefly governing SOEs, where public procurement is concerned. The regulation provides legitimacy and a framework for good governance, as it sought to fight opportunities of malfeasance while ensuring that SOEs remain focused on the delivery of their mandate. At the apex, driving this purpose is the *RSA Constitution Act* (106 of 1996), specifically Section 195(1), which outlines the values and principles SOEs should espouse. Some of these values and principles are with regards to SOEs' upholding of high standards of professional ethics, accountability and being development-focused in nature. The *RSA PFMA* (RSA 1999) gives impetus to good corporate governance as a catalyst when engaging in activities associated with public procurement.

The Protocol on Good Corporate Governance in the Public Sector (PGCGPS) (2002) applies to SOEs listed in Schedules 2 and 3 (B) and (D) to the PFMA

BOX 8.1: Legislation and statutory regulation governing state-owned entities in South Africa.

Selected legislative framework: South Africa
RSA. <i>The Constitution Act</i> (108 of 1996).
RSA. <i>National Treasury Act</i> .
RSA. <i>Companies Act</i> (61 of 1973) as amended.
RSA. Protocol on Good Corporate Governance in the Public Sector (2002).
RSA. <i>Preferential Procurement Policy Framework Act</i> (No. 5 of 2000).
RSA. <i>Competition Act</i> (89, 1998), amended Act (35, 1999), subsequent amendments Act (15 of 2000) and Act (39, 2000).
RSA. <i>Prevention and Combating of Corrupt Activities Act</i> , (No. 12 of 2004).
RSA. <i>Promotion of Access to Information Act</i> , No. 2 (2000).
RSA. <i>Promotion of Administrative Act</i> , No. 3 (2000).
RSA. <i>Skills Development Act</i> (No 97 of 1998).
RSA. <i>Employment Equity Act</i> (No 55 of 1998).
RSA. National Treasury Guideline Framework for Corporate Planning and Shareholder's Compact applicable to Schedule 2, 3B & 3D Major Public Entities.
RSA. King III Report on Governance for South Africa (2009).
RSA. Preferential Procurement Regulations. No. 40553 (2017).
RSA. Preference points claim form in terms of the Preferential Procurement Regulations, (2001)
RSA. <i>Broad-Based Black Economic Empowerment Act 53</i> (2003).
RSA. <i>Local Government Municipal Finance Management Act</i> (2003).
RSA. <i>Public Audit Act</i> (2018).
RSA. <i>Public Finance Management Act</i> (RSA 1999).

Key: RSA, Republic of South Africa.

of (1999). The PGCGPS (2002) provides a broader framework for good corporate governance which places a mandate on SOEs oversight and accountability on the Board of Directors and Executive Authority. The Code of Corporate Practices and Conduct, embodied in the RSA King III Report on Governance for South Africa (2009), identifies good governance as a major principle that SOEs must uphold. It was necessary to put in place stringent policies and regulations that amplify values and principles outlined in the South African Constitution as the nature of procurement involves risks of corruption and consequent reputational damage. Furthermore, the aim of this is to ensure that there is strong policing in public procurement and systems that facilitate its processes.

Lloyd and McCue (2004, p. 3) were of the view that 'public procurement is one of the most highly legislated and regulated fields of government'. Bezuidenhout and Pilane (2019) also echo these views as these authors outline the regulatory framework governing public procurement, which applies to South Africa. However, the Presidential Review on SOEs (2014) observed this to be problematic and suggested that a single law, named: *State-Owned Act*, be promulgated to govern all SOEs; thus, effectively reducing the number of legislations governing SOEs. While this may be a noble idea, the implications are that SOEs venture into producing different technical products, guided by business models and policies that may be

unique to them, as indicated earlier. In this regard, Denel, SABC and PetroSA cannot always use similar policy regimes, particularly in terms of their technical specialisation. Applying a one-size-fits-all regulatory regime may be a barrier to other areas of operation for different SOEs, weakening their focus and further opening space for malfeasance practices.

Indeed, Park (2020, p. 2) provides that by statute, SOEs are enterprises by which a state assumes partial or full ownership. This, on its own, implies that there is a regulatory framework that regulates this arrangement. The inference is that 'statutory corporations, with their legal personality established through specific legislation, are considered as SOEs if their purpose and activities, or parts of their activities, are of a larger economic nature' (Park 2020). Thus, by default and to a larger extent, SOEs embody a profit-seeking element, which is rooted in the goods and services they provide (OECD 2015), to fulfil the commercial mandate. It is this line of thought that supports the view that SOEs are by nature unique in operation; each having an identity that is specific to it, even though they may share an economic developmental common goal.

■ Public procurement etymology

This area departs by pondering over a question regarding the meaning of 'procurement' and why it is used as an instrument to facilitate public goods. It sought to understand the etymology; in broad terms, procurement processes and why public procurement is an appealing exercise for many governments around the globe. Procurement is defined as 'acquisition of any type of works, assets, services and goods through purchasing by any other contractual means' (*Public Procurement and Disposal Act*, Republic of Kenya [RK] Section 3[1] 2005). According to Lloyd and McCue (2004, p. 4) procurement as the science of study, entails 'all stages of the process of acquiring property or services, beginning with the process for determining a need for property or services and ending with contract completion and closeout'. Once the need to acquire a particular service is determined, Wakhungu (2013) unveils the definition of procurement as a process, chiefly, where it commences and ends:

[A]ccess to invitations to public bids, tender opening, evaluation of bids and disclosure of evaluation criteria, information on the results of specific procurement transactions and availability of review mechanisms for decisions involving tenders and prompt and impartial resolutions of disputes. (p. 1)

This definition entails the fact that procurement is a process that unfolds in stages, with the ultimate aim to acquire specific goods and services. The process itself has to pass the judgment of transparency and fairness, hence it is driven through competitive bidding.

It appears that scholars hardly give definitive answers, which selectively explicate the concept of procurement, without focusing on unveiling the process itself. However, in non-professional terms, subject to contestation,

procurement for goods and services is rather a contractual and sub-contractual exercise of buying goods and services by government or SOEs, from the private service provider, in response to public policy delivery goals. According to Tayler and McGann (2018), procurement is at the core of translating government policy into tangible results; thus, improving the country's business, investment and social standards, among other things. Thus, the contractual and sub-contracts that SOEs venture into, are constantly in the spotlight for accountability, horizontally, vertically and diagonally. This is what Minogue and Carino (2006) coined as '360 degrees of accountability', as it involves: Parliament, Ministers, the courts, citizens, consumer representative bodies, consumers, customers, regulated companies, regulatory bodies, Auditor-General (AG) and interest groups, which SOEs are subjected to. Even at that, this multi-layered accountability and oversight body may not fully give the procurement process, the policing it deserves as it may lack a coordinated unity of purpose. This, for instance, is a major blind spot in the area of public procurement, driven chiefly, through SOEs.

■ Corruption within state-owned entities

Corruption, as a 'system' stated by Cendales, Garza and Arroyo (2019), is a well-investigated phenomenon. These scholars conclude that corruption is a multifaceted concept. Corruption can either be spontaneous or institutionalised (Batalla 2000). Spontaneous corruption is seen as an observable amoral behaviour displayed by public officials who are supposed to guard against its occurrence. Institutionalised corruption is viewed as extremely endemic to the extent that it becomes a way of life. Kaufmann (1997, p. 2) notes ambiguities related the understanding of corruption, its causes, its effects and its cures. This, for instance, is because of how the concept provides diverse views, some contradictory to the point where its meaning becomes inconclusive. Thus, some scholars observe the phenomenon as causing harm, while others see it as providing an easy path to economic development (Mungiu-Pippidi & Hartmann 2019).

As Nichols (2017) argued, activation of corruption in this regard is likely ignited by bureaucracy and red tape contained in policy tenets governing the public procurement process. It is fair to allude that one of these tenets dictates the procurement process to be done through bidding, which is competitive in nature. The bidders, therefore, appear to have an appetite to bypass this process to score tenders by deceitful means irregularly. It is at this occasion that the value and principle of a high standard of professional ethics are impaired. In addition, the gains that come with embarking on such activity may be beneficial in the short run. In the long run, this may come with unintended consequences pertaining to institutionalising corruption, while certifying it as a way of life.

Jancsics (2019, p. 9) states that corruption is a complex social activity that involves an illegal transfer of state goods belonging to the society, to specific individuals. It would appear though that, specific individuals who are driven by greed and selfishness, control state goods within their borders so that they continue to devour them at any given time they desire. Montinola and Jackman (2002) argued that two approaches describe corruption. The first argument takes a cultural approach whereby corruption is purported to originate from social norms that emphasise gift-giving and loyalty to family or clan, rather not conducted through the rule of law (Jackman 2002). This practice for instance in Africa is culturally viewed as Ubuntu. However, other scholars, especially moralists, observe these norms and the corrupt behaviour they induce as economically harmful and politically amoral (Montinola & Jackman 2002).

The second view of corruption derives from the revisionist approach, by which a particular stage of development of a country is the main instigator. Within the revisionist school of thought, some scholars argued that corruption augments efficiency and enables development as it tends to cut-short lengthy bureaucratic processes that involve licensing and permits issuance (Leff 1964), cited in Mungui-Pippidi and Hartmann (2019). Depending on the business any SOE is involved in, for example, to obtain permits, prospective rights and licenses in South Africa, especially in the petroleum and mining sector, it can take up to three months turnaround time. In countries, such as Kenya, there are no specific timelines set to acquire such licenses. According to Rebelo (2020), this could result in significant delays in the evaluation of prospective mineral discoveries. Thus, prolonging the process of obtaining the necessary documentation instils corruption, as impatient developers may resort to bribing those in positions of power to consider short-cuts.

However, other scholars oppose the aforementioned view. For instance, Mauro (1995) infers that corruption significantly decreases investment, thereby reducing economic growth. There is always a perception that corruption pushes investors away. If this holds, a suggestion is that any form of corruption is morally wrong as it may cripple the economy and leave many poor people in dire poverty and joblessness. A daunting reality is that the systematic nature of corruption shows itself as collective action that operates in skewed power relations between the principal-agent. Some researchers argue that corruption is practised by individuals who are bankrupt in morality and values (JinKyo, Young-Hee & Saithibvongsa 2020). The major issue is that these immoral individuals (the corruptor and the corrupted), initially act in collaboration through established trust that is built in a less transparent environment to the public eye. Consequently, it becomes a challenging task to spontaneously fight and eliminate corruption.

The OECD (2016) highlights various types of corruption, especially that which is conducted through public procurement of goods and services.

For instance, these are not limited to embezzlement, undue influence in the needs' analysis, bribery of public officials involved in the award process, fraud in bid evaluations, invoices or contract obligations and conflict of interests in decision-making (OECD 2016). It is safe, therefore, to interject that lack of agreeing about the etymology of corruption, may have hampered efforts to address this white elephant, while the pervasive nature of it gets firmer and sophisticated.

■ **Research findings and analysis: Selected state-owned entities in South Africa – Procurement, corruption and service delivery**

It is important to note the failure of SOEs in South Africa to fulfil their mandates, which prompted the Presidency to start a process to review their performance. The Presidential Review Commission Report on SOEs (RSA 2014) alluded to earlier revealed the dismal performance of SOEs. Performance evaluation was based on several criteria, such as the adequateness of legislative framework, board nomination and SOE oversight, efficiency and effectiveness of service delivery, profitability and financial factors, social, economic and political harmonisation (Presidential Review Commission [PRC] Report on SOEs [RSA 2014]). However, the PRC report placed minimum emphasis on poor service delivery-related issues caused by corruption facilitated through public procurement processes.

To provide a broader view to the crisis, in the 2015/16 fiscal year, nine SOEs in South Africa incurred a debt close to R700bn with R51bn in interest (Peyper 2017). The same author argued that specifically, six entities borrowed funds from the government for capital expenditure, which are: Airports Company of South Africa, SAA, South African National Roads Agency Limited, Trans-Caledon Tunnel Authority and Transnet, owed R557bn in debt, with R43.9bn payments on interest rates. The development finance institutions, such as Land Bank, Development Bank of South Africa and the Industrial Development Corporation incurred R112bn in, debt during the 2015/16 fiscal year (Peyper 2017). In the 2016/17 fiscal year, the (AG Report RSA 2016/17) noted improvements in the financial status of some SOEs, except for the SABC, the Petroleum Oil and Gas Corporation of South Africa (PetroSA) and the South African Post Office (SAPO).

A turnaround strategy was developed, and the main focus was placed on 'positioning and market development, strengthening of corporate governance structures, stabilising finances and fast-tracking transformation' (South African Government 2015); (National Development Plan 2030). Some of the SOEs under review were Eskom, SAA and SAPO. However, despite the government's close attention to particular SOEs, poor performance challenges

significantly kept on swelling. For example, the state-owned enterprises in South Africa Report (2021) name the same SOEs including some, to be owing R692.9bn. As the same report indicates, major issues that drove SOEs to this poor performance are aging infrastructure, leadership instability, corruption driven through procurement, wasteful expenditure and general mismanagement of funds.

One of the manifestations of these vices is poor service delivery normalised as load shedding, especially with Eskom, a major delivery institution for electricity in South Africa. One way or the other, poor electricity delivery impacts job creation instability and economic growth. In response to this challenge, the current government in South Africa announced a major restructuring of Eskom by splitting its operational component into generation, transmission and distribution (Khumalo 2019). Furthermore, in 2021, the South African government-endorsed Independent Power Producers (IPPs) wherein twenty-five (25) Preferred Bidders were selected under the Renewable Energy Independent Power Producer Procurement Programme to close the electricity delivery gap (Gwede 2021). It is not yet clear how adopting IPPs would positively impact service delivery and reduce corruption.

According to Nkosi (2020, p. 119), the importance of SOEs for economic growth remains high, albeit they face extreme challenges, such as poor productivity, inefficiency and wasteful expenditure. The Auditor-General Report for the Republic of South Africa (2016/17) argued that out of the 51 billion worth of fruitless and wasteful expenditure incurred in government value-chain, Eskom and Transnet accounted for R19.6bn and R8.1bn. The figure for SAA and Denel was even greater, which, in total amounted to R28.4bn (Auditor-General Report for the Republic of South Africa 2016/17). The SABC lost around R622m, resulting in the SOE requesting a R3bn government guarantee so that jobs for employees and other needs can remain serviced.

The Passenger Rail Agency of South Africa, in its 2015/16 fiscal year reported R4.1bn in fruitless and wasteful expenditure (PRASA Annual Report 2015/16). Additionally, Mothibi (2021) discovered that PRASA made irregular payments to contractors. These irregular payments occurred when PRASA paid the service providers an amount that was more than the agreed contract value. In essence, Mothibi (2021) indicates that a conflict of interests between service providers, PRASA directors and officials was central in terms of undermining PFMA dictates, including internal regulations of the organisation. Some payments to service providers, for example, were made without service-level agreements contracts, as (Mothibi 2021) states. Consequently, R4.5m was rendered to the service provider who under-delivered on their contract with PRASA. Mothibi (2021) further declared that R18m was paid to the service provider who failed to deliver all that was procured.

The service provider made a prepayment delivery of 20 locomotives that were not delivered at all. To this end, R9.5m was paid to the service provider for services related to these mobile transporters. Mothibi (2021) further indicates that a service provider was awarded work before its company was registered on the PRASA procurement database. In this instance, the service provider was paid R315,000 for equipment that was not delivered. The procurement memorandum was approved at R7.5m, and the contract was signed at R11m (Mothibi 2021). It would appear that revenue leakage was done deliberately at PRASA to benefit a connected few, using the procurement processes as delivery apparatus. As a result, good governance and the mandate that the institution is placed with, was under ferocious attack.

Lack of compliance to supply-chain-specific regulations and other laws were challenges identified that led to numerous wasteful expenditures incidents. It would appear that some SOEs ignore the *Public Finance Management Act* (RSA 1999) Section 51(1)(b)(ii) specifications, that require SOEs to implement measures to prevent irregular, fruitless and wasteful expenditure. To deter and further curb wasteful expenditure, the South African government gave the AG RSA powers to prosecute the delinquents, through the *RSA Public Audit Act* of 2018. However, implementation of this Act may have not yet yielded observable results as a consequence of the upsurge in fruitless and wasteful expenditure in the 2018/19 fiscal year (Auditor-General Report of the Republic of South Africa 2018/19). As such, financial dwindling in SOEs presented an immense threat to economic stability, resulting in government intervention through a bailout.

In 2019, the National Assembly approved R59 billion through the Special Appropriations Bill, for Eskom (Jika 2019). This is after the R69bn government guarantee bailout was granted to the SOE, early in 2019. In 2017/18, R19 752 million, was incurred by Eskom alone on fruitless and wasteful expenditure, whereas R8.1bn was incurred by Transnet and R84m by SABC, in the 2017/18 fiscal year (Auditor-General Report of the Republic of South Africa 2017/18). In essence, according to the Eskom Group Annual Report (2018/19), Eskom in its 20-year journey resulting in financial mismanagement has incurred a staggering liability of R605bn. From this amount, an astounding R440bn incurred is attributed to debt securities and borrowings (Eskom Group Annual Report 2018/19).

It is, therefore, safe to argue that the majority of services delivered by SOEs in South Africa are hugely compromised because punitive measures are hardly applied, particularly where poor governance and financial misappropriation are concerned. It has become an accepted culture that electricity load shedding can happen on any given day in South Africa. As such, ignited by numerous poor governance issues occurring at Eskom, the Parliamentary Portfolio Committee on Public Enterprise of South Africa, instituted an

Inquiry into Governance, Procurement and the Financial Sustainability of Eskom in 2018 (Report of the Portfolio Committee on Public Enterprises on the Inquiry into Governance, Procurement and Financial Sustainability of Eskom [RPCPEIGPFSE] 2018). The aim was to discover whether there was negligence pertaining to procurement corruption conducted under the watch of former minister Malusi Gigaba and Lynn Brown (RPCPEIGPFSE 2018).

Eskom, the biggest SOE in South Africa, has the potential to impact economic growth but has a poor history of the financial bailout, as alluded to earlier. Like Eskom, SAA received R16.5bn financial bailout since 2009 (De Villiers 2020). As De Villiers (2020) further explains, in the 2009/10 fiscal year, SAA received an R1.5bn bailout. In the 2017/18 fiscal year, an R10bn bailout was rendered to the same SOE. The last straw was the issuance of an R5bn bailout, in the following fiscal year, while instantaneously, allegedly more than 2 000 employees lost their jobs. One may therefore argue that SOEs appear to be a financial liability to the government while contributing less to the struggling economic growth and job creation.

It is paramount to mention that the bailed-out SOEs continue to die slowly because accountability and consequences are generally hardly executed. As Gumede (2018) explains, the SOEs are continually bailed out until the debt they accumulate balloons to such large proportions that they threaten to bring down the country's economy. Eskom, regardless of numerous bailouts, religiously continues to provide unreliable electricity supply, threatening the economic stability of the country until the rating agencies, such as Moody's downgraded the country's economy to a junk status. Gumede (2018) argued that bailouts are not to be taken lightly as these come with interests amounting to billions that must be paid.

Thus, Gumede (2018) observes that, at the stage where indebted SOEs bring country economies to collapse, normally the affected country will approach international lenders, such as the World Bank or the IMF for bailouts. These international lenders then place certain conditions for lending, which may include recommending that SOEs be privatised (Gumede 2018). There has been much pressure placed in South Africa to consider privatising its SOEs, thus in the light of the extent to which these SOEs drain the country's finances with little to show the value created.

However, as indicated earlier by the OECD (2016), the major challenges SOEs are confronted with, particularly in public procurement, are not unique to South Africa. It is a global phenomenon. However, there may be other factors that South African SOEs are faced with, which are specific to their context. In this regard, some challenges manifest as a result of the complex nature of models SOEs are built upon. The extrapolation is that all the models alluded to earlier, apply to South African SOEs. The implication of this is that SOEs find themselves executing multiple mandates and reporting to more

than one institution. Taghizadeh-Hesary et al. (2019) confirm that SOEs are placed to fulfil multiple and conflicting roles, such as providing social services while operating commercially. Thus, at some point, SOEs are not-for-profit generation institutions even though they are expected to be profitable. This, on its own, is ambiguous, spells out the lack of clear-cut identity and performance measurement.

So, it could be this fragmentation that corruption prevails as oversight is not coordinated and vigorous, particularly in the stages of procurement, as a process. This also applies to regulations SOEs ought to comply with. For example, there are those laws formed at a national level and are umbrella policies applicable to all SOEs. Some regulations are department-specific, by which SOEs reporting to it, must adhere. Furthermore, state-owned entities with coordinating agencies would have regulations they need to observe, including those unique to their business operations. As was revealed earlier, for example, PRASA flaunts its internal procurement procedures, resulting in massive revenue loss with nothing to show on the ground. Thus, complex overlapping models, multi-pronged mandates, a mixed-bag regulatory framework that SOEs must observe, multi-layered oversight institutions, provides them with nothing but failure, resulting in poor management and funding placed in the least priority areas. It would appear as if country governments were aware of these challenges hence bailouts are just dished out anyhow, coupled with weak oversight and accountability measures that keep on exonerating wrongdoers. The main reality is that some SOEs fail to deliver service delivery effectively, especially through public procurement vehicles.

■ Conclusion

This chapter has sought to unpack the socio-economic role played by SOEs in South Africa. It attempted to understand the economics of SOEs in Africa by paying close attention to procurement practices towards delivering services and how corruption prohibits public value creation. As discussed earlier, SOE development or reconfiguration in South Africa increased significantly after gaining independence from colonial rule and apartheid. State-owned entities during this time were used as public policy responses to a variety of societal challenges. The government injected financial capital for SOEs, aiming that once their businesses take off, they will bring public value economically and socio-political. State-owned entities in South Africa intended to address multiple challenges, such as market failure; generating public funds and being the source of revenue and job creation; promoting urban growth and land reform; promoting economic empowerment through preferred procurement and wealth distribution; poverty alleviation and catalyst for PS development.

The study was qualitative in nature, using extant literature for analysis. Research findings suggest that SOEs in South Africa hardly address the mandates placed on them, especially through public procurement. There are numerous barriers observed that mainly put a strain on SOEs' performance. Among these are multiple-pronged instructions and roles that lack prioritisation, which SOEs are expected to achieve. Furthermore, multiple models and fragmented regulatory frameworks are likely to open loopholes for poor compliance, especially to the PFMA, and set ethical standards. Thus, there must be major concentration on addressing these to place more focus on SOEs identity, including regulations primarily unique to them.

In addressing the latter, initially, there is an urgent need to restructure the legislative framework to speak to guidelines of SOE operations solely. Currently, the legislative framework and guidelines do not make a clear-cut distinction, which shows that the PS operates differently. Thus, the PS is purely profit-driven, and its internal policies and operations support this goal. State-owned entities lack this strong focus as their mandates are to support government policy views of ensuring service delivery, while at the same time being commercially viable. This, on its own, assumes that the level playing field is not even between the PS and SOEs, so the legislative framework should recognise this. Thus, rules of the game that consequently affect SOE productivity negatively and also the ultimate survival, cannot be expected to cover both sectors of operation.

To be specific, the *Companies Act*, *PFMA* and *National Treasury Act*, in South Africa provide minimum understanding that SOEs operate in a competitive environment where the PS could be dominant in the space. The inference is that this could be among the leading pressures that push SOEs to adopt corrupt ideas as they scramble to fulfil unreachable profit generation goals. This inevitably cripples the SOE's policy of rendering effective service delivery. However, one may argue that preferential procurement policies are meant to ensure a level playing field. Compliance with these policies, which must still be tested, is another topic for another research. Indeed, the PFMA gives powers to government departments to oversee respective SOEs reporting to it. It can be concluded that the nature of interdepartmental relations creates multiple reporting lines for some SOEs, as was demonstrated earlier. The PS does not have to worry about multiple or fragmented reporting lines and compliance to multi-pronged regulations. This further implicates governance of the SOEs while at the same time enabling corruption.

Procurement, corruption and service delivery in the Ghanaian public sector

Evans Sokro

Department of Human Resource Management,
Central Business School, Central University,
Tema, Ghana

■ Introduction

The United Nations (UN) examinations of corruption and procurement all over the world established the fact that the process of public procurement is a highly corruption-infested and endangered area (United Nations Procurement Manual 2019). Specifically, public procurement is a problem-ridden area in terms of corruption (Gelléri & Csáki 2004) as it affects almost every nation. Khramkin (2007) asserts that corruption affects the poor in society as it has negative consequences for economic development, provision of social services and misappropriation of funds for infrastructure projects. Other researchers also report that corruption negatively affects the economic development of both advanced and third-world countries (Khramkin 2007; Larmour 2006; Mawenya 2008). As indicated in the 2018 CPI, the democratic crisis happening around the globe is attributed to the fact that most countries fail to control corruption radically. This might explain why the African continent is generally considered one of the most

How to cite: Sokro, E 2022, 'Procurement, corruption and service delivery in the Ghanaian public sector', in FG Netswera, OM Fagbadebo & N Dorasamy (eds.), *State-owned enterprises in Africa and the economics of public service delivery*, AOSIS Books, Cape Town, pp. 145-160. <https://doi.org/10.4102/aosis.2022.BK270.09>

corrupt continents, coupled with underdevelopment and poor governance systems because of political leadership's failure to combat corruption over the years successfully.

Corruption in sub-Saharan Africa is systemic; the comments of a former Minister of Youth and Sports in Ghana indicated that state officials sometimes pass questionable deals or award dubious contracts as rewards for individuals and institutions who provided financial support to a ruling government during election campaigns (Nyavor 2018). Thus, systemic corruption takes place when an organisation's administrative system strays from its primary purposes, making its members adopt unacceptable practices and punishing or victimising those who tend to uphold the law (Caiden & Caiden 1977). For example, those who violate the organisation's code of ethics are protected, and when exposed, they are given lenient punishments or not punished; their accusers are tagged and victimised for uncovering organisational hypocrisy and are treated badly. Systemic corruption negatively impacts effective functioning and could lead to the failure of the entire system. This is a reflection of the situation in most developing countries, particularly sub-Saharan Africa.

While some scholars perceive corruption as thoughtful and deliberate acts by greedy and self-interest seeking individuals who hold public offices so as to be able to squander national resources (Rose-Ackerman 1999), others argue that corrupt practices are highly social and fuelled by larger social and cultural ideologies of supremacy, privilege and obligation (Hasty 2005). Therefore, it is not surprising that Csapodi, Takács and György-Takács (2011) proposed that corruption should be considered as socially-aberrant conduct that originates from the socio-economic background, as well as the culture of a particular society. As a socio-legal phenomenon, corruption has a significant adverse effect on the economies of countries; it undermines the efficiency of all types of government decisions and programmes, damages the morale of society, decreases citizens' trust in the government and those in authority and destroys the principles of law and justice (Ahmetova et al. 2016; Tsepelev et al. 2019). According to Transparency International, corruption is a major challenge faced by the world today. It distorts public policies, hence, undermines good governance, results in misappropriation of funds, misuse of public resources, damage to corporate institutions and hinder their progress and for the most part, hurts the poor (Amundsen 1999).

Even though Ghana has a strong anti-corruption legal framework, corruption prevails as the country faces the challenge of effectively enforcing its *Public Procurement Act* (PPA). Previous studies have investigated procurement and corruption in the Ghanaian context, such as corrupt practices in the public procurement of infrastructure projects (Osei-Tutu, Badu & Owusu-Manu 2010) and conflict of interest related to corruption (Osei-Tutu et al. 2014). However, little is known about how public officials and people in

authority violate, abuse or show disregard for the PPA. As such, this study examines the nature and means of corrupt practices that have characterised the public procurement process and its implications for delivering service in state institutions. In line with the above objectives, the paper is organised as follows: the first section discusses the concept of corruption and reviews the literature on corruption and procurement; the second section provides details of the study's methodology; the subsequent sections present the results and discusses the findings of the study. Finally, recommendations for the effective implementation of PPA in Ghana are provided.

■ Conceptualising corruption

Corruption has been recognised as a widespread phenomenon that negatively affects the socio-economic development of developed and developing countries, even though the latter is mostly at risk (Webb 2010). Corruption has been considered from two different perspectives. Firstly, the view that it enhances trade where it is seen to benefit stakeholders by avoiding or dodging regulatory and managerial limitations and boundaries. It makes it easier to conduct business under circumstances that would not have allowed for some transactions (Aidt 2009). Advocates of this view argue that corruption enhances the efficiency as it makes it possible for both the individual and the PS to correct a variety of pre-existing government failures (e.g. Aidt 2009; Egger & Winner 2005; Leff 1964). The second view about corruption is the idea that it creates inefficiency as state officials easily get access to whatever they want at any time unless they are somehow limited by monetary, legal and political situations (Aidt 2009; Buchanan & Tullock 1962; Rose-Ackerman 1999).

Corruption is defined as a significant deviation from the prescribed rules of conduct binding a person's behaviour in authority or power for selfish reasons, such as status, power or wealth (Khan 1996). De Sardan (1999) posits that corruption represents any form of undisclosed social exchange where people in authority take advantage of their mandate or position for personal advantage. Mensah et al. (2003) define corruption as any kind of unequal, dishonest or illegal practice, and dealing in managing public or state transactions or performing official duties. This sheds light on why state officials or persons in authority accept gifts in cash and kind and then misuse their official powers by returning undue favours (Amundsen 1999). Accordingly, corruption involves the abuse of power by those in a position of trust for personal gain. Amundsen (1999) notes that corruption is embedded in state-society relationships. Hence, individuals in authority, including civil servants, politicians, functionaries and bureaucrats, misuse the public power entrusted to them for their own gain. This view is consistent with Nye's (1989, p. 966) definition of political corruption as deviant behaviour where a state official goes against public rules regarding public roles to fulfil their selfish needs or

violates rules against bribery (use of gifts to alter the judgment of a person; patronage based on relationships instead of merit and unlawful use or allocation of public resources for selfish motives and gains). Specifically, political corruption often results in the misallocation of resources and compromises on how decisions are made by those in authority. In other words, it entails any transaction that involves public and PS actors where communal possessions are illegally diverted into private payoffs (Heidenheimer, Johnston & LeVine 1993). It should be emphasised that wrongful exercise of power in public office is dangerous and harmful to society as it hampers national development (Philp 1997).

■ Public procurement, corruption and service delivery

Public procurement has been increasingly recognised as an important vehicle for the smooth and transparent handling of public operations in advanced and third-world countries. It has been acknowledged by government agencies, policymakers and business managers for playing a major role in institutional governance and efficient administration of resources. However, procurement happens to be one of the lucrative businesses for the political class (Mahmood 2010), and corruption in public procurement is a problem faced by both developed and developing countries. For example, in a recent Crown Court Judgement on January 31, 2020, in the Royal Court of Justice Strand, London, in the case between the Director of the Serious Fraud Office (SFO) and Airbus SE where the SFO's investigation related to bribery offenses in some countries in Asia and Africa in connection with the procurement of aircraft, the judge, Rt. Hon. Dame Victoria Sharp stated (SFO v Airbus Judgement 2020):

The criminality involved was grave. The SFO's investigation demonstrated that in order to increase sales, persons who performed services for and on behalf of Airbus offered, promised or gave financial advantages to others intending to obtain or retain business, or an advantage in the conduct of business, for Airbus SE. It is alleged that those financial advantages were intended to improperly perform relevant function or activity or were intended to reward such improper performance that Airbus did not prevent, or have in place at the material times adequate procedures designed to prevent those persons associated with Airbus from carrying out such conduct. (pp. 2-3)

As Ghana was named among the countries involved in the crime, the government of Ghana directed the Office of the Special Prosecutor to contact the SFO in the United Kingdom to ascertain whether some past government officials were found culpable of corruption.

Similarly, corruption in the allocation of procurement contracts was found to be the main channel through which politicians in Russia exchange cash, especially in an election year where these individuals campaign for votes (Mironov & Zhuravskaya 2016). In addition, empirical evidence suggests that

political corruption exists both in third-world economies and advanced countries that are committed to democracy and market economy under the umbrella of the OECD (Hessami 2014). Burguet and Che (2004) examine competitive procurement practised fraudulently by a state official determined to manoeuvre the assessment of contract bids to receive a bribe. They found that a corrupt state agent with strong manipulation power will award contracts to bribe givers. As such, there is a strong linkage between corruption and procurement with consequences for the award of contract, socio-economic development and maladministration of state institutions.

To minimise corruption in public procurement, many countries have established laws and established offices for regulating the procurement process. For example, while South Africa has established the Office of the Chief Procurement Officer at the National Treasury intending to deal with government procurement-related challenges (Munzhedzi 2016), the government of Ghana has recently appointed a Minister of State at the Presidency in charge of public procurement. Such measures are attempts by these countries to ensure transparency, equal opportunity and fairness in public procurement.

Ghana's parliament passed the PPA 2003 (Act 663) (Laws Ghana 2003) to form the Public Procurement Board; make managerial and institutional policies for procurement; specify tendering processes and make provision for procurement-related activities (Laws Ghana 2003). The Act is built on five major subjects:

1. an all-inclusive, clear, lawful and institutional framework
2. standardised procurement processes and tender documents
3. autonomous system of control
4. competent procurement staff
5. measures against corruption.

The Act makes provisions for the setting up of a board with the responsibility of ensuring that public procurement is consistent with the provisions of the Act. It also makes provision for a tender committee that is mandated to review, award and manage contracts that meet specific value limits. The tender committee may employ the services of advisers in carrying out their duties. The tender committee must refer any contract higher than its value limit to the central government's review board or any appropriate government level. In addition, it is an obligation for all contracts or agreements to be subjected to open and competitive bidding, except in instances where the Act provides or states otherwise. Regarding the scope and application of the procurement Act, the Act applies to:

1. the procurement of goods, works and services, wholly or partly financed with public resources unless it is decided by the Minister to adopt a procedure other than the approved one used for public interest

2. functions that relate to obtaining goods, securing works and assessing services, including the explanation of requirements and call for sources, preparations, selections and awarding of contracts and the phases of supervising contracts
3. the clearance of stores and equipment owned by the state
4. acquisition of funds or loans taken or guaranteed by the state and foreign aid funds.

In addition, the Act also applies:

- To central management agencies, government MDAs, subvented agencies, governance institutions, SOEs, such as public universities, public schools, colleges and hospitals.
- The Bank of Ghana and financial institutions, such as public trusts, pension funds and insurance companies and building institutions that are wholly owned by the state or where the state has a major interest.
- Institutions established by the government for the general welfare of the public or community.

Furthermore, to strengthen transparency in public procurement, the Act specifically states that where a minister decides that it is in the national interest to use a different procedure, they will define and publish in the *Gazette* the method of procurement to be followed to serve the interest of the economy. It is expected that the proper and effective application of the procurement Act would help minimise the corrupt practices associated with public procurement. It will also ensure proper accountability, prompt and effective service delivery from service providers and contractors. Indeed, the implementation of the PPA has brought some order, sanity and responsibility into the procurement process in general (Sokro & Agbola 2021).

It should be emphasised that corruption in procurement is dangerous to the effective functioning of any government, institution and organisation. When corruption happens in any procurement process, there is a negative impact on the delivery of service through misallocation of resources, poor contract execution and lack of accountability in governance. Unfortunately, corruption in procurement processes in Ghana has become systemic to the point that it affects decision-making and allocates the provision of crucial services to those who can afford it rather than those in need or who can execute. A classic example is a revelation by the AG in 2019 regarding the disbursement of the Ghana Education Trust Fund (GETFUND) scholarship. A scholarship intended for needy and brilliant students has been awarded to politicians, including ministers of state and members of parliament and their relations. Such corrupt practices hinder the country's collective efforts to ensure an all-inclusive government, socio-economic development, fair distribution of the national cake and poverty alleviation.

Consequently, ordinary citizens are increasingly losing confidence in state institutions and public officials because of how they manipulate and award contracts to friends, relatives and party activists. Previous studies have also provided evidence suggesting that corrupt practices characterise public service delivery in Ghana. For example, Gordon (2017) studied bribery and corruption in the Judicial Service of Ghana. He found that justice is often served on the wheels fuelled by bribery and corruption, such that numerous judgments were given in favour of people who can afford to pay a bribe. In other words, justice is sold to those who can afford it. Similarly, Bellaubi and Pahl-Wostl (2017) found that the practice of bribery and corruption and opportunistic practices negatively impact the performance of the delivery of water services in Kenya and Ghana.

■ Methodology

The immoral and unlawful nature of corruption makes it difficult and problematic to measure. However, some studies have identified two major sources of data for measuring corruption (Knack 2007; Philp 2016). Specifically, data on corruption are usually obtained either directly through observation (such as law enforcement records and audit reports) or perception surveys, for instance, public opinion surveys or expert assessments. This study obtained data through direct observation by reviewing the audit reports of the AG for 10 years (2009–2019). Information was retrieved from documents available primarily on electronic databases, including websites of state agencies, for instance, the Public Procurement Authority and the Auditor-General's Department. The study reviews the AG's report and identifies instances where people in authority either violated, abused or showed disregard for the PPA. The AG's report covers the activities of all public institutions, including public boards, corporations, government departments and ministries. It should be noted that the AG's reports for 2012–2015 could not be accessed on the website; hence, they were not included in the study. The procurement violations that were examined and reported by the AG are presented in Table 9.1.

■ Discussion of findings

Public procurement is associated with both petty and massive corruption (Transparency International 2005). Hence, the main purpose of this study was to assess how public officials violate, abuse power or show disregard for the PPA in procuring goods and services. The study found that public officials sometimes violate the requirements of the PPA in the form of single-source procurement, awarding contracts exceeding the value threshold, non-competitive bidding, unplanned procurement, breaking of procurement law, procurement without tendering, and supplying goods before getting contracts.

TABLE 9.1: Procurement violations in the Auditor-General's report of the Public Accounts Committee of Ghana (2009–2019).

Institution	Year	Procurement violation	Details of the violation	Recommendation by Auditor-General
Ministry of Health	2009	Single-sourced procurement	It was discovered that there were single-sourced procurement transactions without authorisation in some hospitals, which totalled GH¢218,548.00.	Managements of the various hospitals where the anomaly took place must adhere to the provisions of the PPA, 2003 (Act 663).
Controller and Accountant General, Central Regional office	2009	Single-sourced procurement	Single-sourced purchase of items worth GH¢3 844.00, and thus, negated the gains of competitive procurement.	Management should comply strictly with the provisions of the PPA, 2003 (Act 663).
Ministry of Food and Agriculture	2009	Uncompetitive procurement from companies that were not registered by VAT	Failure to source for alternative quotations for a contract amounting to GH¢33 378.00. Uncompetitive procurement from non-VAT registered companies led to a revenue loss of GH¢4 590.00.	Advised the respective managements to comply with VAT and Procurement laws.
Ashanti region	2010	Uncompetitive procurement	Seven schools carried out various transactions amounting to GH¢518,064.53 without getting and comparing different price quotes from different suppliers.	Schools must ensure that they get at least three different price quotations regarding transactions or supply orders and choose the one favouring the institution for fair prices.
Ahafo region	2010	Procurement without multiple price quotations	A total amount of GH¢122,690.60 was used for the purchase of goods and services from different suppliers without different price quotations.	Storekeepers must be properly audited and monitored by auditors and school heads.
Central region	2010	Uncompetitive procurement	Eight different Institutions purchased goods amounting to GH¢528,373.98 without different price quotes.	Institutional heads are urged to follow the rules of the PPA.
Eastern region	2010	Uncompetitive procurement	Items worth GH¢483,176.69 were purchased by eight institutions without different price quotations from different suppliers.	These institutions are advised to follow the rules of the PPA.
Volta region	2010	Uncompetitive procurement	Goods and services valued at GH¢113,490.54 were procured by four schools without different price quotations.	School management must act and adhere to the provisions of the PPA.
Western region	2010	Uncompetitive procurement	Store items valued at GH¢426,183.11 were procured by seven institutions without different price quotations.	Institutional heads are advised to follow the rules of the PPA to make sure there is transparency and value for money.

Table 9.1 continues on the next page→

TABLE 9.1 (cont.): Procurement violations in the Auditor-General's report of the Public Accounts Committee of Ghana (2009–2019).

Institution	Year	Procurement violation	Details of the violation	Recommendation by Auditor-General
Central region	2010	Uncompetitive procurement	Goods worth GH¢528,373.98 were procured without alternative price quotes from different suppliers.	Institutional heads were urged to follow the rules of the PPA to make sure there is transparency and value for money.
Eastern region	2010	Uncompetitive procurement	Items valued at GH¢483,176.69 were procured without obtaining different price quotations from different providers.	Institutional heads are advised to follow the rules of the PPA to ensure transparency.
Volta region	2010	Uncompetitive procurement	Goods and services were procured by four schools for an amount of GH¢113,490.54 without at least three different price quotations.	The school management was urged to act in compliance with the provisions in PPA to make sure there is transparency.
Western region	2010	Uncompetitive procurement	Store items valued at GH¢426,183.11 were procured by seven institutions without obtaining other price quotations from different providers.	Institutional heads were advised to follow the PPA to make sure that there is transparency.
Volta region	2010	Contracts awarded above the threshold for the head of an entity	Seven contracts were awarded by the Headmaster of Anfoega Senior High School, which exceeded his approved limit by GH¢86 736.41.	Strict compliance with the public procurement provisions must be ensured and sanctions given to those guilty of non-adherence.
Greater Accra region	2010	Purchasing without competitive bidding	Two institutions procured goods totalling GH¢85 861.00 and GH¢5 642.00 without competitive bidding.	There should be strict compliance with the provisions of the PPA must be ensured and sanctions given to those guilty of non-adherence.
Upper-east region	2010	Purchases without multiple price quotations	Kusanaba Senior High School made procurements amounting to GH¢10 208.50 in 2010 without multiple price quotations, thus failing to adhere to Section 43(1) of the PPA, 663 of 2003.	Strict compliance with the public procurement provisions must be ensured and sanctions given to those guilty of non-adherence.
Northern region	2010	Purchases without alternative quotations	Five institutions procured store items that amounted to GH¢90 935.79 without alternative price quotations.	Strict compliance with the provisions of the PPA must be ensured and sanctions given to those guilty of non-adherence.

Table 9.1 continues on the next page→

TABLE 9.1 (cont.): Procurement violations in the Auditor-General's report of the Public Accounts Committee of Ghana (2009–2019).

Institution	Year	Procurement violation	Details of the violation	Recommendation by Auditor-General
Ministry of Employment and Social Welfare	2011	Exceeding procurement ceiling	The National Labour Commission procured curtains, furniture and ceilings to the tune of GH¢30 587.53, exceeding their approved resources by GH¢20 587.53.	It is recommended that the commission ensures strict adherence to authorised funds and act according to the PPA.
Ministry of Food and Agriculture	2011	Single-source procurement	The Veterinary Services did single-sourced procurement with no authorisation which amounted to GH¢58 972.40, likewise its Directorate and the Ejura Agricultural College totalling GH¢2 937.40.	Urged the management of the two offices to comply with the provisions of the PPA, 2003 (Act 663).
Ministry of Health	2011	Single-source procurement	Nine hospitals single-sourced items without authorisation to the tune of GH¢13,306,102.80.	Management of these health institutions has been urged to ensure adherence to the PPA, 2003 (Act 663).
Ministry of Water Resources, Works and Housing	2011	Single-source procurement	The Water and Sanitation Development Board Office at Half-Assini made a single-source procurement amounting to GH¢36 773.00.	Management of the board was urged to ensure compliance with Section 43(i) of the PPA, 2003 (Act 663).
Ministry of Education	2011	Uncompetitive procurement	A contract of GH¢40 000.00 was awarded by Sefwi Akotombra, for classroom block renovations, an ICT centre and a supply of computers, without competitive tendering, which the contractor failed to complete.	It was recommended that the contractor issued upon refusal to fulfil his part of the contract agreement.
Ministry of Justice and Attorney General's Department	2016	Fragmentation of procurement	Bitty buying of stationery, totalling GH¢478,143.21 was made, leading to loss of cost reduction on wholesale buying and uncompetitive prices.	Management urged to strictly adhere to the provisions of the PPA.
Ministry of Finance-Headquarters	2016	Value books supplied prior to awarding of a contract	Supply of value books preceded awarding of the contract.	Management must ensure effective stock control management by adhering to the provisions of the PPA. An annual procurement plan must be designed depending on minimum stock levels to stop cases of supply before contract.

Table 9.1 continues on the next page→

TABLE 9.1 (cont.): Procurement violations in the Auditor-General's report of the Public Accounts Committee of Ghana (2009–2019).

Institution	Year	Procurement violation	Details of the violation	Recommendation by Auditor-General
Ministry of Education	2016	Non-competitive procurement	Procurement of goods and services amounting to GH¢99 486.99 was done by GES Directorates without alternative prices. Also, management failed to seek approval from PPA to do sole sourcing.	Directorates must make sure that there is strict adherence to provisions of the PPA and sanctions are given to those guilty of non-adherence.
Ministry of Education District Education Office - Paga	2016	Breaking of procurement law	1130 dual desks valued at GH¢299,450.00 were procured and contract shared among four different suppliers.	Management was urged to avoid this practice and comply with the PPA.
Ministry of Education District Education Office	2016	Inappropriate procurement method	Procurements amounting to GH¢479,630.68 and GH¢805,228.26 were made by Paga and Fumbisi Education directorates, respectively, from 18 suppliers, without opening for bidding, even exceeding the approved threshold by GH¢20 000.00.	It is recommended that henceforth, management must publish such procurements for bidding. Sanctions must be given to persons who refuse to adhere to the provisions of PPA (663).
Ministry of Interior	2016	Failure to obtain requisite quotations	Four different payments were made for goods and services procured, totalling GH¢18 342.50. This was done without price quotations from different suppliers.	Management urged to comply with the provisions of the PPA.
Ministry of Education Ghana Education Service - Jirapa	2016	Procurement without alternative quotations	Goods and services were procured at GH¢154,105.44 by GES Directorates without alternative prices. Also, management failed to seek approval from PPA to do sole sourcing.	The regional director should make sure all future contracts are open to bidding to allow for transparency and value for money.
Ministry of Education Ghana Education Service - Lambussie	2016	Procurement without tender	Dual Desks were procured at GH¢45 000.00 without publishing nor submission to bidding, though the sum of the contract exceeded the approved limit required for NCT.	Key actors must ensure that all future contracts are open to bidding to allow for transparency and value for money.
Other Agencies - Public Services Commission	2016	Purchase of vehicle without tender	Two pickup vehicles were procured at GH¢268,450.00 from Japan Motors Trading Company Ltd but were not published nor subjected to bidding.	Management must ensure that all future contracts are open to bidding to allow for transparency and value for money.

Table 9.1 continues on the next page→

TABLE 9.1 (cont.): Procurement violations in the Auditor-General's report of the Public Accounts Committee of Ghana (2009–2019).

Institution	Year	Procurement violation	Details of the violation	Recommendation by Auditor-General
Ministry of Health-Ghana Institute of Clinical Genetics	2017	Uncompetitive procurement	Ten payment vouchers totalling GH¢50 003.03 were made by the accountant without price quotations from different suppliers.	It is recommended that the Head of Procurement must comply with the PPA by obtaining at least three quotations before making purchases.
Ministry of Fisheries and Aquaculture Development Fisheries Commission-Kumasi	2017	Uncompetitive procurement	There was no competitive procedure in the selection of supplier of fish feed, hence difficult to ascertain the reasonableness of the contract awarded Raanan Fish Feed West Africa, to the tune of GH¢23 264 for the supply of fish feed.	Provisions of PPA should be strictly adhered to.
Ministry of Health-Ghana Institute of Clinical Genetics	2017	Uncompetitive procurement	Ten payment vouchers totalling GH¢50 003.03 were made by the accountant without price quotations from different suppliers.	It is recommended that the Head of Procurement must comply with the PPA by obtaining at least three quotations before making purchases to obtain value for money.
Ministry of Education	2018	Uncompetitive purchases	It was discovered that six Institutions under the ministry did not obtain any price quotations from suppliers before making procurements which amounted to GH¢356,218.00 during the audit period.	It was recommended that the Ministry ensures strict adherence to the PPA, and tender committees avoid excessive breaching of and disregard for the provisions of PPA.
Ghana Statistical Service	2018	Unplanned procurement	The Ghana Statistical Service in 2018 engaged in unplanned procurement of 711 tablets worth GH¢460,672.00, which was not part of their 2018 procurement plans.	Management is urged to comply strictly with Section 21 of the PPA to avoid the tendency of acquiring items in excess. They should be proactive and improve efficiency in planning.
Ministry of Energy	2018	Single-source procurement	The company engaged in a single-sourced procurement by appointing a consultant (TIM Consulting Ltd) for omnibus consulting services without approval from the Public Procurement Authority.	Heads were advised to write to the Public Procurement Authority to rectify these contracts according to Section 50(3) of the <i>Public Procurement Amendment Act of 2016</i> (Act 914) within 30 days after receiving the management letter and prompt the appropriate key actor for verification.
Ministry of Lands and Natural Resources	2018	Breaking of procurement law	Management of the commission was inconsistent with the PPA required procedures in awarding the contract for the purchase and the installation of air conditions.	We recommended to management to strengthen internal control systems in procuring goods and services, and ensure that in the future, awarding of contracts follow the required PPA procedures.

Table 9.1 continues on the next page→

TABLE 9.1 (cont.): Procurement violations in the Auditor-General's report of the Public Accounts Committee of Ghana (2009–2019).

Institution	Year	Procurement violation	Details of the violation	Recommendation by Auditor-General
Ministry of Health	2018	Uncompetitive purchases	It was discovered that seven institutions under the ministry did not obtain any price quotations from suppliers before making procurements which amounted to GH¢725,301.00, during the audit period.	It is recommended that the Head of Procurement must comply with the PPA by obtaining at least three quotations before making purchases to obtain value for money.
Ministry of Health	2018	Non-publication of procurement contracts	It was discovered through a review of the ministry's procurements that, some awards for goods, services and consultancy were undertaken but not published on the Public Procurement Authority website.	The ministry was urged to adhere to the procurement law.

Source: Adapted from Ministries, Department and Other Agencies (MDAS) 2009 and 2019.

Key: ICT, information and communication technology; PPA, *Public Procurement Act*.

After analysing the AG's report for the period studied, it was revealed that public officers in charge of public procurement failed to subject procurement of goods and services to a viable tendering process. Uncompetitive procurement was an issue of concern in various government institutions, particularly the Health, Education, Food and Agriculture, Fisheries and Aquaculture Development Sectors and the Ghana Statistical Service. Therefore, the AG's department urged these public officers to comply with the provisions of the PPA strictly and advised the management to ensure that future supply orders were supported with at least three separate price quotations to guarantee fair price and value for money.

Related to uncompetitive procurement is single-sourced procurement. The report indicates that some institutions and departments, including the Ministry of Health, Controller and Accountant General and Ministry of Energy, awarded contracts through sole sourcing. Such a mode of procurement raises questions as to who has been awarded the contract, how does the person relate to the procurement officers, what are the criteria used in selecting the beneficiary and why that person was chosen and not the other service providers? There is a high probability that single-sourced contracts always go to someone known to the procurement officers in exchange for cash or some favours. Single-sourced contracts may serve as a form of reward to individuals or business entities who have provided financial support to a political party in government (Mironov & Zhuravskaya 2016). As a result, governments in power usually use sole sourcing in public procurement not only as a means to reward their financiers but also to raise money for a political campaign to retain power.

Osei-Tutu et al. (2010) conducted a study on corruption and infrastructural projects in Ghana. At the end of his study, he found that fraud, bribes, misappropriation of funds, theft and conflict of interest are the major corrupt practices associated with Ghana's infrastructure projects. Such contract beneficiaries may sometimes provide poor services or supply inferior products as they often lack the skills, competencies and experience needed for quality and efficient service delivery. As a result of their relationships with those who award the contracts, there is no effective monitoring of how the contracts are executed to ensure value for money for the taxpayers. Similarly, Mironov and Zhuravskaya (2016) found that politicians in Russia use procurement as the main method of raising money to support election campaigns. As the motive is to raise the cash needed to finance political activities, the tendering process could be compromised and the most competent person may not secure the contract, having negative effects on service delivery.

The results of the study also indicate that some contracts were awarded exceeding the value threshold recommended by the PPA. Ideally, such contracts should have been referred to suitable tender review boards by the tender committee. In such instances, the Auditor's General Department notes in their recommendation that the heads of the procurement entities must make sure that there is strict adherence to the provisions of the law to avoid being sanctioned. It is time to ensure that those who do not comply with the procurement Act are severely sanctioned for the breach of the law to help signal public procurement officers that such behaviour cannot be tolerated. Individuals in authority should learn to obey the basic rules and regulations governing their positions. They should be mindful of the nation's interest at heart and ensure that the interest of the country supersedes individual interest in any given situation.

Another procurement violation identified relates to the fact that some goods were supplied before contracts were awarded. Thus, these institutions do not have any procurement plan, and they procure as and when it suits them. Accordingly, the AG urged the management of these institutions to adhere to the procurement law to make sure that stock control is managed effectively. Again, considering the minimum stock levels of institutions, they were also encouraged to have an annual procurement plan to curtail cases of receiving supplies before awarding contracts. Having an annual procurement plan would be useful for government departments and agencies to come out with timelines that guide the procurement process. It would assist them to know when to advertise for competitive tender and when the process will end. This will give them ample time to review tender documents to award contracts to the most competent and experienced service providers to ensure the nation is not short-changed.

■ Conclusion

This study provides evidence suggesting that corruption persists in public procurement despite the enactment of the PPA (Act 663). The core aim of the study was to examine whether public officers adhere to the requirements of the PPA in engaging the services of those who matter in the provision of goods and services in the Ghanaian public sector. The results show that public officers are not adhering to the requirements of the PPA as they are found to have engaged in uncompetitive procurement, sole sourcing, awarding contracts exceeding the value threshold, procurement without tender and supply of goods before contracts are awarded. The findings also support the argument that eliminating corruption in public procurement requires full compliance with the law that regulates public procurement (i.e. the PPA).

The PPA highlights the need for state institutions, including government departments and agencies, to be transparent, fair and to value money in procuring goods and services. It is important to state that addressing the irregularities and minimising corruption in public procurement requires combined efforts from all stakeholders, including the government and strong institutions, PS, proactive and credible media, active and impartial CSOs and consumer protection groups. The media, the fourth estate and CSOs should effectively play their roles of a watchdog and strongly push for compliance with the PPA and prosecution of any public officer who infringes the law. In addition, public servants, especially those in charge of procurement, must be committed to adherence to the PPA provisions. These individuals must endeavour to promote the culture of transparency, they should be honest and ensure fairness in the award of contracts where each citizen, irrespective of political affiliation, ethnicity, tribe and religion, has equal opportunity to participate in the competitive bidding process. Contracts should only be awarded to individuals and institutions who are qualified and can deliver excellent performance for the benefit of society at large.

It is also worth mentioning that the AG should not only expose and caution public officers who failed to comply with the PPA but should also be quick to name, shame and punish all those who violate the law. In addition, it would be beneficial for the AG's department to have a well-resourced unit in charge of monitoring and evaluation. This unit should be responsible for ensuring that heads of institutions who are sanctioned, surcharged or cautioned are monitored to do the right thing. The AG should liaise with the Office of the Special Prosecutor to prosecute every public officer who is

found culpable in violating the PPA irrespective of the person's position or political affiliation.

The government of the day should recognise the fact that corruption remains the topmost challenge to public procurement and must be seen dealing decisively with corruption instead of paying lip services to it. The president is urged to resource and empower anti-corruption state institutions, particularly the Office of the Special Prosecutor and the Economic and Organised Crime Office, so they can investigate corrupt practices in an unbiased manner irrespective of who is involved. Political interference in the work of these institutions must be avoided, and every act of corruption must be referred to state institutions for investigation rather than the president setting up the Commission of Enquiry for investigating alleged corrupt practices.

Finally, public servants and top government appointees should be ethically responsible in discharging their duties as they play a critical role in providing services that are responsive to the needs and expectations of the public (Mafunisa 2013). Individuals in authority must strictly adhere to the basic set of standards and acceptable norms and behaviours required for effective and efficient task performance. Unethical and irresponsible behaviour from top public servants will lower the morale of dedicated junior officers and negatively influence others to emulate corrupt behaviours of leaders in various institutions.

Public service delivery procurement and the economics of state-owned enterprises in Tanzania

John S. Kihamba

Department of History, Political Science and Development Studies,
Faculty of Humanities and Social Sciences, University of Dar es Salaam,
Dar es Salaam, Tanzania

Magashi J. Ntegwa

Department of Geography and Economics,
Faculty of Humanities and Social Sciences, University of Dar es Salaam,
Dar es Salaam, Tanzania

■ Introduction

The importance of SOEs in the development of the country's economies and welfare for emerging markets cannot be overestimated (Armstrong 2015). The proliferation of SOEs in Africa, during the 1960s to 1980s, is attributable to the weak PS, the lack of infrastructure, the low extent of human development and the unfavourable social, economic and financial environment (Laleye 1997). According to Laleye (1997), other 'explanations include the urge to generate revenue, limit foreign economic domination and provide a substitute

How to cite: Kihamba, JS & Ntegwa, MJ 2022, 'Public service delivery procurement and the economics of state-owned enterprises in Tanzania', in FG Netswera, OM Fagbadebo & N Dorasamy (eds.), *State-owned enterprises in Africa and the economics of public service delivery*, AOSIS Books, Cape Town, pp. 161-174. <https://doi.org/10.4102/aosis.2022.BK270.10>

for a private initiative where it was not forthcoming'. In Tanzania, for example, the establishment of SOEs has been based on the argument that the 'PS lacked both the capacity to generate the needed economic growth and efficiently allocate resources in a young economy' (Waigama 2008, p. 3). To implement this initiative, the government nationalised almost all of the private enterprises. After nationalisation, the state assumed the role of entrepreneurship through its established SOEs (over 500) soon after the nationalisation of private enterprises in 1967 (Mutahaba, Bana & Mallya 2017). In addition, the established SOEs covered a wide range of economic activities, ranging from financial institutions, productive market boards, education, health, information, housing, transportation, power, communication, water, mining, manufacturing, agriculture, commerce and finance (Mutahaba et al. 2017). Mutahaba et al. (2017), asserted that from 1967 to the 1970s, the newly established SOEs contributed to (1) increased government revenue through profits and taxes and (2) provision of basic services, such as capital, agricultural inputs, machines, as well as other regular support services. Moreover, SOEs recorded some positive results in the 1970s and output increased by 5.1% per annum (Waigama 2008). Though these positive results were short-lived, the country started experiencing a steady decline in economic growth in the 1970s which led to a financial crisis in the early 1980s (Mutahaba et al. 2017; Nord et al. 2009). It was also faced with maladministration, which is associated with corruption, erosion of public service ethics, misuse of power during procuring goods and services (Baguma & Shelukindo 1993; Mukandala 1993; Mutahaba et al. 1989). In addition, SOEs recorded explicit and implicit fiscal losses which exceeded 7% of the GDP by 1987 (Waigama 2008), they generated persistent deficits, which were financed by direct budget support and often unfettered access to bank credit (Nord et al. 2009).

In support of SOE's operations, the government incurred a large fiscal deficit that was primarily financed by borrowing from internal and external financial institutions (Mutahaba et al. 2017). The reasons for the declined economic performance, fiscal deficit were attributed to several complementary factors. These include corruption, erosion of public service ethics, abuse and misuse of authority in the procurement of goods and services (Baguma & Shelukindo 1993; Mallya 2000; Mukandala 1993; Mutahaba et al. 2017). The results were a decline in real GDP by an average of 1.7% from 1981 to 1983 compared to an average annual increase of 4.6% registered in the 1970s, as well as a decline in real per capita income growth (Mutahaba et al. 2017).

In response to the noted deficiencies, the government adopted the structural adjustment measures aimed at reducing control of trade and investment, reducing the size of the government and controlling government expenditure (Mutahaba et al. 2017). For the SOEs to achieve their intended objectives, they need to have a sound procurement system, to increase accountability and transparency and minimise corruption practices. However,

misuse and abuse of power and authority in procuring goods and services were among the maladies that affected the economic performance of SOEs.

In the case of SOEs, corruption spread because of their inefficiency in delivering goods and services as well as the over-expansion of government programmes (WB 1998). Many of the SOEs in Tanzania were inefficient and loss-making was sustained only through subsidies from budget and soft or directed credit (Lufunyo 2014). Therefore, SOEs became a liability rather than an engine for economic growth because of the fiscal drain caused by the inefficient and financially distressed public enterprise sector, and public service was overstaffed with a deteriorating level of service delivery. The net result was an acute deterioration of public services in quality and quantity and, a generally dismal performance at all levels of government (Mutahaba et al. 2017).

Also, achieving a country's political, economic and social goals requires strong procurement management. In Tanzania, public procurement accounts for about 70% of the government expenditure and 20% of the government expenditure is lost in corruption. It is for this reason that it is always recommended that public procurement be a transparent process to enhance integrity (ESAAMLG 2019). Further, it has been identified that corruption can occur in any of the three phases of procurement (i.e. the pre-tendering phase, the tendering phase and the post-tendering phase) (Mantzaris 2014). To ensure that public procurement is not prone to corruption, the government of Tanzania has implemented several measures to regulate it. For instance, the government of Tanzania adopted and reinforced the Exchequer and Audit Ordinance of 1961 and the Financial Orders Part III inherited from the British colonial administration to regulate the public procurement process (Nkinga 2003).

However, despite adopting these instruments (Exchequer and Audit Ordinance 1961), the procurement system was characterised by low levels of accountability and transparency by the government's public officers, which resulted in misuse of power and authority, corruption and misappropriation of public funds (Kihamba 2021). Accordingly, the 1996 Country Procurement Assessment Report identified some flaws in the public procurement system and suggested urgent reforms. This resulted in an enactment of the PPA 2001 to regulate public procurement in the country. However, the procurement Act 2001 was repealed and replaced by the PPA 2004, which operated for seven years until 2011 because of some deficiencies identified during its implementation. Therefore, the *Procurement Act of 2011* was amended in 2016 to address all the weaknesses identified. Moreover, the 2016 amendment introduced reforms through the creation of the Public Procurement Regulatory Authority (PPRA), Public Procurement Appeal Authority (PPAA) and devolving tendering responsibilities to MDAs, as well as public enterprises. Further, the institutional framework for public procurement in Tanzania such as Public

Procurement Policy Division, Government Procurement Services Agency, the Procurement and Supplies Professionals and Technicians Board and Procurement Entities were established to deal with issues concerning procurement of public goods and services.

However, despite all these good initiatives, corruption in public procurement remains rampant in Tanzania's public enterprises (Rahman 2019). Public funds are directed in favour of well-connected companies, individuals or groups (Schwab 2015). The noted corruptions are political, bureaucratic, petty corruption and grand corruption (Rahman 2019). Some Tanzanians associate corruption with high costs of living and poverty and public officials have to resort to corruption to meet their living expenses (Camargo 2017). Therefore, corruption is a barrier to poverty reduction and equitable outcomes (Rahman 2019). Tanzania's concerted efforts towards combating corruption date back to 1968 with the creation of one of the oldest anti-corruption commissions in Africa (Bertelsmann Stiftung 2014). However, this reform initiative did not adequately tackle corruption in the public sector. Therefore, the anti-corruption strategy in the country was strengthened with the third phase government of the Republic of Tanzania, which declared a 'war' on corruption (Cooksey 2011).

Efforts by the third phase of government administration include appointing a Presidential Commission Against Corruption to assess the state of corruption in the country and formulate recommendations (Lindner 2014). As a result, the commission's report led to the adoption of a Comprehensive National-Anticorruption Strategy and Action Plan (NACSAP), revised during the government administration's fourth phase (Lindner 2014). NACSAP III (2017–22) continued during the fifth phase of the government in which the Prevention and Combating of Corruption Bureau (PCCB) were directed to tackle corruption with no bias (Rahman 2019). However, it has been noted that under the fifth government administration, Tanzania cracked down heavily on corruption; political, petty and grand corruption seem to be endemic in the country (Rahman 2019).

Because of these deficiencies, the government had no other option than to adopt reform interventions for its SOEs. Therefore, this paper set out to examine the current state - economics of the SOEs and their contribution to national economies, diversification and provision of goods and services to the public in general. It also assesses the procurement process, corruption as an endemic and ubiquitous issue to SOEs operations. The materials for the paper are obtained from secondary data.

■ Conceptual issues

■ State-owned enterprises

State-owned enterprises have to be understood as organisations that are set up as corporate bodies and as part of government apparatus for

entrepreneurial objectives (Laleye 1997); they are public enterprises created by the government under the provisions of ordinary company law, though they belong entirely to the government (Labeye 2002). The government appoints the board of directors who are responsible to the parent ministry and the Treasury registrar. State-owned enterprises are assigned with a variety of responsibilities including among others: building physical infrastructure, providing essential services, such as finance, water and electricity (WB 2014), assuring government control over 'strategic' sectors of the economy and employment creation (Mutahaba et al. 2017).

■ Public procurement

According to Prier and MnCue (2009): '[p]ublic procurement is a legal process/ designated authority to plan, advise, obtain, deliver and evaluate a government's expenditures on goods and services that are used to fulfil stated objectives, obligations and activities pursuant of desired policy outcomes. It is the acquisition (through buying or purchasing) of goods and services by government or public organisations (Moe & Paivarinta 2011). Procurement is a crucial activity of SOEs that efficiently and effectively links the government's financial management system with socio-economic outcomes (African Development Bank 2014). In addition, public procurement means the process of acquiring property, goods and awarding contracts for services, with appropriate funds (Prier & McCue 2009). Therefore, a good procurement system is not about finding the lowest cost path from inputs to outputs, but rather is a management function that adds value while protecting integrity in the use of public funds (ADB 2014).

■ Corruption

The term 'corruption' refers to the misuse of resources or power for private gain (Department for International Development 2015) and the misuse of public office for self-gain (Shafritz, Russel & Borick 2011). It denotes dishonest or fraudulent conduct by those in power, typically involving bribery or unauthorised use of public office for private gain (Bhagwan & Bhushan 2009). It can also be conceptualised as deliberate exploitation of one's position, status or resources directly or indirectly for personal aggrandisement (Bhagwan & Bhushan 2009).

■ Service delivery

Services are economic activities offered by one party to another (Lovelock & Wright 2011). It is the act of delivering services to clients. In addition, service delivery denotes the actual delivery of service and product to clients (Lovelock & Wright 2011). Among the objectives of SOEs is to provide services to the population. In doing so they have to increase access to services to a majority of citizens in both rural and urban areas.

■ **The context for the economics of state-owned enterprises, procurement, corruption and service delivery in Tanzania**

The context of SOEs is to transform the inherited public service to address national development aspirations as defined by the government (Mutahaba et al. 2017). This entails laying the foundation of sustained economic growth, which means expanding the economy's base, increasing the people's incomes, improving infrastructure and providing training and educational facilities (Mutahaba et al. 2017). In addition, SOEs have to render services close to the people and implement the objective of owning and managing the major means of production by the people (Mutahaba, et al. 2017). The fundamental justification for the establishment of SOEs in Tanzania results from the combination of three complementary considerations: increase of government revenues through profit made by SOEs, employment creation and provision of basic services (Mutahaba et al. 2017). Depending on the prevailing circumstances, one category of considerations will take precedence over the other, at least in appearance, though in most cases the two are dynamically interconnected (Mutahaba et al. 2017).

In some settings, the ideology of economic nationalism and the dynamics of the legitimacy system in a given polity determine the establishment of SOEs. The establishment of SOEs is based on the premise that the benefits of the country's wealth should first go to its citizens (Mutahaba et al. 2017). Both political and economic motives are the major determining factors that make governments decide in favour of establishing SOEs. Moreover, in Africa, particularly Tanzania, the established SOEs have multiple mandates and obligations, though they have a monopoly and preferential treatment in terms of operations. Apart from their economic and commercial objectives, they are also supposed to fulfil social responsibilities, including provision of goods and services and employment generation, among others. State-owned enterprises are wholly state-owned, created by specific government statutes that define the relationships with other parties, have legal personalities of their own, are financed differently from other government ministries, have their revenue and are usually administered by boards (Laleye 1997) and operate under officially controlled prices that do not cover operating costs (Nord et al. 2009).

In the 1970/80s, Tanzania's SOEs accounts for an estimated 25% of total wage employment and about 20% of GDP in 1989 (Kiragu 1997). Currently, the government has full ownership of 232 enterprises and the investments of government in these enterprises represent about 10% of the GDP (Kweka 2019). However, the financial performance of SOEs has not improved

significantly (Controller and Auditor-General Reports 2017, 2018, 2019). For example, in the fiscal year 2018/19, the Controller and Auditor General (CAG) noted that Reli Assets Holding Company spent a total of TZS1.61bn for uncompleted projects that are no longer viable (CAG 2019). In addition, a total of TZS12.6bn was spent by the Tanzania Port Authority to purchase 500 hectares from the then Capital Development Authority without following proper procedures (CAG 2019). Furthermore, the government invested a total of €285.7m (73% of the total project cost) to support its electrical company (TANESCO) to buy shares in the equity of Songas Limited; however, the amount is not indicated in the agreement (CAG 2019). As a result, there has been a deterioration of public services in quality and quantity (Kihamba 2015), and it was evident that the public procurement system in Tanzania had serious weaknesses and thus there was an urgent need for further reform (CAG 2019). The procurement system was not organised as there was no uniform system of procurement in place as each entity operated differently using an unregulated public procurement system (PPRA 2007). There were no standard documents or records used in the procurement function and there was no central organ responsible for coordination and regulation of the government procurement process (PPRA 2007).

■ The current state: economics of state-owned enterprises, procurement, corruption and service delivery in Tanzania

The current trend in the operations of SOEs is based on operational efficiency and reduction of the burden from the government budget. The SOEs, despite their multiple responsibilities, are supposed to operate efficiently under cost-cutting conditions and earn profits. About 270 SOEs are currently operating in Tanzania and are managed by their boards under the stewardship of the office of the Treasury Registrar (Kweka 2019). Moreover, SOEs are clustered into major sectors of the economy. These include power, transportation, water, ICT, land and housing and financing. Of these entities, the government has full ownership of 232 enterprises (Kweka 2019; Mutahaba et al. 2017). In total, the investment in SOEs represents about 10% of GDP in Tanzania (Kweka 2019). Furthermore, in terms of value, about 60% of government investment is held in 10 corporations, of which four are service providers. These are Tanzania Railway Corporation, Tanzania Electric Supply Company (TANESCO), Tanzania Ports Authority (TPA) and the National Housing Corporation (Kweka 2019).

However, the economic performance of these SOEs is very low. They also face a critical financial situation as they made losses and have excess liabilities over assets, which threaten their future existence (URT 2019). For example, 15 water authorities were operating at losses for consecutive periods with a total cumulative loss of Tshs221.66bn (URT 2019). Among the reasons

attributed to this state of affairs among others are included corruption in procuring goods and services, application of inappropriate procurement and contract management procedures which cause loss of financial resources (PPRA 2018). In addition, PPRA (2018) assessment revealed that some of the SOEs, such as TPA, Kariakoo Market Corporation, Kilimanjaro Airport Development Corporation and Tanzania Railways Ltd, among others, have a high likelihood of corruption in all phases of the procurement process: that is pre-bid phase, evaluation phase and award phase or in contract management phase. Therefore, SOEs in Tanzania are still losing substantial amounts of money because of wrong computation of contract values, and savings from suppliers who were paid without delivering goods (PPRA 2018).

Apart from the aforesaid deficiencies, SOEs in Tanzania are still faced with other challenges such as inadequacy of financial resources; poor governance; limited independence among SOEs; unpleasant incentive framework for highly skilled professionals and limited strategic direction (Kweka 2019). In addition, PPRA (2018) identified other weaknesses that undermined the economic and service delivery of SOEs. These include delays in the whole procurement cycle from submission of the requirements by user units and department to contract signing that took about 150 days for an open and competitive tendering as compared to the best practices of 116 days. The procurement stages identified to have been affected by excessive delay include time taken for the preparation of bidding documents, time from approval of the adverts to the date of advertising tenders (PPRA 2018). All these deficiencies in the procurement of goods and services of SOEs have negative effects on their economy and service delivery.

■ State-owned enterprises and procurement of goods and services

The PPA of 2011 and its amendments of 2016 and its regulations of 2013 regulate the current procurement of goods and services carried out by SOEs (URT 2019). Before the Act of 2011, public procurement of goods and services was decentralised to SOEs as the specific laws establishing specific SOE (Nkinga 2003) regulated procurement. In this regard, each SOE promulgated its own financial and procurement regulations (URT 2019). The procurement rules provided for the establishment of a procurement system, which allowed SOEs to undertake their procurement processes without any financial thresholds or intervention from the Ministry of Finance (Matto 2017). However, some deficiencies, which created loopholes for corruption and financial misappropriations, characterised this procurement system (Warioba 1996). In a similar vein, accountability on the part of officeholders was nearly non-existent (Mallya 2000). The administration of SOEs was also faced with the erosion of public service ethics, corruption, abuse and misuse of authority (Baguma & Shelukindo 1993; Mukandala 1993; Mutahaba et al. 2017).

The new procurement Act 2011 also aimed at increasing transparency and accountability for the procuring entities and enhancing procurement of quality goods and services and reducing incidents of corruption. The Act also provided for the establishment of the Central Tender Board as a coordinating body for public procurement activities within the government (PPRA 2018). The key actors in the procurement system in Tanzania include the Ministry of Finance, PPRA, tender boards and Public Procurement Appeal Authority (PPRA 2007). Also, it has control mechanisms, both internal and external, which include National Audit Office, Technical Audit Unit, Stock Verification Department and Development Partner (PPRA 2018).

Despite the good efforts, there have been incidents of non-compliance with tendering procedures, divergence from procurement plan resulting in over expenditures (URT 2019). In addition, there has been the absence of an evaluation committee, failure to comply with the terms and conditions of the contract leading to liquidated damages charges, as well as entities' failure to submit their annual procurement plan to PPRA as required by the law (URT 2019). This is contrary to the requirements provided for by the Public Procurement Regulation 2013 and PPA 2004. The basic principles of public procurement shall be to make the best possible use of public funds with honesty and fairness, focusing on economy and efficiency, eligible tenderer, equality participation and transparency and fairness. Given the importance of SOEs for the national economy, it is important to improve on the procurement process and to increase efficiency and effectiveness in service delivery. The SOEs play a crucial role in the development of key sectors of infrastructure and service delivery, including water, energy, transportation, financial services and insurance (Kweka 2019). In a similar vein, SOEs act as catalysts for public value creation (PWC 2015). Furthermore, SOEs are also considered as an engine for achieving industrialisation and economic transformation (Kweka 2019), as a source of non-tax revenues as well as the realisation of the five-year development goals 2016/17–2020/21 (URT 2016).

In sub-Saharan Africa, SOEs attracted the majority of government capital expenditure, with more than 80% in the 1980s, and they accounted for more than one-third of the modern sector employment (Laleye 1997). In addition, it is estimated that SOEs represent 15% of the GDP; and, in the Middle East and North Africa, they constitute more than 50% of the GDP (Armstrong 2015; OECD 2018). The role of SOEs is visible to the economies of emerging markets like Brazil, China, India, Indonesia and Russia (Armstrong 2015). In East Asia for instance, SOEs have been critical in translating national industrialisation agendas into tangible results (Kweka 2019). Furthermore, SOEs, if well managed, can improve the provision of services, such as health care, welfare, education and infrastructure development. They can reduce income poverty and facilitate inclusive economic growth. Furthermore, SOEs contribute a substantial proportion of GDP employment and asset in many countries

(Putniņš 2015). State-owned enterprises employ more than 6 million people in OECD countries and have a value close to US\$1.9tn (OECD 2018). Also, according to World Bank (2019, p. 201), SOEs contributed 20% of global investment and about 5% of employment in 2017 and 2006.

■ The fight against corruption in state-owned enterprises in Tanzania²

Corruption emerged as a criminal offense for the first time in the 1930s when the colonial administration amended the penal code to include a section which stated that to demand, solicit, give or receive a bribe is a criminal offence (Warioba 1996). When Tanzania became independent, it continued with its efforts to curb corruption and abuse of official power (Mutahaba et al. 2019). Moreover, during the early time of the post-independent Tanganyika and then Tanzania, integrity was the cornerstone of public service and the procuring stores were corruption-free (Warioba 1996). During this period, government procurement was carried out by store officials who had high integrity, procured and delivered quality goods and services and were trusted by the public (Lumbanga 1995). However, in the 1980s to 1990s, public service delivery saw its downfall because of the emerged erosion of public service ethics, corruption, abuse and misuse of authority among the officials in the bureaucracy (Baguma & Shelukindo 1993; Mallya 2000; Mukandala 1993; Mutahaba et al. 2017). Integrity also began to disappear as did discipline (Kihamba 2015; Mallya 2006; Warioba 1996). Many public servants betrayed the trust bestowed on them by the nation (Baguma & Shelukindo 1993; Lumbanga 1995).

Experiences in Tanzania indicate that public procurement is an area most vulnerable to corrupt manipulations and malpractices (CAG 2018). In addition, compliance levels continued to be low in procuring entities because of deliberate neglect or intention to circumvent procurement procedures (Mutahaba et al. 2017). Corruption is pervasive throughout the society in present Tanzania, and a serious problem across all sectors of the economy (GAN Integrity 2019). It is structurally ingrained among the political and economic elites but also at the lower levels of public administration which undermine public service delivery (Transparency International 2019). The most affected sectors are government procurement, land administration, taxation and customs (GAN Integrity 2019). Tanzania's public procurement has rampant corruption that makes conducting businesses very risky (GAN Integrity 2019). Corruption is also pervasive in the judicial system, police, public services, land administration, tax administration, customs administration, public procurement, natural resources, legislation and civil society (Chêne 2009; GAN Integrity 2016, 2019).

2. This section of Chapter 10 represents a substantial reworking of elements in Kihamba (2021:191).

To address these challenges, in 2017 the fifth phase government under president Dr. John Pombe Magufuli launched the National Anti-corruption Strategy and Action Plan-III (NASCAP III) 2017 to 2022 after Phase II of the strategy had ended in 2011 with very limited success (Bertelsmann Stiftung 2020; Transparency International 2019). NASCAP III also strengthened the anti-corruption squad, such as the National Steering Committee, the National Anti-Corruption Forum and various integrity committees at all levels of administration in the public sector (Bertelsmann Stiftung 2020; URT 2019). These institutions provide inputs to the political leadership to continue fighting against corruption in the public sector. The NACSAP's priority areas are to combat corruption; to build and strengthen the weak oversight and watchdog institutions; to get rid of incompetence, inefficiency and ineffectiveness in the delivery of public services of the public sector (Bertelsmann Stiftung 2020; Mutahaba et al. 2017; Transparency International 2019).

The government is vigorously pursuing the fight against corruption, fraud, embezzlement, theft and waste of public funds; negligence, ill-discipline and low productivity in the public sector and the prevailing culture of impunity (Bertelsmann Stiftung 2020). Hundreds of public officials have been sacked, including high-ranking officials and have been brought before the court of law and some have been convicted (Bertelsmann Stiftung 2020). Others have lost their jobs because of allegations of corruption, embezzlement or related crimes (Bertelsmann Stiftung 2020). This state of affairs shows that the political leadership is 'strongly committed to curbing corruption and has made anti-corruption efforts one of its hallmarks' (Bertelsmann Stiftung 2020).

These government efforts have brought some positive results as the country was ranked fairly well (36/100) in terms of fighting against corruption in 2018 (Transparency International 2019). In connection to that, incidences of corruption in the SOEs relatively decreased (Global Corruption Barometer 2019). Furthermore, a 2017 survey by Afro barometer revealed that 72% of respondents covered said that the level of corruption in Tanzania has decreased, which contrasts 13% of covered respondents who acknowledged that the level of corruption decreased in 2014 (Transparency International 2019). These positive results are attributed to a stronger enforcement of punishment of corrupt actions and decreased opportunities for rent-seeking (Transparency International 2019).

However, despite these achievements in terms of creating structures and governance frameworks and some positive perceptions by citizens regarding the government's efforts in combating corruption, incidents of corruption, mismanagement of funds, negligence and theft have been contributing factors to underperformance in service delivery of SOEs (Transparency International 2019). Levels of corruption have remained infiltrated in all aspects of SOEs, especially when it comes to the delivery of public services (Transparency International 2019). This state of affairs can be attributed to the top-down

approach with less involvement of the entire public which curbs only certain types of corruption (Transparency International 2019).

In 2016, the government established the Economic, Corruption and Organized Crime Department at the High Court to handle cases related to corruption and economic saboteurs; more than 500 cases were already brought before the court (Bertelsmann Stiftung 2020). Although more cases were brought before the courts, the total number of convictions has remained low (Bertelsmann Stiftung 2020). This situation can be attributed to the low capacities to investigate allegations of corruption and prosecuting offenders by the Prevention, Control and Combating Corruption Bureau (PCCB) is constrained by poor investigative capacities (Bertelsmann Stiftung 2020). As a result, the performance of SOEs in service delivery remained low (URT 2017).

Furthermore, procurement of goods and services also faced: (1) existence of rampant corruption and weak integrity on part of the procurement leadership, (2) poor enforcement of public procurement monitoring and evaluation mechanisms (Mutahaba et al. 2017; URT 2017). It is also faced with (3) inadequate skill in contract management and weak enforcement mechanisms for the signed contract at both central and local government levels and (4) misuse of authority across MDAs as evidenced by CAG reports (URT 2017). On a critical note, (5) poor quality goods are procured at exorbitant prices through collusion with private dealers awarded a contract to procure goods for government offices despite some institutions and tender boards established to oversee public procurement in government (URT 2017).

For example, the CAG in 2019 noted that the insurance companies rejected Muhimbili National Hospital's bills amounting to TZS1.86bn, while bills amounting to TZS241.97m were sent to the National health insurance for medicines that were not given to patients (CAG 2019). In addition, the CAG noted that some importers using posts corporation services managed to import goods worth US\$1.94m through the ports of entry by using forged permits without being detected by the Tanzania Food and Drug Authority, indicating the existence of gaps in the existing of control procedures or collusion with the Authority (CAG 2019). Moreover, the special audit at the Cashewnut Industry Development Trust Fund revealed that a sum of 837 tons of sulphur worth TZS803.52m was noted delivered (CAG 2019).

For more than 20 years, more corruption scandals (grand corruption) have been identified to be among the factors affecting SOE's economy and performance in service delivery (Transparency International 2019). The notable ones include the Independent Power Tanzania Limited (IPTL) scandal and the Richmond scandal on power generation (Transparency International 2019). The Richmond scandal of 2006 had negative effects on the political leadership as the then prime minister, Minister of Energy and Minerals, and the Governor of the Central Bank had to resign. They were accused of being involved in

facilitating and influencing negotiations between the government and Richmond Development Company for their own benefit (Transparency International 2019).

The Richmond Development Company won a tender to generate 120 megawatts of gas-fired electricity for an investment of \$US123.2m, without having such a capacity (Cooksey 2017; Transparency International 2019). Richmond Development Company failed to implement the project as per the contract. Another corruption-related issue is the ESCROW saga, which involved some government officials who were alleged to have facilitated the withdrawal of the money in the ESCROW account paid to the new owners of IPTL before determining what money belonged to TANESCO and IPTL and government taxes (Cooksey 2017; Transparency International 2019).

In 2015, the government leadership suspended the head of the TPA for violating procurement procedures (Honan 2015). In support of the government position, Tanzania's PPRA also banned 19 private companies from competing for government contracts for a period of one year after being found to have engaged in corrupt practices (All Africa 2014; Mutahaba et al. 2017). The current administration has made several efforts to curb corruption while enhancing access to service of services to the population. As the SOEs operate on behalf of the government required to prioritise tackling mismanagement of public resources, corruption, poor service delivery and bureaucratic red-tapism (Transparency International 2019). In this regard, some SOEs have significantly improved service delivery, especially in education and health services (WB 2016). For example, in 2015 only 2018 villages had electricity as compared to 10 278 villages electrified on the Tanzania mainland (URT 2019). However, the situation is relatively on the lower side in some areas. For instance, the licensing process costs over five times the average level of annual income (Miller et al. 2019), bribes and facilitation payments seem to be regular occurrences for business operations (GAN Integrity 2019). The TPA, has introduced an integrated electronic payment system which is 'connected with the Government Electronic Payment Gateway enabling TPA customers to access their invoices and eventually make payments through an interlinked system' (URT 2018, n.p.). The 'system allows everything to be done automatically', from the customer's request for an invoice-to-invoice creation by the TPA to payment by the customer to cargo delivery or customer's cargo collection (URT 2018, n.p.). This initiative is among the mechanisms for curbing corruption while saving time for customers' operations. The customer can now submit the required documents and request and receive an invoice without going physically to the TPA premises which previously took up a lot of time (URT 2018). Furthermore, the most recent Afrobarometer survey indicates that despite infrastructural challenges, citizens' experiences of social services delivery have improved, and there is a decline in reported difficulties, delays and bribe payments in obtaining services and increases in citizen approval of SOE's performance (Msafiri 2019).

■ Conclusion

The economics of the SOEs largely depends on the well-institutionalised and functioning procurement system. The procurement of goods and services enables SOEs to implement their planned activities, deliver services while improving their economic well-being. The tangible deliverables of procurement in terms of quantitative and qualitative are improvements in the production and delivery of goods and services by SOEs. In Tanzania, about 270 SOEs are currently operating, and they represent about 10% of GDP. However, despite some government initiatives to improve the economic performance of its enterprises, the efforts are being constrained by incidents of corruption and negligence. Corruption has remained endemic and ubiquitous, affecting SOEs' socioeconomics and service delivery performance. The current government has intensified and vigorously pursued the fight against corruption, fraud, embezzlement, theft and waste of public funds; negligence, ill-discipline and low productivity in the public sector and the prevailing culture of impunity (cf. Bertelsmann Stiftung 2020). These efforts have brought some positive results, in terms of reducing corruption, theft, embezzlement and the performance of SOEs in service delivery relatively improved. These good initiatives have to be institutionalised across levels of public and private sectors. The government should consider adopting frontal multi-sector and nationwide campaigns to fight corruption within SOEs.

Public service delivery and human development in Nigeria: A litany of woes

Omololu M. Fagbadebo

Department of Public Management, Law and Economics,
Faculty of Management Sciences, Durban University of Technology,
Pietermaritzburg, South Africa

■ Introduction

Nigeria is one of the big economies in Africa. It is ranked as one of the African countries with abundant human and material resources. Yet, it is at the top of the global poverty ladder with 86.9 million of its estimated 180 million citizens living in extreme poverty (at the time of the report), the citizens lived in extreme poverty (Adebayo 2018; Kazeem 2018). The World Poverty Clock in its 2018 report, indicated that with an expected population boom, the poverty problem would be worsened by 2050 when Nigeria is estimated to become the world's largest country. The country's president, Muhammadu Buhari, attested to this scourging menace when he said that his government was planning to pull 100 million citizens, out of the estimated 200 million total population, out of poverty (African News 2019; Premium Times 2019). Nigeria used to be a nation with thriving public enterprises that catered to the socio-economic needs of the people. These include, among others, Nigeria Airways, the nation's national carrier; the National Electric Power Authority (NEPA),

How to cite: Fagbadebo, OM 2022, 'Public service delivery and human development in Nigeria: A litany of woes', in FG Netswera, OM Fagbadebo & N Dorasamy (eds.), *State-owned enterprises in Africa and the economics of public service delivery*, AOSIS Books, Cape Town, pp. 175-191. <https://doi.org/10.4102/aosis.2022.BK270.11>

later termed the Power Holding Corporation of Nigeria (PHCN), which had the responsibility of electricity supply at affordable tariffs and Nigeria Telecommunications Limited (NITEL) that provided affordable domestic and international telephonic services.

Nevertheless, unending corruption had grounded the operations of these SOEs. Government investments in these SOEs could no longer be justified as evidenced by piling debts and poor service delivery. Loss of revenues and capital signalled their imminent collapse while the employees were soon unemployed. Consequently, services being provided by these SOEs were in jeopardy while public access to the hitherto benefits stopped. Even the privatisation of NEPA and NITEL could not revamp them. Rather, they became public liabilities. While the privatisation of NITEL became another source of corruption, power generation under the privatised NEPA was not only epileptic, the ownership of the various outlets via privatisation remained in the hands of the politicians who tarnished the image of the parent company. Not only these, the maintenance of public infrastructural facilities like hospitals, roads, water supply, among others have been victims of corruption. Hence the parlous state of infrastructural facilities and services in Nigeria.

This paper takes a review of the culture of corruption associated with the operations and activities of public enterprises in Nigeria. The section following this introduction conceptualises corruption in the public sector. This is followed by a review of literature on corruption in Nigeria's public sector. The fourth section addresses the failure of the major SOEs with specific reference to NEPA, Nigeria Airways and NITEL. The fifth section discusses the problems associated with the failures and collapse of SOEs in Nigeria and their consequences on the public. Section six concludes with possible remedies.

■ Conceptualising corruption in the public sector

Corruption is a common phenomenon in the global system, even though its pervasiveness varies among societies. Its consequences on the quality of governance, with the attendant consequences on human security, especially in developing countries, have drawn the attention of international organisations, institutions, and donor agencies; it is a monster that needs to be addressed timeously (Lumumba 2014). Scholars and writers have viewed this concept from different perspectives. They identified the origin, classified its types, examined it from different perspectives and identified the consequences (Gupta 2017; Jancsics 2019; Jancsics & Javor 2012; Morris 2011). They have also offered varying degrees of panacea to redress its impacts on the public.

The common phrasal definition of corruption is the use or abuse of public office for private gain. Transparency International defined corruption as 'the

abuse of entrusted power for private gain' (TI 2018). This suggests that government officials combat corruption by using and misusing state power by their positions. Scholars have distinguished petty and grand corruption, political and bureaucratic corruption, inter-and intra-governmental and intra-institutional corruption (Jancsics 2019; TI 2018). Corruption is petty when it involves low-level bribery of government officials by citizens in exchange for the provision of public services, 'while grand corruption involves big money and actors from the top of corporate and political hierarchies' (Jancsics 2019, p. 524).

Bureaucratic and political corruption are much more visible in the administrative and political arena of the public policy process, involving career administrative officials and political decision-makers. Corruption at the various governmental institutions and structures is interrelated and centred around formulating and implementing public policies (Gupta 2017; Morris 2011). By implication, corruption at the institutional and structural levels of government has direct impacts on public service delivery and its attendant consequences on the quality of governance.

According to the TI, corruption undermines people's trust in political and economic systems, institutions and leaders. It can cost people their freedom, health, money - and sometimes their lives' (TI 2018):

Economically, corruption depletes national wealth. Corrupt politicians invest scarce public resources in projects that will line their pockets rather than benefit communities, and prioritise high-profile projects such as dams, power plants, pipelines and refineries over lesser spectacular but more urgent infrastructure projects such as schools, hospitals and roads. Corruption also hinders the development of fair market structure and distorts competition which in turn deters investment. (n.p.)

According to Lodge (2019) poverty was one of the consequences of corruption, especially in Africa. This situation often arose because of the limits that corruption placed on economic growth and its dilution of the efforts of the government to promote development. Even though some writers have argued that corruption, to an extent, greased the wheel of political stability and progress, the realities of contemporary society have shown that its corrosive effects on public trust in institutions of government are monumental (Lodge 2019). The various definitions of corruption in the public sector share common attributes: the perpetrators are public officials with a measure of controlling power of the state, and their purpose is to advance personal gains at the expense of the interests of the public.

Corruption has grown beyond its traditional definitions, which were mostly confined to the public sector. With the blurred boundaries between the public and the PSs given the NPM, unethical behaviour and defiance are increasingly manifesting in institutions and actors beyond the government (Gong & Yang 2019). In other words, corruption and its consequences have extended to the private sectors to promote organisational or institutional interests, thereby undermining public interests.

Corruption in any society is like cancer; it eats deep into the fabrics of every growth potential. It slows down economic growth, stifles potential for human development thereby increasing poverty (Rose-Ackerman & Palifka 2016). In developing countries, corruption degrades the citizens' quality of life, and it is a hurting instrument that inflicts injuries on poor citizens, especially in countries with acute inequality.

As access to state power provided the leeway for government officials' exploitation of the policy process at the expense of the public, public interests are, therefore, at the mercy of such officials, especially in societies infested with the virus of corruption. In the process, bribery, extortion, patronage, nepotism and cronyism, would become the characteristic features in the operations and activities of the government (Jancsics 2019). When these become systemic, it compromises best practice through the circumvention of rules and statutes guiding the operation and the behaviours of officials related to service delivery. Thus, institutions and structures of government continued to falter in their role as public service providers. The long-term consequence of the gradual erosion of the institutional values and purpose is the loss of the objectives of such organisations. This is the case with SOEs and public infrastructures in Nigeria. Indeed, the prospect of access to state resources for private gains has attracted more people into political participation.

Scholars have identified some theoretical platforms for the explanation of corruption in the public sector (Jancsics 2019). The first is the public choice theory, which considered corruption as a function of rational means-end calculation (Jancsics 2019; Rose-Ackerman 1978). Here, public officials ventured into exploring their official positions to exploit the state because they perceived that the private benefits derivable from illegal activities in government exceeded the perceived costs of the consequences. When the punishment for corruption is mild, especially when culprits are aware of negotiated settlements without conviction, such as plea bargaining, the tendency towards corruption would be high.

The rotten apple theory explains corruption as a function of the presence of an individual with warped moral values capable of influencing others (De Graaf 2007; Jancsics 2019). 'Bad apple theories view corruption as an exceptional problem, a temporary pathology created by a few bad apples in an otherwise healthy public agency' (Jancsics 2019, p. 525). An individual agent is sufficient to recruit and expand the corruption networks. It is instructive to note, however, that the fundamental factor here is not the contamination but the absence of the moral latitude by the peers to resist being lured towards desecration of the values and sanctity of the established rules. Every society is governed by the moral values of respect for rules and laws. The desecration of this tradition often leads to degeneration.

The outcome of this development is the growth of the culture of corruption within the organisation where such government agents operate. The organisational

culture theory of corruption posits that corruption developed as an innate corporate behaviour where individuals invested with the means-end calculation are working (Jancsics 2019). In other words, as a result of regular interactions in an organisation, people are more prone to imbibe the culture of corruption, especially where the behaviour of their colleagues with whom they have constant interaction has blossomed in impunity (Schneider & Bose 2017; Torsello 2018). It could be because of the presence of a 'rotten apple'; an individual who seeks to get things done through bribery, without the consent of the organisation and or a collision between the individuals and the workplace. When the former becomes a pattern of conducting business, it is transmitted as culture. Both would eventually impair the ethical behaviour of the organisation.

Another theoretical explanation of corruption is the clashing moral values perspective (De Graaf 2007). According to De Graaf (2007), every society has certain values and norms that influence the values and norms inculcated by the individuals. As Jancsics (2019, p. 525) puts it, the 'particularistic values related to the agent's informal social network and more universal values related to his or her official role' are antagonistic. 'Here moral personal duties to friends and family overrule the agent's obligations as a public officer' (Jancsics 2019, p. 525).

Another causal effect of corruption arises from the consequences of the NPM approach that undermined the traditional public administration ethos (Jancsics 2019). Thus, the ethos of public administration theory explains corruption as a derivative of 'macro-level political and economic factors on public organizations' (Jancsics 2019, p. 525). The large-scale reforms often associated with the NPM, especially in the area of deregulation of the public sector give less consideration to the issues of accountability, merit and integrity that constitute the traditional ethos associated with public administration. The infusion of the private sector into public management brought with it the consequences of corporate management where profitability, by any means, undermines strict adherence to the values of prudence and effectiveness.

The correlational theory explains corruption as a malaise that correlates with individual, organisational and societal values (De Graaf 2007). These macro-level factors developed at different levels to influence the behaviours of the individuals, towards ethical conduct in the organisation, which in turn, has its influence on the acceptability of society. In other words, when corruption evolved from the individual culture to that of the institutions and structures in the public sector, it tended to redefine the existing acceptable values and ethos of the society. Eventually, corruption becomes systemic and a norm in the public sector (Fagbadebo 2007; Jancsics 2019).

The consequence of the above is the degeneration of corruption to the level of being a collective action in society (Bauhr 2017; Persson, Rothstein & Teorell 2013). Bauhr (2017) distinguishes between the need and greed corruption on the assumption that democratic accountability would induce

the citizens to be active in exposing institutional corruption. The contention here is the distinction between when 'corruption is needed to gain access to "fair" treatment (need corruption) as opposed to special illicit advantages (greed corruption)' (Bauhr 2017, p. 561). While the 'need corruption [*sic*] mobilizes citizens, in particular, if they perceive those [*sic*] fellow citizens will also engage', actors associated with greed corruption would operate in 'secrecy, demobilization, and a propensity to "free ride" on other citizens' anti-corruption efforts' (Bauhr 2017, p. 561). Thus (Jancsics 2019):

[C]orruption persists because the public agent perceives that all other agents are likely to be corrupt. In a society in which corruption is the expected behavior, there will be no actors with incentives to enforce punishment regimes, and therefore no one will be held accountable for the corrupt act. (p. 525)

As Prasad, Da Silva and Nickow (2019, p. 99) have noted, 'in many developing countries corruption is not a problem of individual deviance from the system; rather, corruption is the system, and nearly everyone is corrupt'. This would, therefore, make anti-corruption measures ineffective, while the agencies charged with the eradication of corrupt practices promote and extend the existing networks of corruption (Fagbadebo 2019a). In such a society, corruption is a culture in public management.

■ Corruption in Nigeria

Nigeria is one of the richest African countries, courtesy its vast oil wealth. Yet, it is a country with a paradox of poverty amid riches. As an oil-rich country, Nigeria ranks among the countries with the largest number of poor people. Human Development Index imparted an abysmal rating in terms of human security (Fagbadebo 2019b). Infrastructural facilities are in deplorable conditions (Yahaya & Muideen 2019). While inequality pervades society, the easiest way to make money is through direct participation in politics; it opens the gateway for access into the public treasury. Corruption is a characteristic feature of the government in Nigeria (Fagbadebo 2007, 2019a, 2019b). Institutions of governance are designed to ensure effective service delivery functions and operate as networks of corruption (Page & Okeke 2019). The activities of these agencies are mostly characterised by a lack of basic financial and operational transparency (Page & Okeke 2019):

Not only do these agencies fail to publish sufficiently detailed data about their program expenditures, loan activities, and overhead expenses, they do not disclose the names of firms to whom they award lucrative contracts. Many agencies have ignored or provided incomplete or evasive responses to attempts by civil society watchdogs to obtain this information via Freedom of Information Act requests. (pp. 14-15)

In other words, corruption in Nigeria is an institutional culture. It is the consequence of the prevalence of accountability deficit with its attendant problem of inadequate or failed serviced delivery.

■ Institutional culture of corruption and the collapse of Nigeria Airways

Nigeria does not have a national carrier. The defunct Nigeria Airways, established in 1958, ceased operation in 2003. An analyst attributed this to corruption and poor management ownership structure (Ifenayi 2016). The stakeholders in the Nigerian aviation industry at the time 'only use the flag carrier as an opportunity to embezzle the public funds' (Ifenayi 2016):

Corruption is a very major drawback in the system. Due to corruption and poor management, the aircraft were haphazardly used for carrying government officials and personnel without paying. The officials even went as far as using the aircraft for personal and irrelevant purposes. Nigeria Airways was murdered by its lack of funds, aids, grants, subsidies and supports. Inflated aircraft spare parts dealt a death blow on the airline. Foreign airlines were given priority, but the interest of the national carrier was jettisoned. Rather than patronizing the airline, the government rather did the opposite, looted the carrier's funds and ruined it. (n.p.)

One of the consequences of the lack of a national carrier was the indiscriminate and unregulated increase in airfares by the private airlines operating the domestic routes in Nigeria. With deplorable intra-state and inter-state roads and incessant armed robbery and kidnapping, air transport that should have become an easily accessible transportation avenue was out of reach of the ordinary citizens.

With 32 fleets in the mid-1980s, the now defunct Nigeria Airways was left with a barely functioning aircraft in 2002 (Ibekwe 2018). Given this, the government set up a commission of inquiry to probe the demise of the hitherto boisterous national carrier. The commission found that (Ibekwe 2018):

[D]ecency was thrown to the dogs in the management of the Nigerian Airways. It was a free-for-all contest of corruption with almost everyone involved in the running of the airline trying desperately to out-embezzle the other. Due process was alien to the managers of the airline. Officials stole and misappropriated tens of millions of dollars. Administrators arbitrarily signed shady contracts with companies without recourse to regulations, monies were dubiously deposited and lost in moribund financial institutions. Functional airplanes were sold as scraps and the revenue was stolen. (n.p.)

The commission discovered that politicians and members of the civil servants looted N60bn, crippling the airline (Ibekwe 2018). The commission in its findings indicted some top government officials, political and civil servants, including some retired military officers (Ibekwe 2018). The commission in particular indicted the Managing Director of the Airline of 'diversion or siphoning of N11bn (US\$30,018,421) in 24 months' (Ibekwe 2018). The corruption associated with the collapse of Nigerian Airways was achieved through the procurement process, maintenance, over-invoicing, as 'every project, and the contract was conceived with fraudulent intent' (cf. Ibekwe 2013a). For instance, the commission discovered that the airline lost N1.28bn (US\$3.53m) to the cost of maintenance of one of its flights

outsourced to a Brazilian Consulting firm (Ibekwe 2018). Members of the top management of the airline were allegedly engaged in stealing prey and conversion of the revenues of the airline to private use (Ibekwe 2013b). The commission of inquiry alleged that a marketing manager of the airline stole the N354m (US\$2.36m) collected as excess baggage and luggage allowance while another top manager allegedly 'deposited the N652.5m (US\$4.35m) for the purchase of two aircrafts (MD-11 and ATR-42). The aircrafts were not delivered, and the deposit was never accounted for' (Ibekwe 2013b).

Even though the people indicted for the collapse of the airline were known, none of them was taken to court nor made to refund the money (Ibekwe 2013a). Most of them were either members of the ruling party or the opposition parties, and others were top government officials. The attempt by the legislature to ensure the recovery of the looted funds was abortive (Jannah 2018). The government had approved the Report of the Commission and subsequently directed the Ministry of Finance as well as the Nigeria Police to recover the fund (Jannah 2018). But this was to no avail. A member of the House of Representatives, Mr. Abiodun Faleke, told his colleagues that while the government initiated the part payment of the gratuities of the former workers of the airline, no reasonable action was taken to ensure the recovery of the looted funds (cf. Jannah 2018):

The House is worried that till date, nothing has been heard of the report and those indicted in the report are believed to be largely visible in the public arena, while the ex-workers continue to languish in abject poverty, having been denied rights to their entitlements, with many of them reportedly dead without receiving their entitlements. (n.p.)

■ Correlational theory of corruption and the failure of power generation in Nigeria

The power sector in Nigeria is peculiar in its outputs, in terms of the provision of electricity. Nigerians depend more on electricity generator sets for their domestic and industrial energy needs (SERAP 2017). In 2015, a non-governmental organisation (NGO), the Good Governance Initiative discovered in its study that Nigerians spent an average of N3.5tn on fuel to power their electricity generators, annually (Oketola 2015):

In the banking sector, each branch spends over N4 m on diesel in a month, multiply it by the number of branches in Nigeria. An average family man spends between N60 000 and N100,000 in a month on fuel, apart from the maintenance. With over 6 133 banks' branches and each expending N4m on diesel a month, N48 m will go down the drain in a year, and this will amount to N294.4bn per annum cross all the branches. This means that not less than N1.5tn must have gone into diesel purchase in the past five years. (n.p.)

Over 60% of the estimated 200 million population lacked access to electricity, while about 35% of the populace enjoyed an epileptic power supply (Aliyu, Ramli & Saleh 2013). The demands for electricity supply were more than the supply.

In 2011, the installed electricity generation capacity stood at 6 904.6 MW while its available capacity was 3 358 MW (Aliyu et al 2013). It increased to 7 445 MW in 2015 with the actual generation at 3 900 MW with an estimated energy need of 12 800 MW. By May 2019, it could generate 13 000 MW but could only deliver 4 000 MW, with the incessant collapse of the national grid, thereby throwing the nation into total darkness (Munshi 2019).

Most often, Nigerians suffer from a total blackout with no electricity. When it is available, it is either with low voltage, thereby making it of no use, or with high voltage with its associated risk of fire outbreak and damage of appliances. This incessant voltage tripping, and low generation capacity, according to Ogbuefi, Ugwu and Ogbogu (2018, p. 29), was attributable to, among other things, 'poor maintenance, human error, corruption, neglect of government by politicizing the sector and lack of adequate investment'. The grid was aging because of a lack of maintenance occasioned by corruption (Munshi 2019).

The government of Nigeria had expended a huge amount of money for the generation of electricity but all to no avail. The huge investment was wasted because of rampant corruption. For instance, US\$16bn spent by the administration of President Olusegun Obasanjo on power generation had been a subject of controversy as there was no supportive evidence (Gyamfi 2018). The government had planned to generate 10 000 MW of electricity by the end of 2007 with the investment in the power sector (Da Costa 2009). Nevertheless, there was no substantial record of achievement in this regard as the investment had become a subject of investigation. The EFCC as well as the nations' legislature, had conducted investigations into the spending with no conclusive report (Gyamfi 2018). Nevertheless, preliminary findings showed that the money was released to the contractors for the construction of various power projects; there seemed to be nothing to indicate any success in achieving the 10 000 MW target of the government (Gyamfi 2018). In one of the investigations, it was noted (Gyamfi 2018):

[/]n the period under review, a total of N10, 776493271:84; \$69808942:70; Euros 12853883:40 and GBP 8987322:00 were paid to the various contractors. However, outstanding payments for the contractors stand at N11520669195:53; \$375435687:37; and Euros 7257552:91 pending the completion of the project. (n.p.)

The Socio-Economic Rights and Accountability Project (SERAP) (2017) found that the reforms in the energy sector that prompted the US\$16bn expenditure were a colossal wastage. The then Minister of Power, Liyel Imoke, was 'alleged to have personally collected the sum of US\$7.8m for the execution of the contract for the construction of the Jos-Yola Transmission Line, which was never executed' (SERAP 2017):

There were documented/reported allegations of corruption against Imoke that fizzled out shortly thereafter. The allegation of US\$7.8m which Imoke allegedly collected for the execution of the contract for the construction of the Jos-Yola Transmission Line was either not investigated or badly handled. (p. 22)

A chunk of this wastage was incurred by fictitious spending by the officials of the Nigerian Electricity Regulatory Commission (NERC). Rather than prosecuting the culprits, the government had to withdraw the charges of fraud levelled against them by the EFCC. Based on its investigation, the EFCC, on April 22, 2009, had charged the NERC Commissioners with alleged 'criminal breach of trust and embezzlement of N3 b' (The Nigerian Voice 2010) (SERAP 2017):

From the documents presented before the Court, between January 2006 and December 2008, the management of NERC spent US\$991,919 on estacodes alone. It was also revealed that in February 2006, NERC management prescribed that the Chairman/Chief Executive Officer of the Commission was entitled to \$1200 as estacode per night while other commissioners were to get US\$1 000 per night. (p. 25)

The over-centralisation of the operation and activities of the power sector in Nigeria had made governance in the sector problematic. This monopolistic phenomenon made its operations get shrouded in secrecy. This, according to SERAP (2017), has led to ineffective monitoring and supervision and consequently, made it a bastion of corruption:

The structural arrangement under the current electricity regime makes for the perpetration of institutionalized corruption due to (over) centralized governance arrangement. This further justifies the arguments for decentralized electricity governance systems. (p. 18)

SERAP (2017, p. 17) discovered in its study that 'estimated financial loss to Nigeria from corruption in the electricity sector starting from the return to democracy in 1999 to date is over Eleven Trillion Naira (N11 Trillion Naira)'. The NGO further discovered that (SERAP 2017):

The extent of corruption in the Nigerian power sector is correlated to the discretion held by decision-makers, the absence of clear and enforceable accountability regime, and the lack of transparency in the decision-making process. Corruption in the electricity sector in Nigeria is due to the fact that it is the most versatile, widely used and consumer-friendly form of energy. The entire infrastructure of a community- its home, offices, agriculture, industries, hospitals, banks, shopping malls, transport, communications, and recreational facilities- all depend on electricity as a form of energy. (p. 19)

This correlational explanation of corruption in the energy sector had made it a pervasive phenomenon of failure. This manifested in different forms: epileptic and unreliable supply, bogus billing and archaic rate collection, inflation of contract sums, non-execution of projects paid for by the government, non-payment of bills by the customers as officials collect bribes to write-off customers' debts and an illegal connection of electricity, among others.

The privatisation of the power sector in 2013 was the last straw that broke Carmel's back. The process was characterised by the deliberate flouting of the Code of Ethics of the privatisation and was conducted in a questionable and corrupt manner (SERAP 2017). After the privatisation exercise, the government continued to corruptly fund 'the privatized power sector with

over N200 Billion' (SERAP 2017, p. 24). Unfortunately, the post-privatisation power supply was characterised by worsened energy crisis with the frequent collapse of the transmission network.

Nigeria had expended huge sums of money on power generation without any power being produced. The lack of electricity for industrial and domestic consumption had its telling effect on the economy. One of the Nigerian industrialists, Aliko Dangote, stated the importance of energy for economic growth, saying that a country struggling to generate electricity would remain in economic darkness (Warami 2019):

How do you have economic growth without power? So, no power, no growth because without power there can't be growth. Egypt increased its electricity by 10 gigawatts, which is equivalent to 10 000 MW in 18 months. In Nigeria, we have been struggling for 18 years without adding 1000 megawatts and we have spent about three times above Egypt, why? So, I think we all need to be concerned about that. (n.p.)

Electricity supply problems in Nigeria cost the nation's economy US\$29bn every year, according to the IMF (Munshi 2019). The manufacturing sector had suffered greatly as it generated 90% of its energy from diesel-powered electricity generators, which usually take up about 40% of the production cost (Munshi 2019).

■ **Deregulation, systemic corruption and the collapse of NITEL**

In 1983, the 32-storey building of the Nigerian External Telecommunications was razed down by a mysterious fire that killed several people and destroyed vital documents relating to the operations of the SOE (Cowell 1983). It was presumed that the perpetrators of the fire incident deliberately did that to destroy the vital documents that could serve as evidence of the extensive corruption in the outfit. The government had commenced an investigation of top officials of the telecommunication outfit for fraud and embezzlement amounting to US\$100m at the time (Cowell 1983). To show complicity in the incident, 'Firemen stationed outside the building had been mysteriously withdrawn the week before' (Cowell 1983). Cowell (1983) described the nature of corruption in the telecommunication industry then thus:

In the telecommunications scandal, for example, a company might dispose of a US\$30 000 telephone bill by sending a representative who hands over only US\$10 000, to be distributed among officials. He would receive a receipt for the whole US\$30 000, ensuring that service was not cut. The unpaid US\$20 000 presumably is untaxed profit. (n.p.)

Sutherland (2018) has chronicled the metamorphosis of the telecommunication industry in Nigeria and how corruption crept into its operation, even though it was under the full control of the state.

The need to expand the operation to ensure the telephonic services led to the involvement of external actors to provide technical assistance in partnership with the NITEL. The initial goal of the Federal Government of Nigeria was limited to the provision of telephone services for the operation of the government (Sutherland 2018). Nevertheless, the demands from major cities and commercial centres necessitated the need for funding, included in the 'national development plans, emphasizing central roles for the state in the economy and service delivery but hobbled by shortages of engineers, managers and technicians, failing to spend allocated funds' (Sutherland 2018, pp. 245–246).

However, the expansion of this goal, with the inclusion of foreign technical partners created a fertile environment for nurturing the networks of corruption that eventually spelled its doom. The Chairman of the Bureau of Public Enterprises (BPE), that presided over the sale of NITEL, Nasir el-Rufa'i, had described the outfit as evil, 'in the hand of the cabal who was bent on wrecking it' (Adaramola 2016). According to him, the members of the cabal were benefiting from the corruption and stagnation of the outfit. In other words, the malfunctioning of NITEL was a deliberate human act to promote the personal interest of certain public officials.

NITEL, based in Nigeria was a bastion of corruption. As an entity that monopolised telephonic services, its officers were treated like kings by the affluent citizens, who were able to afford the cost of analogue telephone lines in their residences and offices. Such service was a luxury before the advent of the mobile telephone in late 2001. Thus, it was a booming public enterprise, and its staff enjoyed the patronages from the people who were scrambling to attract the attention of the officers to attend to their complaints. Nevertheless, the operations of the SOE were characterised by extortion of money from customers (Doran 2001; Lakemfa 2009). Eventually, its operations were characterised by poor services. As of that time, out of the estimated population of Nigeria, less than 490,000 had connected fixed telephone lines while about 10 million prospective customers, including government officials, were on the waiting list for a telephone line connection (Doran 2001).

By 2002, NITEL had 555,056 fixed connected telephone lines, even though only 553,471 lines were functional (Lakemfa 2009). In terms of revenue generation, NITEL raked in N53.41bn but was able to collect only N49.18bn. This gap made corruption a booming phenomenon and the only instrument for access to the telephone line. Thus, NITEL was one of the SOEs where institutional corruption prevailed, and prospective customers saw corruption as a need to access telephonic services. In its build-up towards privatisation in 2001, the management of NITEL laid off 109 of its employees indicted of corruption (Doran 2001). The employees were accused of 'corruption, extorting money from customers, theft, and forgery' (cf. Doran 2001). This was an attempt to

revamp the soiled image of one of the flagships SOEs in Nigeria which was seeking attraction from three major consortiums of telephone giants: Investors International Consortium, the Telnet Consortium and the Newtel Consortium (Doran 2001).

The privatisation of such lucrative SOE, in a system of budding corruption, could not be devoid of politics and the interest of the political elites. Eventually, the government sold NITEL to International London Limited for US\$1.2bn (Lakemfa 2009). Shortly after, the government discovered that the sale was a gamble, as the consortium did not have the financial strength of that amount. Thus, the operation was stuck, and the BPE handed over the operation of NITEL to a newly packaged outfit, PENTASCOPE, under a controversial deal, to ensure that it became more profitable (Lakemfa 2009). The staff of the ailing SOE protested this decision to no avail (Lakemfa 2009):

Handing over NITEL to PENTASCOPE was like inviting a gang of hungry cats to guard fried fish. The company wasted no time in sinking its teeth deep into NITEL funds and cleaning out its treasury. (n.p.)

Predictably, PENTASCOPE ran NITEL aground within 23 months of its operations. With 553,471 in 2002, by February 2005, NITEL had only 291,000 fixed connected telephone lines and was able to generate N29bn as revenues, as against N53.41bn in 2002, and was able to collect only N21bn, as against its achievement of N49.18bn (Lakemfa 2009):

Apart from the huge revenue loss, under PENTASCOPE there were no new installations, no system upgrade in a digital era and NITEL reaped lots of technical problems. PENTASCOPE wiped out the NITEL investments in treasury bills with the CBN and liquidated its credits with the International Telecommunications Union (ITU) and INTELSAT. (n.p.)

Eventually, having feasted on its resources and potentials, PENTASCOPE left NITEL in February 2005, with a liability of N19bn (Lakemfa 2009).

The outcome was not sudden. PENTASCOPE was a product of the corruption associated with the deregulation of the public sector. The handing over of NITEL to PENTASCOPE was shrouded with the controversy of corruption (Sahara Reporters 2006). In its advertisement for a reliable manager of NITEL, the PBE had set the following criteria (Sahara Reporters 2006):

Interested managers MUST be international telecommunications operators and MUST demonstrate, one, evidence of having installed and managed at least a million telephones; two, a successful track record of expanding a telecommunications network in a developing country; and three, sufficient management resources to grow NITEL and enhance shareholder value. (n.p.)

Nevertheless, the House of Representatives Communications Committee found that PENTASCOPE did not meet any of these criteria. The outfit was a 'type II consultant, is [and] a stand-alone company, with limited consultancy skills and liability' (cf. Sahara Reporters 2006). It neither had a record of installing a million telephone lines in any developing country nor had any track

record of financial ability. Thus, the violation of the rules associated with the transfer of the management of the SOE to PENTASCOPE was shrouded with corruption.

■ Promoting sustainable economic growth in a corruption invested environment

In Nigeria, the public sector harbours anti-growth forces which stifle the economic environment of its potential. Public infrastructural facilities are provided at outrageously exorbitant cost, with substandard materials. For instance, while Ghana would construct its 340 km standard gauge railway for US\$2.2bn and reconstruction and maintenance of another 560 km, for US\$2bn, Nigeria constructed its own 156 km railway line at US\$2bn (Awojulgbe 2019). The senate president, Ahmad Lawan, bemoaned this corrupt practice which he attributed to the pervasive misdemeanour in the public procurement system of the country (Nasir 2019):

The public procurement in Nigeria as far as I can see is not the best in the world. The public procurement must be reviewed and amended. We must see how we can make it more practical and holistic within the shortest possible time. From the stage of bidding to mobilization, the costing of any government contracts must be uniform in order to avoid imbalances and embarrassment in the processes. A situation where about twenty agencies of government buy the same brand of vehicles at grossly different prices is not good. Market prices must be determined and adhered strictly to ensure that Nigerians are not short-changed through abuse of processes or over-invoicing. (n.p.)

This is a major deficit for infrastructural development in a developing country, where both the formal and informal standards of public behaviour are very weak. Rose and Peiffer (2019) have noted that in such a system, the politicians, as well as other government officials, would be left to decide, of their own volition, how to behave in the governance process. Governance, in this sense, connotes (Kaufmann & Kraay n.d.):

[7]he process by which governments are selected, monitored and replaced; the capacity of the government to effectively formulate and implement sound policies; and the respect of citizens and the state for the institutions that govern economic and social interactions among them. (n.p.)

In this regard, when the values associated with the elements of governance are compromised, the process of enforcement and punishment would be ineffective. Consequently, in a democratic system like Nigeria, enforcement of laws and rules would be characterised by dictatorship elements as selective enforcement of laws would be to the advantage of the incumbents and disadvantageous for the oppositions (Rose & Peiffer 2019). Thus, with a weak formal and informal standard of behaviour among the government officials, bureaucratic and political, inefficiency, graft and outrageous expenditures would characterise the operations and activities of the public institutions

and agencies. Rose and Peiffer (2019, p. 6) have defined a corrupt system of governance as one where 'officeholders violate laws for their advantage and their behaviour is inconsistent with the normative values of a society'.

The above is reflected in the cases of public enterprises discussed in this paper. There are extant laws that regulate the behaviour of public officials, aside from the prescribed code of conduct enshrined in the Constitution. Aside from this, there are several government agencies saddled with the responsibility of detecting and prosecuting defaulting government officials, who deviated from these formal standards. Nevertheless, these avalanche of public institutions and agencies are used to the advantage of the incumbent (Fagbadebo 2016).

It is a popular axiom in Nigeria that a corrupt government official would be secured against prosecution if he pledged allegiance to the incumbent regime. The National Chairman of Nigeria's ruling party, the All-Progressive Congress (APC), Adams Oshiomole, told the crowd during the presidential campaign that any member of the previous government with allegations of corruption would be forgiven, once they joined the ruling party (Nwogu, Onojeghen & Peter 2019). According to him, 'We have some PDP defectors. They are, Henry Tenebe, Iluobe...Iluobe means I have done something wrong. Yes, once you join the APC, your sins are forgiven' (cf. Nwogu et al. 2019), while the president declared at the same gathering that he was ready to deal with the looters of the treasury, in the past regime:

In the fight against corruption, I assure you that all those who have fraudulently enriched themselves when they were entrusted with public funds, we will eventually get them and deal with them. We are doing it, we will continue to do it and I assure you, we will not abuse your trust. (n.p.)

The perpetrators of the fraudulent activities that led to the collapse of Nigerian Airways were not prosecuted even though there were reports of investigations panels and commissions set up by the government that identified and indicated such people. Similarly, the government withdrew the criminal charges filed by the EFCC against the officials of NERC allegedly involved in the embezzlement of N3bn meant for the power project. There are several other cases of alleged corruption in government that were shoved aside while the government continued to prosecute members of the opposition parties. Similarly, the corrupt activities associated with the sales of NITEL to PENTASCOPE, had been buried as the perpetrators remained active participants in the government since 1999.

Thus, political interference in the anti-corruption campaign further displayed the weakness of the formal standard of behaviour among government officials, thereby emboldening the perpetration of corruption in the public sector. Even though the Buhari government pledged to operate a corruption-free administration, government officials have been emboldened to abuse their office with impunity (Maclean & Egbejule 2019):

None of the many corruption cases initiated by the administration has ended in a conviction. A former secretary to the federation who allegedly diverted 270 m naira (£578 000) of funds meant for people displaced by Boko Haram to accounts linked to him was only charged last month, two years after being indicted by the Senate. It took months of pressure from the press and parliament for him to be fired; he is currently one of the leaders of the president's campaign in his home state of Adamawa. (n.p.)

Aside from this, some members of his cabinet as well as leaders of the ruling party had been faced with allegations of corruption while in their previous offices. Allegation of bribes, nepotism and serial abuse of power have characterised the administration without any repercussion (Maclean & Egbejule 2019).

It is, therefore, difficult to promote sustainable economic growth under this sort of system of governance. The public sector has accommodated deviance as a rule and as such, the consequences are manifested in a cycle of governance crisis amid abundant resources. Weak formal and informal standard of behaviour has rendered the statutory accountability mechanisms sterile (Fagbadebo 2019b).

■ Conclusion

Nigeria's position in the African political system is crucial. As the country with the largest population in Africa, with its citizens found in virtually all the countries across the globe, its potential for sustainable economic growth for the benefits of its teeming population is under siege. Nigeria is blessed with abundant natural human and material resources. As the Guardian of London described it (Maclean & Egbejule 2019):

With vast fertile lands, enormous natural resources and a strong youth population, Nigeria has enormous potential, but successive governments have failed to diversify the economy, so it is almost entirely dependent on the sale of its crude oil. (n.p.)

The resources from this mono-economy had been mismanaged to the extent that politics has become a lucrative adventure, where the elites manipulated to their advantage at the expense of the public interest.

As Page and Okeke (2019) have noted, the corrosive impact of corruption on Nigeria's economy had stifled the development and growth of small businesses and enterprises through government assistance. Public policies and programmes designed for sustainable developments were dwarfed by corruption as the targeted sectors were drained of public finances 'because corruption and mismanagement negate their intended impact' (Page & Okeke 2019, p. 2).

Given these, this paper subscribes to the need for reinvigorated public mobilisation mechanisms against mismanagement of government resources.

As suggested elsewhere, 'it is imperative for the members of the public to monitor and constitute oversight instrument over institutions of government, saddled with the responsibility of overseeing executive activities' (Fagbadebo 2019a, p. 27). This would require a reinvention of the traditional standards of behaviour among government officials, that instilled discipline in the management of public resources. Recent developments, especially the informed activities through social media, have shown the extent to which public outcry could force government officials to backtrack from the oath of impunity. Public mobilisation could enforce accountability through constant exposure of acts of mismanaging that characterise the administration of government agencies. This initiative would be bolstered by the recognition of independent private investigators and ombudsmen as the government anti-corruption agencies are nothing other than networks of corruption.

One of the negative sides of the corruption pandemic in Nigeria is the pervasive collaboration between foreign companies and local government officials to compromise procurement rules and processes to perpetuate corruption in the public sector. For instance, at the centre of the disparity in the cost of construction of standard gauge railway lines in Ghana and Nigeria were Chinese construction companies. While in Ghana, the parties involved respected the standard of behaviour associated with public procurement, their Nigerian counterparts condescended to the compromised standard of corruption. Therefore, it is the position of this paper that the African Peer Review Mechanism should be revived and become a continental standard gauge in dealing with procurement in public management.

The AU anti-corruption programmes should be pursued in a manner that ensures best practices among and within the governments in the continent. Corruption in the African continent is a singular contributing factor to the scourge of poverty. Nigeria is a strategic African country whose domestic economic well-being has a telling effect on the other countries in the continent. Thus, AU's intensified anti-corruption policies and stance would bolster a redemption path in the rediscovery of the socio-economic glory of the continent. This might be a respite to help reduce the high rate of poverty in the continent. The World Poverty Clock had predicted that by the end of the year 2018, 'there will probably be about 3.2 million more people living in extreme poverty than there are today' (cf. Adebayo 2018). As a continental body, the AU should work and partner with governments of the largest economies to ensure the eradication of corruption through an inclusive policy thrust in the management of public enterprises.

Good governance through public service quality: An empirical study from India

Arulraj Arockiasamy

Department of Economics,
Rajah Serfoji Government College (Autonomous), Thanjavur,
Tamil Nadu State, India

Ravinder Rena

NWU Business School,
Faculty of Economic and Management Sciences, North-West University,
Mahikeng, South Africa

■ Introduction

The policymakers opined that measuring input and output may not be sufficient to understand how the service delivery operations work in practical terms. Therefore, 'governance' is an important issue of administrative reforms that are aimed at refining the service delivery to the public which is very important for the development of India.

Good governance is crucial for every organisation. Indeed, good governance encompasses many things that are closely related to human day-to-day lives. Good governance is a process that measures the performance of a public institution's conduct and deals with how to manage the public resources.

How to cite: Arockiasamy, A & Rena, R 2022, 'Good governance through public service quality: An empirical study from India', in FG Netswera, OM Fagbadebo & N Dorasamy (eds.), *State-owned enterprises in Africa and the economics of public service delivery*, AOSIS Books, Cape Town, pp. 193–205. <https://doi.org/10.4102/aosis.2022.BK270.12>

It also guarantees protection of human rights in an efficient manner that is free from abuse of power and a corruption-free society with respect for the rule of law. Good governance ensures that power and responsibility are exercised to manage the economic resources efficiently, effectively and with utmost transparency that leads to overall economic development.

Indeed, for the last four decades, the implementation of 'good governance' has become an important policy option within the global economic agenda for development. Since then, the quality of good governance has been considered as one of the prerequisites for solving many socio-economic challenges in a developing country like India.

India is endowed with abundant natural resources, a skilled human resource base and well-established training institutions. Despite these factors India did not accomplish its desired economic growth and human development since its independence in 1947. The main challenges like poverty, unemployment, corruption, civil conflict, lack of community development remain rampant in India. To address these major challenges of India, international organisations like the World Bank, IMF and other NGOs developed many documents that ensure good governance and service delivery.

Furthermore, these organisations emphasised the need for good governance for human development. The World Bank and the IMF together with other global organisations have been consistently working to develop the framework for good governance. There is anecdotal evidence that the government fails to render quality services to its citizens on a regular basis. The challenges include inefficient public utility services, an unfavourable environment for the growth and development in the PS, leadership crisis, lack of transparency and accountability in the public sector, inefficient public institutions, etc. The underperformance of the governance mechanisms in the public sector continued to negatively impact on the overall socio-economic development. Against this backdrop, it is appropriate and timely to study how much India lags in the achievement of good governance. Hence, an attempt is made in this paper to provide an analysis of the governance issues in Tamil Nadu state, and, also, to outline the challenges for good governance in India.

Good governance has been the buzzword for the last four decades. It plays a significant role in achieving universally acceptable democratic standards. For example, it is significant to note that in Bangladesh, the position of 'good governance' has not been found to be satisfactory (Ara & Rahman 2006).

For the last four decades, the importance of good governance has been the topic of international discussion (Robinson 2007; Wohlmuth 1999). The studies confirm that poor governance leads to low levels of socio-economic development (Goel, Mazhar & Nelson, 2016; Heywood 2016; Richard & Peiffer 2018; Rotberg 2014). In developing countries, like India factors, such as rampant corruption, lack of accountability, abuse of human rights, etc.

contribute negatively to its development process (The Australian Government's Overseas Aid Program 2000).

Good governance must promote economic growth and reduce poverty in developing countries in Asia and Africa. It is a fact that without providing good governance, we cannot guarantee the benefits of positive reforms where the common man is the beneficiary and the funds may not be used effectively for the benefit of the downtrodden (Azmat & Coghill 2005; Richard & Peiffer 2018).

Indeed, good governance is considered to be a multifaceted concept that covers various geo-political, socio-economic issues concerned with good governance and efficient public administration. Historically, Greek philosophers Plato and Aristotle emphasised the importance of good governance in running the government and administration. Despite many attempts by different philosophers, there is still no clear-cut definition for the concept of 'good governance'. However, good governance refers to a process of decision-making in which decisions are made democratically in a transparent manner and thereby implemented. Further, the concept of good governance can be applied at different levels – local, national and international (Dhiraj Kumar 2004).

■ Public management service quality

Today, it is significant to note that every public sector organisation is unable to provide quality services to its people in a sustainable manner. Therefore, the main challenge lies in providing quality service delivery to the public which enhances the reputation of organisations. Empirical evidence reveals that 'providing good quality services enhances profitability, improves productivity, spreading positive word-of-mouth, increases market share and return on investment and reduces costs' (OECD 2010; Sachdev & Verma 2004).

For example, a municipal authority in any given scenario faces overwhelming work burdens compared to those in the PS in providing relatively good services and also maintaining good customer satisfaction. Some municipal authorities and/or public sector institutions aspire to promote their public image by improving the quality of good services by implementing public awareness initiatives like consumer rights. Hence, Service Quality is an essential factor in the transformation of municipal services for customer satisfaction (Rodríguez et al. 2009).

In many countries, governments have been trying to provide efficient and effective service delivery to their public. It also has become the main focus of civil society to demand better services from their respective governments with the help of their community support. Eventually, the local authorities have also been trying to deliver their services to meet the quality standard as expected by the taxpayers (Richard & Peiffer 2018; Wan Yusoff, Ismail & Newell 2008). It is a fact that providing good quality and cost-effective public services is not a simple task. This is because it depends on various other support

mechanisms, such as creating institutions with strategic approaches, establishing clear guidelines on how to deliver services by putting the right people in the right places who can eventually provide efficient services to the customers is also helpful. Further, it needs 'a combination of good policy development, successful implementation, a good understanding of citizens' needs and expectations, appropriate resources and technology, a responsive organisational culture and well-trained staff' (Rodríguez et al. 2009). The municipal authorities must also balance the revenue that they receive from the public and thereby provide an efficient service to their customers.

■ Proposed conceptualised research model

In this study, we framed eight dimensions. They are: (1) issuance of certificates and cards (ICC), (2) social security schemes (SSS), (3) social welfare services (SWS), (4) land administration and land reforms (LALR), (5) disaster and drought management (DDM), (6) *Right to Information Act* (RTI), (7) citizen satisfaction (CS) and (8) PMSQ. Here demographic variables, ICC, SSS, SWS, LALR, DDM, and CS are independent variables (IVs) and the RTI and PMSQ are considered to be the dependent variable (DV). We also considered the fact how and to what extent the IVs are likely to influence the DV of this study.

■ Revenue administration services in Tamil Nadu

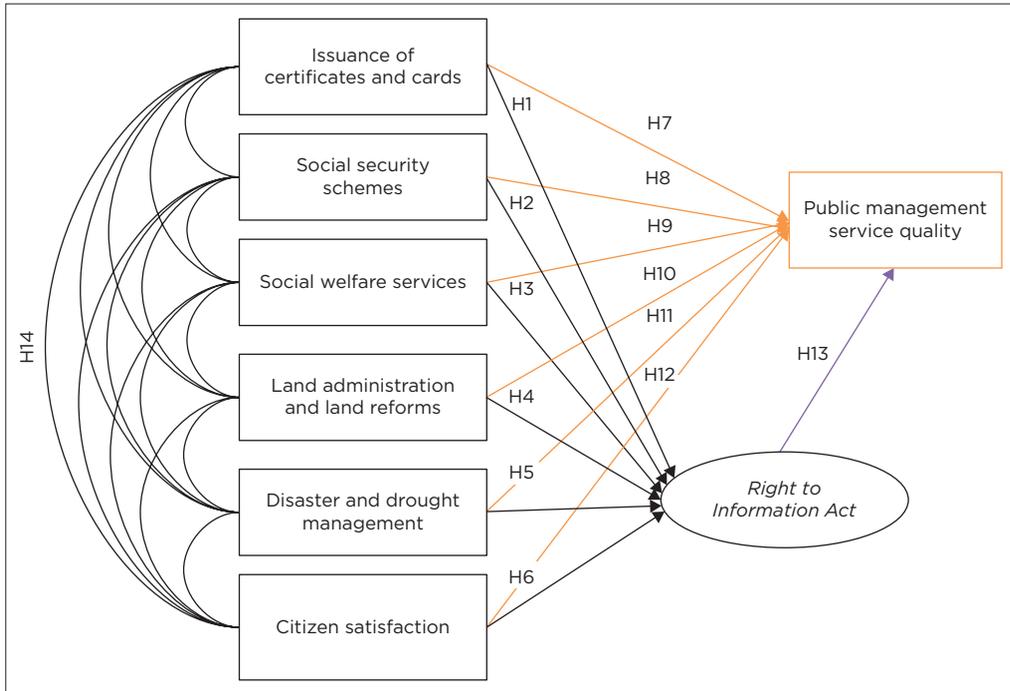
The revenue department has been considered to be the backbone of the government of Tamil Nadu, India. It is interesting to note that this revenue department was the oldest in the State of Tamil Nadu. The Collectorate at the District level is the focal point of the administration and is also supported by the revenue department:

1. The dimensions of revenue administration services were influenced by the mediating factor RTI.
2. The dimensions of revenue administration services were positively influenced by the RTI.

A mediator hypothesis was supported if there is an interactive path (ICC, SSS, SWS, LALR, DDM, CS, RTI) and PMSQ is found to be significant (see Figure 12.1). Further, the significance mainly affects the predictor (PMSQ) and mediator (RTI). Therefore, this research study explored whether or not the relationships between PMSQ and ICC, SSS, SWS, LALR, DDM and CS are either fully or partly mediated by the RTI.

■ Regression 'PMSQ' model

Holmbeck (1997) stated that 'in hierarchical regression, the predictor variables are entered into sets of variables'. Further, 'the logic involved in hypothesizing



Key: PMSQ, public management service quality.

FIGURE 12.1: Proposed hypothetical model of 'PMSQ model'.

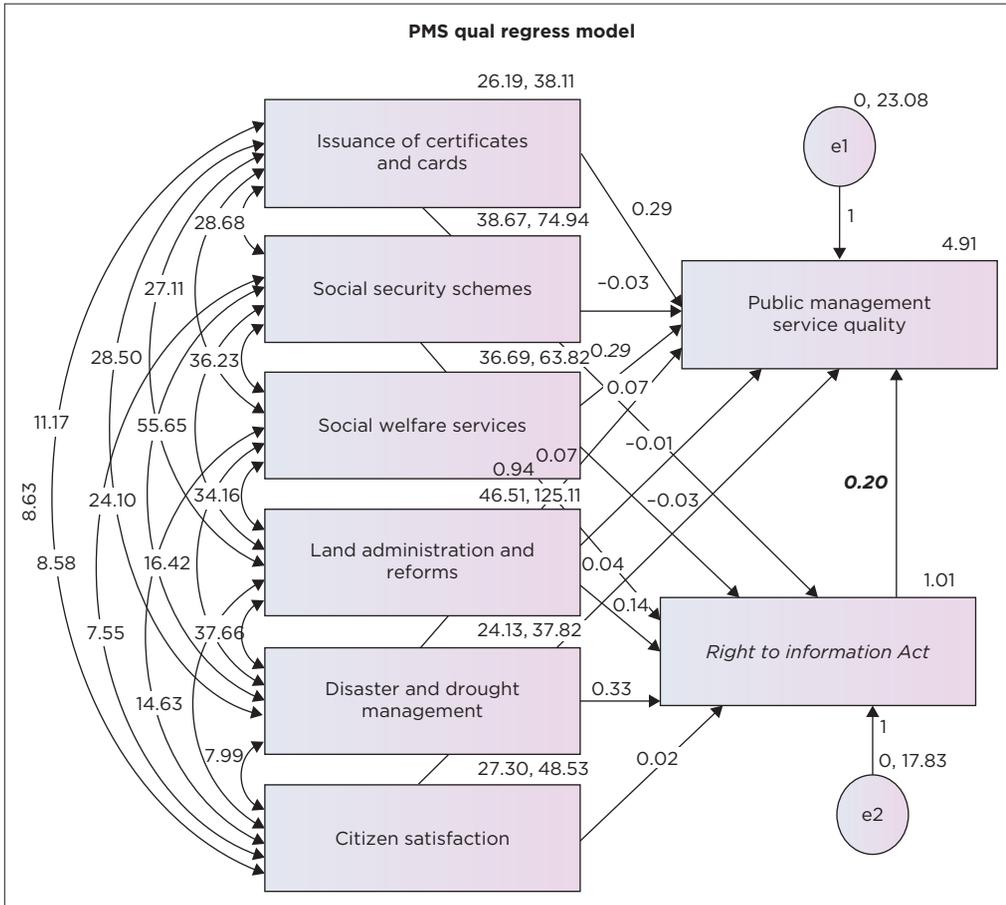
mediating relationships was that the Independent Variable influences the mediator which in turn, influences the outcome' (Holmbeck 1997).

Holmbeck (1997) states that the important pre-condition for examining mediated relationships was that the IV is expressively linked with the DV even before testing any model for intermediating variables (Holmbeck 1997).

The hypothesised mediating variable diminishes the magnitude of any direct influence of the IV on the DV. In this study, we empirically tested the hierarchical regression (see Figure 12.2). This model was hypothesised within the graphics environment of Analysis of Moment Structures (AMOS) version 20.0.

As part of this study, we conducted regression analyses. We viewed the parameter estimates within this AMOSs graphics. The regression analysis shows that the RTI, 2005 has a significant influence on the various dimensions of the Mediated Model of revenue administration services within the Thanjavur District.

The RTI 2005, has also influenced 0.20 of the PMSQ, followed by DDM, which explains the R² value of 0.20 and 0.33 value of the RTI, 2005 exhibited (see Figure 12.2) in the PMSQ of the output of AMOS graphics.



Key: PMSQ, Public Management Service Quality.

FIGURE 12.2: The analysis of moment structure regression weights of the PMSQ mediated model.

Our results confirm that the relationships between the revenue administration services in the Thanjavur district (DDM => the RTI = 0.33) have a significant impact on the mediated factor of the RTI.

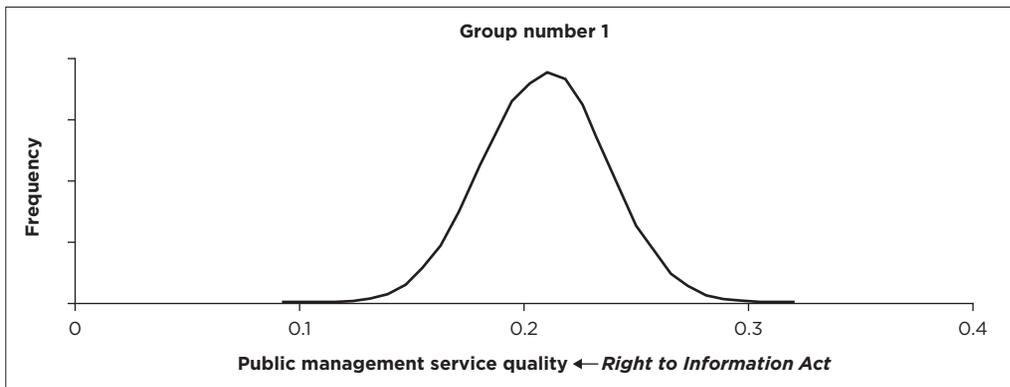
The ICC, SSS and CS has resulted in limited influence on the RTI-2005. This indicates that there is a citizen awareness towards the PMSQ. Disaster and drought management and LALR towards the outcome of revenue administration services in Thanjavur District are found to be insignificant whereas its impact is high on intermediating variables.

Bayesian estimation and testing for regression model (of 'PMSQ') mediated structural equation model

We used the Structural Equation Modelling (SEM) in this research. We also assumed that many management scientists are not familiar with the

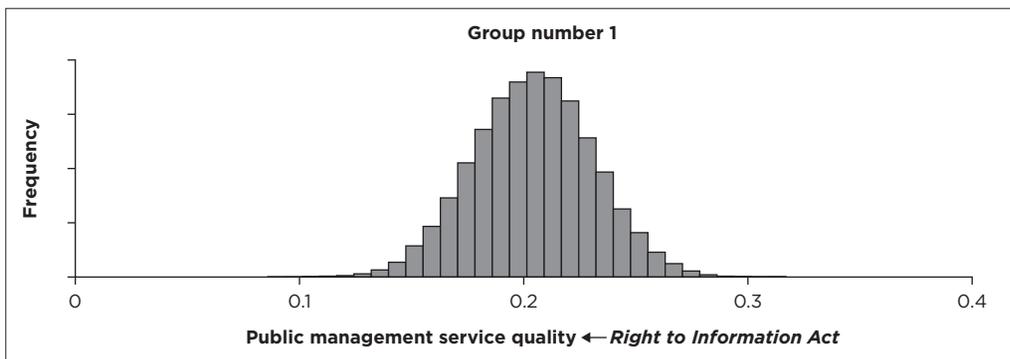
estimation of these models using software (e.g. AMOS) that analyses the covariance matrix of the observed data. Hence, the researchers adopt a Bayesian approach to estimate the extrapolation by using the AMOS 20.0 environment output (Arbuckle & Wothke 2006; Senthilkumar & Arulraj 2011).

The convergence of the Bayesian Markov chain Monte Carlo (MCMC) method and the posterior diagnostic plots were analysed in this study. The parameters in this study included 94 000 samples. The Bayesian MCMC diagnostic plots divulge for all the figures that the normality was achieved. In this case, the SEM fit was accurately estimated (see Figure 12.3 and Figure 12.4).



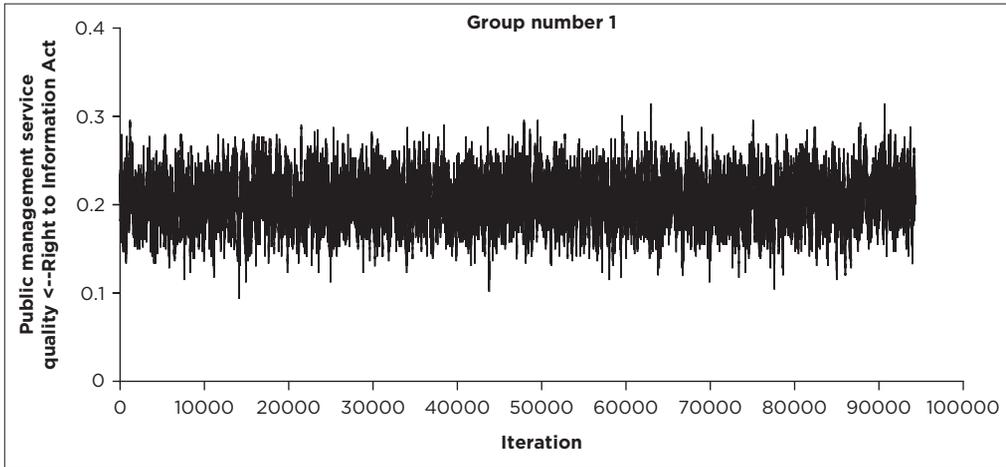
Key: PMSQ, public management service quality; RTI, *Right to Information Act*.

FIGURE 12.3: The mediating factor (PMSQ) and (RTI) regression weight (W13).



Key: PMSQ, public management service quality; RTI, *Right to Information Act*.

FIGURE 12.4: The mediating factor (PMSQ) and (RTI) regression weight (W13).



Key: PMSQ, public management service quality; RTI, *Right to Information Act*.

FIGURE 12.5: The trace plot of the mediating (PMSQ) and (RTI) regression weight (W13).

As indicated in Figure 12.4, this plot helps to evaluate how quickly the MCMC procedure converges in distribution. Figure 12.5 shows the trace plot of overall mediated PMSQ in revenue administration services' Regression Model for the mediated factor RTI, 2005 to the PMSQ dimensions of around 94 000 samples.

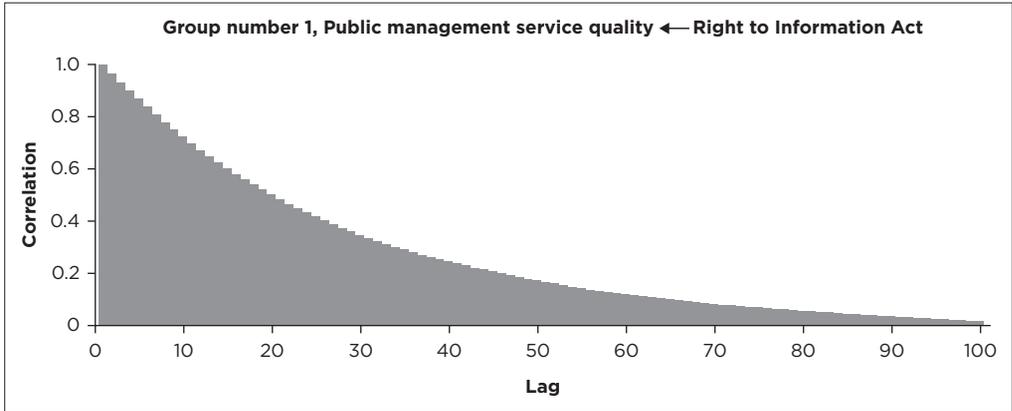
The trace within any section will not look much different from the trace in any other section just in case if we break up this plot into a few horizontal sections. This shows that the convergence in the distribution process takes place swiftly. Therefore, the overall mediated PMSQ in revenue administration services is significant.

An autocorrelation plot that was an estimated correlation between the sampled value at any iteration and the sampled value k iterations later for $k = 1, 2, 3$, was also analysed for the sake of 'PMSQ'.

Figure 12.6 shows the correlation plot of 'PMSQ' for the overall mediated factor and the RTI 2005, which has a mediating effect on the PMSQ across 94 000 samples selected in this research study.

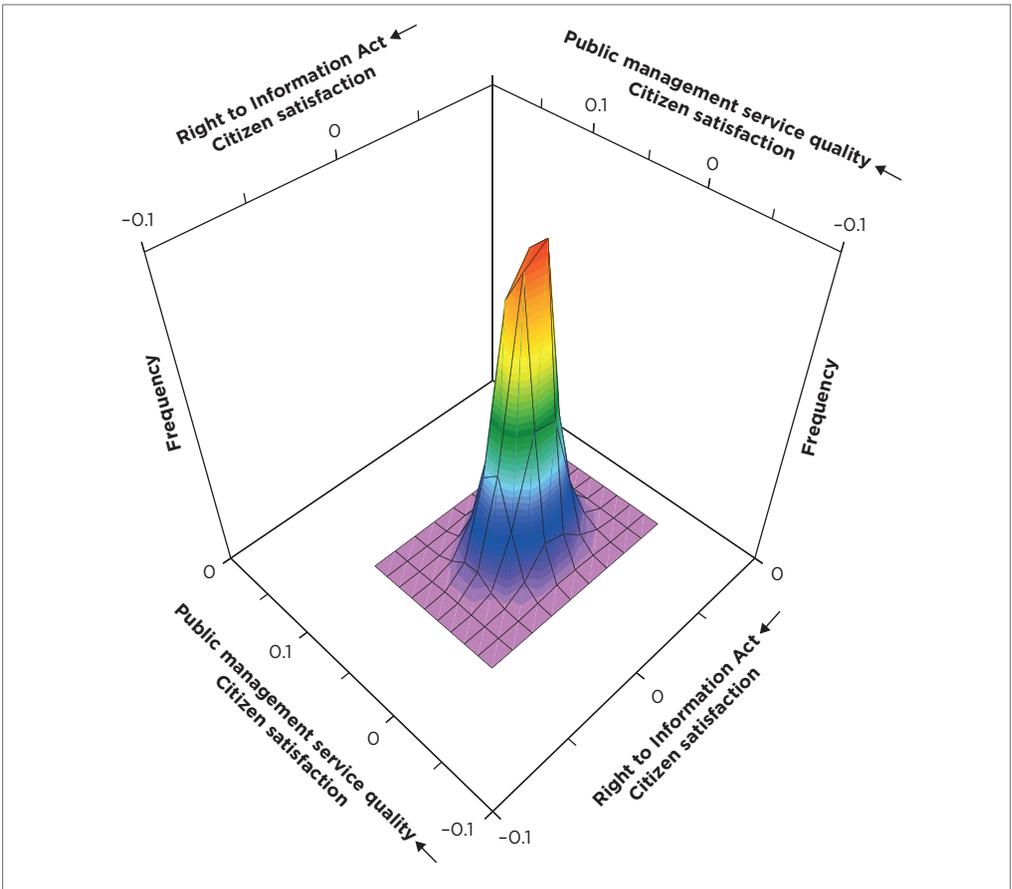
We believe that the marginal posterior distributions are important; they do not disclose any relationships that may exist among the two parameters. The summary table is given in the posterior frequency plots given (see Figure 12.7 and Figure 12.8).

From the two figures, it can be observed that the two-dimensional surface plot and histogram plot also signify the interrelationship between the mediating variable that is., the RTI, 2005 with that of the other dimensions of PMSQ and CS.



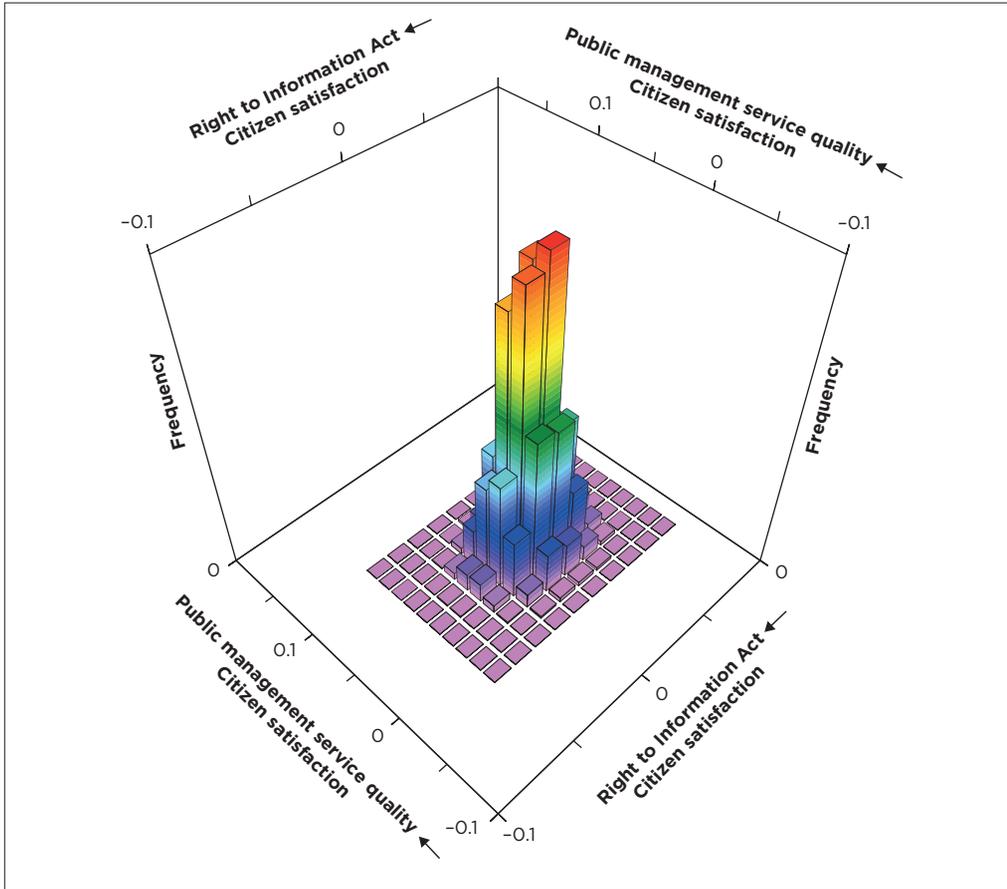
Key: PMSQ, public management service quality; RTI, *Right to Information Act*.

FIGURE 12.6: Autocorrelation plot of the mediating factor (PMSQ) and RTI regression weight (W13).



Key: CS, citizen satisfaction; PMSQ, public management service quality; RTI, *Right to Information Act*.

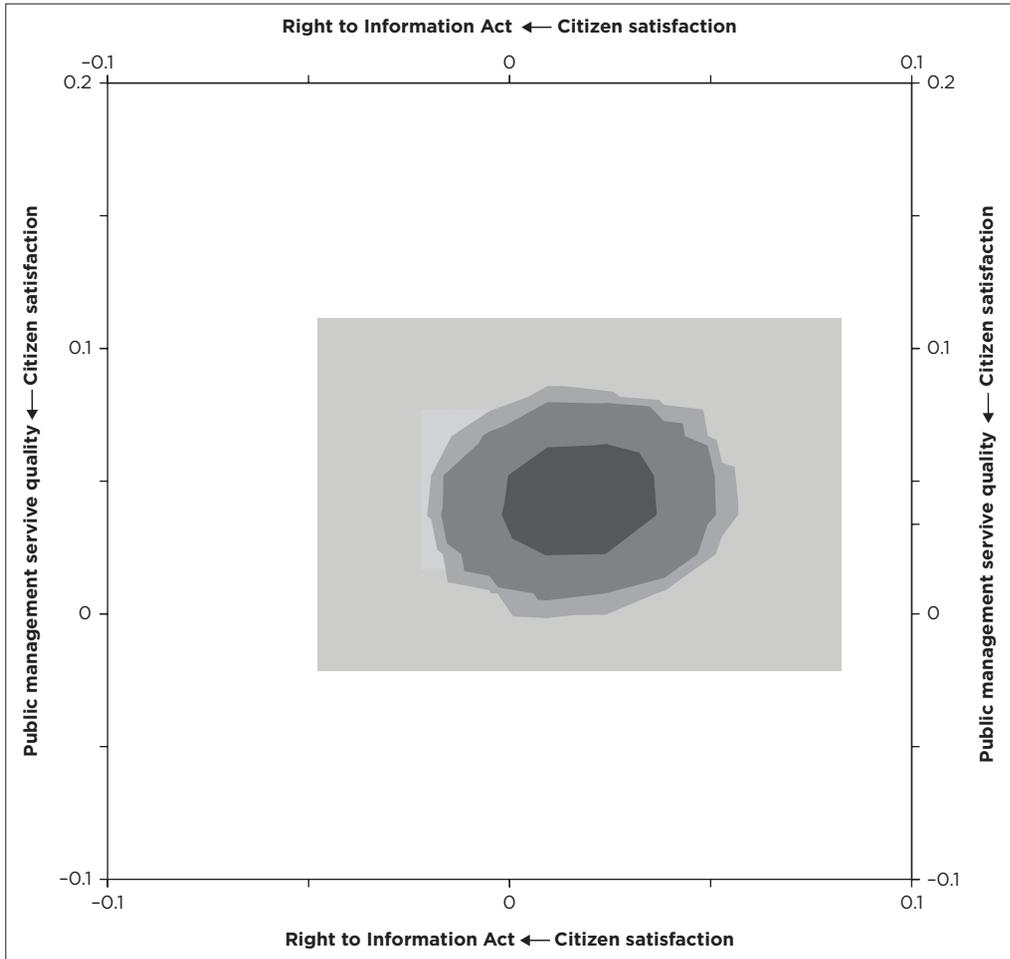
FIGURE 12.7: The marginal posterior frequency distribution of the mediating factor (RTI) with PMSQ and (CS) regression weight (W5) and regression weight (W13).



Key: CS, citizen satisfaction; PMSQ, public management service quality; RTI, *Right to Information Act*.
FIGURE 12.8: The marginal posterior frequency distribution of the mediating factor (RTI) with (PMSQ) and (CS) regression weight (W5) and regression weight (W13).

Figure 12.9 depicts that there is a two-dimensional plot of the bivariate posterior frequency distribution across all the 94 000 samples. The figure ranges from light to dark.

We observed that the Bayesian estimation of convergence of the MCMC algorithm verifies that the convergence takes place and the normality is attained (see Figure 12.3–Figure 12.9). Hence, the absolute fit of the PMSQ in revenue administration services. From the ‘PMSQ’, empirically tested with the mediating factor of the dimensions of PMSQ and CS, it is evident that the revenue administration services should concentrate on the RTI, 2005, as the mandatory aspect of revenue administration services in the Thanjavur District, Tamil Nadu state of India.



Key: CS, citizen satisfaction; PMSQ, public management service quality; RTI, *Right to Information Act*.

FIGURE 12.9: Two-dimensional Contour plot of the marginal posterior frequency distribution of the mediating factor (RTI) with (PMSQ) and (CS) Regression Weight (W5) and regression weight (W13).

■ Mediating effects on public management service

Revenue administration services should concentrate on the RTI, 2005, which is truly the most important aspect of PMSQ on revenue administration services in the Thanjavur Revenue Division. The researchers found that the RTI, 2005 mediated effects in public management service. Because of the RTI, many citizens (respondents) are getting more services from the revenue department in the study area.

■ **Various future and negative effects on revenue administration services in the study area**

The revenue department would issue the birth certificates, death certificates and community certificates and these certificates are important for the Indian citizens. Many governments make a delay in issuing certificates. Nowadays, the government is adopting new technology for issuing very quickly. But in the research study, the citizens (respondents) disagreed that the certificates were provided in time. Hence, the government would come forward to issue the certificates much faster. Many respondents said that the village administrative officers were not committed to continue their work in the village. Corruption has been one of the main factors for delaying in providing certificates on time. Hence, there is a low significance level in the revenue department.

■ **Social security schemes**

This is one of the important schemes for aged persons, widows, physically challenged and people below the poverty line. The revenue department is being very slow in issuing and offering the services to the above said people. Nowadays, there are issuing services to help avail the above stated schemes.

■ **Social welfare services**

These services are very much needed for people below the poverty line in villages and urban areas. Many welfare schemes do not reach on time. Many respondents are not happy about the above said schemes.

■ **Land administration and land reform**

Land administration and land reform are very important dimensions in the study area. Many village people are not satisfied. Nowadays, the government of Tamil Nadu is moving towards e-governance. It will take years to provide the very services on time.

■ **Disaster and drought management**

Many respondents are not aware of the programme. The state should have popularised this through media. Many village people are not aware of the said programme. The state government should come forward to help at the village level.

□ ***Right to Information Act***

This Act is one of the weapons to control the revenue administration in India. The RTI is a very significant tool for reducing corruption and delay in services.

Nowadays, many people are enjoying the benefits of the Act. Many government officers are not happy with this Act. Many citizens (respondents) are aware of this Act. We could say that in the coming years, the revenue administration would change.

■ Strategic management planning for improving the revenue administration services

Strategic management planning explains that the stronger and sustainable revenue administration services will reduce poverty in rural India. With the development of revenue administration services in rural and urban India there will be prosperity and progress in PMSQ. Through revenue administration services, a stakeholder who provides service will implement effectively and efficiently without any malpractices. The PMSQ is a very important factor for the future generation of India. The study confirmed that the transparency and accountability of revenue administration services can reduce the poverty in rural India.

■ Conclusion

This study is limited to only the Thanjavur District in the Tamil Nadu state of India. The researchers conclude that the PMSQ is a very important tool for promoting human development management in revenue administration. International institutes like World Bank and IMF provide research on good governance and better governance in Asian countries; however, the implementation of good governance is not up to the mark. In India, for example, the 11th 5-year plan emphasised the implementation of the Total Quality Management (TQM) in all government sectors. If the government follows the TQM model, there would be a sharp decline in rural poverty and inequality in the Indian society.

The future of state-owned enterprises in Africa

Omololu M. Fagbadebo

Department of Public Management, Law and Economics,
Faculty of Management Sciences, Durban University of Technology,
Pietermaritzburg, South Africa

Fulufhelo G. Netswera

Office of the Executive Dean,
Faculty of Management Sciences, Durban University of Technology,
Durban, South Africa

Nirmala Dorasamy

Department of Public Management and Economics,
Faculty of Management Sciences, Durban University of Technology,
Durban, South Africa

■ Introduction

African countries are littered with failing or failed SOEs. While some are struggling to stay afloat, many are sources of fiscal deficit. In Nigeria, the Nigerian Airways has collapsed, while the oil refinery outfits of the NNPC have been unproductive, with staggering running expenses (Editorial 2020). Nigeria, an oil-producing country, depends on the import of refined fuel from foreign countries. The energy supply in Nigeria is unstable despite huge capital expenditure on energy infrastructural facilities. Power generation companies have undergone several reforms but no substantial improvements have been noted (Olowosejeje 2020). With its abundant oil, gas, hydro and

How to cite: Fagbadebom OM, Netswera, FG & Dorasamy, N 2022, 'The future of state-owned enterprises in Africa', in FG Netswera, OM Fagbadebo & N Dorasamy (eds.), *State-owned enterprises in Africa and the economics of public service delivery*, AOSIS Books, Cape Town, pp. 207–222. <https://doi.org/10.4102/aosis.2022.BK270.13>

solar resources, Nigeria generates only 4 000 MW of electricity, out of its potential of 12 000 MW (USAID 2020), to cater to its need of 50 000 MW (Okpi 2020).

In the Democratic Republic of the Congo (DRC), the state-owned mining company, Gecamines, failed to account for the US\$750m proceeds realised from the 2017 privatisation of copper mines in the country (Mutize & Tefera 2020). SAA and Eskom depend on government bailout funds to continue operations. Some other SOE in South Africa, including financial institutions, have collapsed (Gossel 2019). In Ghana, Tema Oil Refinery stopped production activities because it could not raise the US\$70m required to procure crude oil.

In Zimbabwe, the government is contemplating reform measures to salvage the failing SOEs, through privatisation, restructuring or dissolution. In all, the government has identified 43 out of its 107 SOEs (The Herald 2020). In 2017, the country's AG announced that 40% of the SOEs 'were technically insolvent after incurring huge losses over the years' (The Herald 2020). In 2016, cumulative losses of US\$270m were posted by 38 SOEs, 'indicating poor management, weak corporate governance and possible deep-seated corruption' (The Herald 2020).

This chapter presents an analysis of the challenges preventing the effective performance of SOEs in Africa and the prospects of success. The discussion and analysis in the chapter focus on the challenge of corruption and the prospect of privatisation as an option to secure African SOEs on the pedestal of success. With empirical analysis of the performance of SOEs in some African states, the chapter stresses the need for the institutionalisation of the culture of good governance practice and structure to ensure accountability in the implementation of SOE reforms in the continent. The central thesis of this chapter is that irrespective of reform alternatives to ensure the effective performance of SOEs in Africa, the public governance structure requires a transformation that would incorporate the creeds of transparency and accountability.

■ Corruption and the misfortune of state-owned enterprises in Africa

Continuous reforms have characterised the governance of SOEs across the globe. This is an indication that the non-performance of state entities is a general phenomenon but in different dimensions. This general malaise of corruption associated with SOEs is not limited to developing countries. For instance, the OECD, since its Anti-Bribery Convention in 1999, has been at the forefront of measuring the level of corruption across the globe (Fagbadebo 2019a; Rubio & Anvig 2019). In its 2014 report, the OECD (2014)

found that corruption was a defining factor in most interactions in the global system. The OECD found that 53% of corruption cases involved top-level management officials with 57% of cases involving procurement corruption; of these cases, 80.11% involved bribes to the leaders of SOEs. Bribery through the third party constituted 75% of the cases, involving millions of different foreign currencies. According to the World Bank analysis, an estimated US\$1tn of the global GDP were flattered away yearly in bribe payments to public officials (World Bank 2018).

Corruption has a damaging consequence on society. The World Bank (2018) noted, 'Corruption has a disproportionate impact on the poor and most vulnerable, increasing costs and reducing access to services, including health, education and justice'. In its empirical findings, the Bank discovered that the poor withstands the worst of corruption because they 'pay the highest percentage of their income in bribes' (World Bank 2018). In Paraguay and Sierra Leone, for instance, the poor have to part with 12.6% and 13%, respectively, of their earnings for bribes, whereas high-income households parted at 6.4% and 3.8%, respectively (World Bank 2018). By implication, the minutest amount stolen 'robs the poor of an equal opportunity in life and prevents governments from investing in their human capital' (World Bank 2018).

Corruption undermines human development, because of its corrosive consequences on sustainable growth (Rubio & Andvig 2019). For instance, reports have shown that of the \$7.35tn expended on healthcare globally, fraud and corruption filtered away \$455bn and that led to the death of 140,000 children (Rubio & Andvig 2019). Corruption in the procurement process and practices, for example, has negatively affected the provision of social services and infrastructural facilities necessary to support human development. Thus, this has reduced the 'quality and availability of basic services' (Rubio & Andvig 2019), with its consequential negative impacts on people's daily life, the economy and the environment.

In developing countries, most especially Africa, corruption is a vicious cycle, a subtle formalised instrument of governance with devastating consequences on public service delivery. Central to this is the complicity of leaders in promoting corrupt activities through different means. Moreover, the African continent and its citizens have been at the receiving end of leadership negligence and indecisive action against the burgeoning corruption pandemic. In other words, the existence of leaders in every society presupposes that they would operate on behalf of the collective, promoting the overall interest that would ensure harmony. Magnus Schoeller (2017) sees political leadership:

[A]s a process where an actor in a formal or informal position of authority uses her power resources in such a way as to guide the behaviour of others towards a common goal. In the case of success, this process results in innovation, namely policy or institutional change. (p. 3)

There is the need to institutionalise transparency and accountability in public policies and promotes comprehensive reforms capable of infusing realistic rather than the cosmetic transformation of fiscal process in all government activities.

Barbara Crosby and John Bryson have summed up leadership responsibility as the capability to tackle complex public problems and exercise power on behalf of the public. 'That responsibility becomes especially important as public managers increasingly work across organisational and sector boundaries to protect the environment, deliver services and so on' (Crosby & Bryson 2018, p. 1269). The abuse of this power, which turns the outputs of government against the interests of citizens in the state capture phenomenon, effectively entrenches a regime of the crisis of governance. As Zuniga (2020) has noted, legalised state capture would entrench the culture of formalised corruption as corrupt political officials found in influential positions of authority in government would frustrate every formal anti-corruption drive. The victims of this systemic corruption in Africa are the SOEs. They are the institutional avenues, through which political leaders compromise public service delivery. They interfere in the corporate governance of state entities intending to exploit resources through their cronies.

The failure of SOEs in Africa has to do with the mounting political pressures from stakeholders in government as well as regulatory agencies who are seeking to manipulate processes and procedures for personal advantages (Khan et al. 2019). The OECD (2015a) identified some factors that are responsible for the failure of SOEs. First, distinct governance challenges associated with the management and control of SOEs place them at the mercy of the political leadership. Undue political interference and influence often derail the realisation of the objectives of the SOEs because of conflicting interests. As OECD (2015, p. 12) noted, 'politically motivated ownership interference, leading to unclear lines of responsibility, a lack of accountability and efficiency losses in the corporate operations' of the SOEs, often compromise adherence to best practices.

Arising from the above is the inability of the various oversight institutions and structures to adequately monitor and scrutinise the activities of the SOEs. As the political leadership controls the various structures of government, 'a lack of any oversight because of passive or distant ownership by the state can weaken the incentives of SOEs and their staff to perform in the best interest of the enterprise', and consequently jeopardise the collective interest of members of the public who are the ultimate shareholders, thereby raising 'the likelihood of self-serving behavior by corporate insiders' (OECD 2015, p. 12). Another factor is that given state ownership and SOEs' dual goals of being involved in commercial activities and at the same time fulfilling public policy role, management of state entities are often protected against

bankruptcy, except in extreme cases where government officials buy them off through their proxies (Lodge 2018).

Under these environments, it would be difficult for SOEs to adhere to best practices for performance accountability, especially in Africa where personalised politics dominates most of the governing systems. Thus, the activities of the various agents and stakeholders in the SOEs are shrouded in complex networks of 'intrinsic conflicts of interest that could motivate decisions based on criteria other than the best interests of the enterprise and the general public who constitute its shareholders' (OECD 2015, p. 12). Meirotti (2018, p. 5) has noted that a state, including its apparatuses and entities, is susceptible to capturing by politically exposed people 'while undergoing wholesale political and economic reform in an environment in which there is limited oversight'. Lodge (2018) attributes this to the sudden transition of most developing countries from colonialism to independent states. Such a state did not have the opportunity of evolving 'an assertive, structured and mass-based civil society' capable of triggering the culture of stringent oversight of public institutions and entities for compliance with requisite rules for the realisation of their intended purposes and objectives. In other words, post-colonial African leaders lacked the morals of accountable and transparent leadership in the management of the public sector.

In South Africa, for instance, post-apartheid reform measures for black transformation and economic empowerment have made SOEs vulnerable to political manipulation for the protection of the interests of black political elites. This is not an indication of weak law enforcement, but a culture 'embedded in processes of class formation – specifically, the formation of new black elites', thereby making corruption 'primarily a matter of politics and the shape of the economy' (Holdt 2019). As Majavu (2020) has noted, the reality of the black empowerment policy 'is that the black elite enriches themselves and their families through government tenders and other questionable and unethical means'. While BEE policy aimed at redressing the apartheid injustices against black South Africans, its implementation has engendered more inequalities and injustices in what is known as *tenderpreneurship* (Piper & Charman 2018). This has encouraged nepotism, clientelism and heightened corrupt practices in the awards of government contracts in breach of formal procedures and rules, which resides in 'extra-legal social and political relationships' (Piper & Charman 2018). This is the foundation of state capture in South Africa.

Elsewhere in Africa, various indigenous policies, and measures to build an inclusive state out of the divisive colonial legacies have been misused and abused to promote the pecuniary interests of the political elites (Fagbadebo 2019b). In Nigeria, for instance, post-independent indigenisation and nationalisation policies favoured the mercantilist political elites who exploited

state apparatuses, especially the SOEs, to appropriate public resources to advance their interests, in what Joseph (1991) described as prebendal politics. These have made many SOEs in the African continent ineffective in the performance of their designated responsibilities.

■ Privatisation prospect

State-owned enterprises are essential and relevant in the economies of developing countries, like Africa (Mbo & Adjasi 2017; OECD 2015, 2020). Because of the quantum of capital outlay of infrastructural facilities, with low investment returns, it has become imperative for states to shoulder the responsibility of provisioning for certain socio-economic projects. One of the measures to balance the need for effective public service delivery and the challenge of capital expenditure is the need for reforms in the ownership structure of the SOEs. Thus, the idea of public-private partnerships (PPSs), whereby the government provides the required capital, in partnership with the PS, to ensure effective execution of such projects, would be a feasible way of redeeming the plummeting images of SOEs, especially in Africa. It is appropriate to acknowledge the success of the PPP initiative in certain aspects of infrastructural facilities, such as communications, transport and housing (Dithebe et al. 2019; Kavishe & Chileshe 2019; World Bank 2017).

The ownership structure and performance of SOEs are determined by a series of changes in the political, economic and institutions in democratic countries. Among the BRIC (Brazil, Russia, India, China) countries, for instance, the history of India's SOEs depicts the role of the government in seeking to finance fiscal deficit that often arises in the management of its entities (Xie & Redding 2018, p. 99). Going by these records, effective management, and best practices of the PPP initiative have shown its viability ineffective public service delivery. Even though it has its defects, it remains the best alternative as a rescue operation for the sinking SOEs in most African states.

The OECD (2012) recognised the increasing primacy of PPP as a prominent method for key public service delivery characterised by the transparent and prudent provision of value for money. This however depends on the availability of the right institutional capacities and processes. Nevertheless, OECD noted the need for an effective PPP public governance framework for monitoring the activities at the highest political level to ensure that the government approach to the project is affordably transparent and driven by value for money. Nevertheless, some other sectors, especially energy, still require the involvement of the government. Aside from this, the PPP initiative is also vulnerable to public governance challenges. While some scholars and donor agencies have advocated intensified PPP, others have suggested outright privatisation of public enterprises, given the level of corruption and abuse that characterised some PPP projects (Khan et al. 2019).

The World Investment Report (WIR 2017) approximated the existence of 1 500 state-owned multinationals across the globe with over 86 000 subsidiaries. This increase was occasioned by the decline in the state ownership of these SOEs, thereby attracting the involvement of private sectors in the running of such enterprises to ensure returns on investments (Xie & Redding 2018). The privatisation and disinvestment policies that started in the UK in the early 1980s and extended to developing countries in the early 1990s began to reduce the stakes of states in SOEs, either by selling off all or parts of the holding shares in such entities. The justification for the privatisation drive was the need to bolster the performance of the entities. In developing economies, the objectives of states' divestment of ownership in the earlier privatisation drive, were aimed at enhancing 'economic efficiency by improving firm performance, to decrease government intervention and increase its revenue, and to introduce competition in monopolized sectors' (Estrin & Pelletier 2018, pp. 65–66). Unfortunately, most of these privatised adventures did not meet the objectives.

Phi et al. (2019) in their study of 25 000 enterprises across the globe discovered that SOEs are less profitable compared to privately-owned enterprises. According to them, most of the SOEs, because of their being labour-intensive at a higher cost, often depend on debt for their routine operations, thereby making them susceptible to insolvency in the long run. Comparing the financial performance of SOEs and POEs is critical to charting reform programmes that would refocus the operations of SOEs. As Phi et al (2019, p. 1) have noted, if the financial performance of POEs is superior to that of SOEs, 'it is plausible to expect that massive structural reforms of SOEs, and perhaps an ownership switch is essential for enhancing the performance of such enterprises'.

Repositioning of SOEs has attracted the attention of different global and regional financial and development agencies, such as the World Bank, IMF, OECD, IFC, among others. Given the importance and strategic contribution of SOEs to the global economy, these agencies have devised a series of reform programmes. The OECD, for instance, has drawn up guidelines on corporate governance of SOEs intending to strengthen the governance principles and minimise the rate of irregular and corrupt activities. The IFC (2018), in collaboration with the World Bank, has mapped out a series of programmes to strengthen the operations of SOEs. These programmes are meant to (IFC 2018):

1. Develop corporate governance frameworks aimed at strengthening the state's monitoring of SOE governance and performance.
2. Train SOE board directors, including state nominee and independent directors to empower SOE boards and develop board practices in line with international standards.

3. Train government officials of state-owned entities and line ministries as well as SOE managers responsible for preparing and implementing governance reforms on issues, such as exercising the rights of the state as a shareholder.
4. Design and implement SOE director training and certification, in partnership with key market intermediaries, including institutes of directors, business schools and SOE-specific academies.

These programmes have been implemented in Colombia, Egypt, Serbia and Sri Lanka.

There have been success stories of effective performance of SOEs in terms of expanded key infrastructural facilities in transport, energy, telecommunications and water. China, for instance, has a robust SOE performance that drives its economy. For instance, between 2009 and 2015, China had a record of aggregate privatisation deals that were more than US\$173bn from the sales of 247 SOEs (Estrin & Pelletier 2018). China's corporatisation policy repositioned its SOEs whereby over 60% of the state entities were registered as private firms in 2012. The implication of these was the involvement of the PS in the ownership and control of the corporations (Privatization Barometer 2015). Aside from China, the United Kingdom (UK) and other European countries had tremendous privatisation policies post the 2008 economic recession. In 2015, the totality of European Union countries and China realised US\$68.0bn and US\$77.6bn, respectively, as proceeds from privatisation (Privatization Barometer 2015).

In other countries driven by the public sector, privatisation has proven to be an effective means of realising the goals of government involvement in public enterprises (Gumede 2018). While some aspects of SOEs would remain the responsibility of government, especially provision of basic services with huge capital outlay, it is expedient for African states to embrace privatisation and pragmatic involvement of PSs in the running of some SOEs for better performance. This prospect is brightened by the reports of a measure of success of this initiative in some African countries. Even though some of them are not good examples to follow, nevertheless, other countries could learn from the fault lines, combined with the experiences of developed countries, to harness the potential of PS involvement in the ownership and operations of public enterprises.

■ Privatisation in Nigeria

Privatisation of SOEs, as part of the neoliberal market reform policies, was championed in Europe in the 1980s. This global economic movement suggested divesting the state of its ownership of commercial enterprises and embracing deregulation, liberalisation, privatisation and the adoption of global financial standards and reporting (Bakre & Lauwo 2016). The import of

this drive was to promote accountability in the fiscal system by reducing irregular and corrupt practices in the public sector to enhance efficiency in a competitive market economy. While the implementation in developed countries has yielded the desired results in terms of effective public service delivery, a weak regulatory system and corrupt governance structure have remained impediments to the promotion of accountability in most developing countries, especially in Africa (Bakre & Lauwo 2016). As Bakre and Lauwo (2016) have noted, neoliberal market reforms policy, such as privatisation would remain a mirage in Africa if irregular practices that usually fuel corruption persist. Nigeria's experience in this direction attests to this conclusion.

The collapse of Nigerian Airways, for instance, was attributable to the poor articulation of its mission and engagement in commercial ventures that were not viable but expedient for the provision of flight services to achieve socio-political outcomes (Mikailu & Yaqub 1999). For instance, the airline was forced to operate on several commercially unprofitable routes to service the interests of certain influential political elites. Similarly, the Nigerian Port Authority operated and managed several airports that were not commercially viable. Apart from the Lagos, Port Harcourt and Kano airports, which boasted of constant passengers' traffic and sustainable revenues, other airports were established for political expedients to foster a sense of national community (Mikailu & Yaqub 1999). Thus, as Mikailu and Yaqub (1999, p. 3) have noted, SOEs in Nigeria are 'saddled with the problems of overmanning, operating with huge losses, pricing services either poorly, or exorbitantly, but in general, unrealistically'.

In Nigeria, the scorecard of the performance of SOEs was very poor because of the complication that arose from the overbearing control of the government in their operational activities. Bureaucratic inertia and corruption plagued the activities of the SOEs as they were subjected to the political control of the supervising government ministries that dictated their operational costs, which was mostly fraught with irregularities (Mikailu & Yaqub 1999). Aside from this, SOEs in Nigeria also suffered from the consequences of the economic recession of the 1980s, which forced the government to attempt certain measures to revamp the economy. Unfortunately, irregularity associated with the management of the Nigerian public sector jeopardises such policies, as corruption became the defining factor of the military and civilian regimes (Joseph 1991; Mikailu & Yaqub 1999).

The Structural Adjustment Programme (SAP), forex liberalisation measure of foreign exchange market, designed to shore up the value of the Naira, trade liberalisation and tariff liberalisation policies deregulation, among others, were exploited by politically exposed people against their intended purposes (Mikailu & Yaqub 1999). The failures of these measures gave rise to the privatisation option to salvage the failing SOEs. The essence of the

privatisation drive was to withdraw the state from the control of public enterprises to ensure effective performance by the PS (Mikailu & Yaqub 1999; Bakre & Lauwo 2016).

The idea of privatisation of state enterprises in Nigeria began in the early 1980s when the Presidential Commission on Parastatals headed by the industrialist, Gamaliel Onasode, recommended an increased role of the PS in the country's public corporations, especially those whose activities did not involve 'security and other sensitive aspects of public policy' (Federal Republic of Nigeria 1981). The civilian government accepted the recommendations of the commission but was unable to implement them before the military putsch of December 1993 (Federal Republic of Nigeria 1982).

In continuation of this policy, the succeeding military government set up a *Study Group on Statutory Corporations and State-Owned Companies* to examine the desirability of privatisation of government corporations. The group was saddled with the responsibility of identifying SOEs that should be privatised and the methods to be undertaken for the promotion and protection of public interest. The group recommended, among other things, selective privatisation intending to allow private sector participation for effective performance (Federal Republic of Nigeria 1984). The military government accepted the recommendations (Federal Republic of Nigeria 1985). Nevertheless, it could not implement it before another military coup in 1985.

The Babangida military government commenced the privatisation of Nigeria's SOEs, with the promulgation of the Privatization and Commercialization Decree (No. 25) in 1988. This policy was the condition precedent for Nigeria to access World Bank Loans and part of the components of the SAP (Bakre & Lauwo 2016; Onuoha, Umoh & Ufomba 2017). Specifically, SAP was an IMF proposed economic policy aimed at deregulation by removing government subsidies on public service, privatisation of state entities, rationalisation of the public service and minimising overhead costs. The reforms of the SOEs entailed full or partial privatisation, full or partial commercialisation and retention of public sector institutions (Onuoha et al. 2017).

The decree also established the Technical Committee on Privatization and Commercialization, which later became the BPE. Subsequently, 67 SOEs were privatised, 14 partially commercialised 14 and 11 fully commercialised (Bakre & Lauwo 2016; Mikailu & Yaqub 1999). Nevertheless, the exercise was 'marred by the use of accounting techniques to conceal cronyism and corruption in their valuation and sale' (Bakre & Lauwo 2016, p. 49).

The civilian administration that began in 1999 consequent upon the exit of the military, discovered that rather than benefit from the policy, the government had borrowed US\$10bn to invest in the SOEs that were sold to cronies of political and military elites at ridiculous prices, with a staggering indebtedness of over US\$20bn (Bakre & Lauwo 2016). 'However, given 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' (Bakre & Lauwo 2016, p. 49). Subsequent loan requests from the World Bank by the new civilian regime led to the continuation of the privatisation and commercialisation policy. Many other SOEs were either privatised, commercialised or sold to the public. Nevertheless, reports of the activities showed that government agencies saddled with the responsibility flouted due process and used accounting system to 'conceal cronyism and corruption in the privatization process', a development that eventually jeopardised post-privatisation performances of the SOEs (Bakre & Lauwo 2016, p. 53).

The privatisation experience of Nigeria is not worth emulation in terms of success. The privatised 400 SOEs were grossly undervalued, and the process was fraught with irregular practices. Unfortunately, weak oversight activity of the legislature allowed the corruption associated with the implementation of the policy to fester, without any reprimand. Thus, ineffective oversight of the privatisation policy increased the lack of accountability and irregular practices and corruption (House of Representatives 2009; Senate 2008, 2009, 2011). The bedrock of this challenge was the (Estrin & Pelletier 2018):

[L]ack of political commitment compounded by strong opposition from entrenched vested interests (senior bureaucrats in ministries and SOEs themselves, as well as public sector workers concerned about their job security). (p. 70)

Earlier privatisation in other sub-Saharan African states, like Ghana, Zambia, Cameroon, Madagascar, Kenya, South Africa, Benin Republic, Cote d'Ivoire, among others, was characterised by mixed reports of success and stagnation (Estrin & Pelletier 2018). While the countries experienced progress between 2000 and 2008, the post-2008 global economic meltdown witnessed a plummeted progress, except for Benin Republic, Nigeria and Chad. For instance, Nigeria was able to sell its electricity generation outfit, NEPA, which was later changed to Power Holding Company of Nigeria (PHCN), to private owners in 2013. Nevertheless, this did not change the misfortune of unstable electricity generation and supply in Nigeria.

Despite discouraging reports of failed SOEs in Africa, there are some measures of successful state entities. Ethiopian Airways, the country's national carrier has recorded a steady growth in terms of profitability (Centre for Aviation 2019). Regarded as the fastest-growing national carrier, it is the most profitable and largest African airline. Ethiopian airways' annual average growth has remained 25% since 2005, with an annual profit exceeding US\$175m since 2014, a higher profit than the total of all the African airlines (Mutize & Tefera 2020). Ethiopian Airlines now has the highest international connectivity of any other airline in Africa. Its fleet is also the largest, youngest and most sophisticated passenger airplanes in Africa, with an average age of fewer than five years (cf. Mutize & Tefera 2020).

■ South Africa and the prospects of reformed state-owned enterprises

In 2015, the OECD (2015) noted the primacy of SOEs as drivers of South African economic development. Nevertheless, the operations of the SOEs have been bogged down by ‘failures due to weak accountability, excessive politicization and unclear objectives’ (OECD 2015, p. 1).

SOE in South Africa is at the centre of the state capture phenomenon. Major SOEs are running at a colossal loss, thereby contributing to the country’s fiscal deficits. Most of them have failed in terms of profitability as well as effective delivery of public services. South African Airways, as a corporate body, and the country’s national carrier, has depended on a government bailout for its financial survival. Similarly, the SABC has been embroiled in a series of financial hardships and unable to pay its workers’ salaries. It is expedient, to note, that when an entity constantly experiences failure, this calls for proactive reforms that could reposition its operations for turnaround fortunes (Mkhabela 2020):

When a corporate fail to perform to its expected requirement, a change in management is sufficient to instil a new culture in a corporation and we don’t need to sell a corporation because of its immediate past performance. There is always capable human capital ready to govern big corporates or SOEs in every economy. (n.p.)

Given the poor performance of SOEs in South Africa, there have been a series of suggestions aimed at repositioning SOEs in South Africa. The policies of government, such as the National Development Plan, the Medium-Term Strategic Framework and the Industrial Policy Action Plan, are designed as SOEs driven (Mkhabela 2020). Thus, the government envisaged the country’s SOEs to be proactive as agents of infrastructural development.

Public outcry against privatisation in South Africa was based on the country’s economic reality and the structurally impeding nature of the apartheid era (Thambo 2020). Writers and commentators have argued that the country’s PS is not immune to corruption that characterises the public sector economy. The revelation of state capture and the extent of the involvement of politically exposed people in the affairs of the economy, privatisation would mean a total possession of the SOEs by the same set of people who have contributed to their failures. This, according to Dlamini (2020), would lead to more poverty among black South Africans.

Nevertheless, it is instructive to know that sustainable SOEs engagement requires their protection against undue political interference. An autonomous SOE, operating independently of state control and interference in its corporate governance, is a *sine qua non* for profitability and effective public service delivery. When SOEs are imbued with economic business orientation in practice,

they would be responsive to public needs and protect the interest of citizens. They would complement government developmental drives and economic stability. In such ways, SOEs would be the drivers of the inclusive public sector with added values that lessen the burden of an ineffective state.

The story of Telkom attests to the feasibility of turnaround in SOEs in South Africa. In South Africa, Telkom SA Ltd is an example of privatisation with progressive stride. Partially owned by South Africa with a 39% share, the telecommunication company, formerly owned by the state, has survived the non-performance syndrome associated with SOEs in the country. With 'a lucid strategy for growth in a highly competitive industry. And more importantly, it's profitable' (Mahlaka 2019), 'Telkom has consistently posted a profit after tax of more than R2.5bn since 2016 from its 4 billion subscribers' (Mutize & Tefera 2020). This is an indication that 'privatising and depoliticising an entity could drastically turn its fortunes around' (Mahlaka 2019). Even though the government had initiated the move to sell off its stakes in the telecommunications giant the turnaround fortune of the company forced the government to rescind its decision (Mzekandaba 2018).

In its midterm financial report in 2018, the company recorded an increase of 53.8% in its revenue, with group revenue of R20.8bn (Moyo 2018). The company had R3.3bn investments in 2018. In its end-of-year report in March 2020, Telkom recorded a 54% revenue growth in mobile service and an improved cash flow of R2.0bn (Gilbert 2020). Its Chief Executive Officer, Siphso Maseko, explained (Gilbert 2020):

We are seeing good returns on our investment, with mobile service revenue increasing by more than half and the connectivity rate for fibre-to-the-home improving from 38.4% in the prior year to 48.2% in the current year - the highest in the market. (n.p.)

Unlike other SOEs, which are financial burdens, Telkom has been a source of revenue with the payment of 249c per ordinary share in 2019 (Mutize & Tefera 2020). This performance was made possible because the management of the company was allowed to operate without unnecessary interference (Mutize & Tefera 2020):

The governments and board of directors have allowed the management space to exercise their capacity professionalism and operate the business on commercial considerations, only maintaining clear lines of accountability... Being managed like this, without full privatization, these enterprises are able to generate sufficient income to mid their expenditure needs, repay their own debts and on top of that pay dividends to the government. (p. 14)

This success story is worth emulation and application to other failing SOEs in the country. For instance, Eskom has remained a liability that 'poses a significant risk to debt sustainability and South Africa's economy' (OECD 2020, p. 30). In 2019, it was disclosed that the state's energy generation

and distribution outfit was unable to ‘meet its operational costs and interest and capital payments’ (OECD 2020, p. 30), a development that compelled the government to obligate it an additional allocation of R23bn yearly for three years (National Treasury, Republic of South Africa 2019). The government recognised the ‘considerable pressure’ that ‘the financial performance of state-owned companies’ has placed ‘on the public finances for several years’, with the likelihood that it would deteriorate further in the 2020/21 fiscal year (National Treasury, Republic of South Africa 2020). This arose because of the projection that the global market volatility would further ‘limit the ability of state-owned companies to borrow in capital markets and service their debt obligations’ (National Treasury, Republic of South Africa 2020):

Government envisions a package of economic reforms that will improve productivity, lower costs and reduce demands of state-owned companies on the public purse. These measures include finalising electricity determinations, unbundling Eskom and taking other steps to open up energy markets, modernising ports and rail infrastructure, and licensing spectrum. (n.p.)

This consideration might provide a lifeline to the struggling SOEs with partial involvement of the public sector in the ownership and operation of some of the entities.

For South Africa, it is expedient for the government to embark on realistic and meaningful reforms that would tackle the challenging corruption and mismanagement monster that has plagued the SOEs and crippled their performance. To this end, there should be realistic profitability targets for the realisation of their objectives through accountability. Government should take a cue from the performance of Telkom, and divest itself of major SOEs, that are providing general services to enable them to operate within the context of the competitive market economy. With better governance, the SOEs would be able to deliver on their corporate objectives and cease to constitute sources of fiscal deficits to the country’s economy (OECD 2015):

An effective governance framework will require the state to have a clear overall vision for the role of SOEs. The framework should be backed by company-specific objectives that spell out profitability expectations, capital structure and non-financial objectives that SOEs are expected to deliver. Not only can these elements serve to hold SOEs accountable; transparency around these objectives can increase confidence and predictability, which are key factors for attracting much-needed investment and private participation in areas traditionally dominated by the state. (pp. 1-2)

It is important to know that any form of reforms or transformation mechanisms must be anchored on the principles of transparency and accountability. This, according to the OECD (2020), can increase ‘confidence and predictability, which are key factors for attracting much-needed investment and private participation in areas traditionally dominated by

the state'. This is important because, in Africa, public perception of SOEs as draining pipes has eroded public trust in their operations and profitability in terms of funds and public services.

■ Conclusion

Post-colonial radical ideological dispositions of some African leaders gave them the impression that inclusive development, that would generate jobs and adequate provision of basic amenities was possible with state control of certain enterprises (Gumede 2018). While this orientation strengthened SOEs, as shown in the case of Egypt in recent times, other African states mismanaged this window of success. Thus, it is expedient to know that a measure of partnership with the PS is necessary for growth. As William Gumede (2018) has noted:

[7]he most pragmatic solution to lift growth, meet transformation and development objectives is for a pragmatic partnership between the PS and the state, with the state leading, where it is too costly for the PS, and the PS taking the lead in effective competitive markets where there are well-established private actors, and where it be a waste of public resources for the state to be a market player. (n.p.)

Managing SOEs as public service outfits without the injection of pragmatic business ethics would render them ineffective, as witnessed in most African countries. State-owned enterprises in Africa should embrace organisational structure and culture capable of ensuring performance to meet their desired objectives either in terms of profitability or as outputs of public policy, in meeting the needs of citizens. Aside from the reforms aimed at instilling discipline and accountability in their corporate governance, the protection of ineffective management, guaranteed by public service rules, should be discontinued to ensure performance and merit as a measure of job security.

Reforms in the corporate governance of African SOEs are necessary to infuse the culture of accountability and best practice, intending to improve their performance in profitability and public service delivery. Non-political interference in the corporate governance of the SOEs would position them for competitive activities with 'increasing financial sustainability through access to new sources of capital and achieving higher levels of transparency and accountability' (Mkhabela 2020). With total control over their routine decision-making process, management of the SOEs would be able to be more committed to productivity as a means of sustenance and continuity in a competitive economic environment. While the government retains its stakes in the ownership of the SOEs, their operational activities should be independent of state interventions, thereby insulating them from the state capture phenomenon. Requisite government agencies responsible for the supervision and monitoring of public assets should limit their oversight roles to ensure

that SOEs remain profit-oriented, in terms of outputs and added values, and adapt their operations to the principles of governance and accountability.

The composition of the management leadership of the SOEs should be based on merit rather than through political expediencies. As Mkhabela (2020) has noted, leadership through merit principles is capable of relieving SOEs from corrupt executives and providing management with the opportunity of crafting coherent strategies for its operations with the understanding of the complexity of the peculiar state of the economy of the state. This would also lessen or eliminate the inefficient management syndrome of SOEs and accelerate commitment to investment and an innovative-driven economy in a digital era.

The digital economy in the Fourth Industrial Revolution era is the driver for productivity. Thus, digitalised procurement systems would go a long way in addressing the perennial irregularities that characterised supply chain management in the SOEs. Toward this end, a collaborative synergy between the private and the public sector is a necessity for the transformation of the fortunes of SOEs. State-owned enterprises should not constitute financial burdens to government fiscal policy but complement the performance of the public sector through effective and inclusive service delivery.

African states have to demonstrate their willingness and commitment to reducing the ravaging corruption in the public sector. This would free the socio-economic development of the continent from the monster that has brought the giants of its abundant natural and human resources to its knees. Reformed institutions of governance, characterised by accountability, is a *sine qua non* for the development of state entities in Africa. The accounting and accountability systems should be relevant to the socio-political, economic and cultural environment and realities of each country. Extensive, accountable and functional partnerships between the PS industries and the state are required in this direction. The effective and thorough accounting and accountability systems in the PS industry would provide the necessary structural institutional cultures and practices to be serviced by the infrastructure, public utilities, subsidies, trade protection and tax breaks, provided by the state, to support industries and corporations for better performances (Bakre & Lauwo 2016, p. 55).

References

Preface

- Dorasamy, N & Fagbadebo, O (eds) 2021, *Public procurement, corruption and the crisis of governance in Africa*, Springer Nature, Palgrave Macmillan Imprint, Cham. <https://doi.org/10.1007/978-3-030-63857-3>
- Fanon, F 1963, *The wretched of the earth*, Grove Weidenfeld, New York.
- Fund for Peace 2019, *Fragile state index (FSI) 2019*, viewed n.d., <www.fundforpeace.org>
- Kazeem, Y 2017, 'More than half of the world's population growth will be in Africa by 2050', *Quartz Africa*, viewed n.d., <<https://qz.com/africa/1016790/more-than-half-of-the-worlds-population-growth-will-be-in-africa-by-2050/>>
- O'Kane, RHT 1993, 'Against legitimacy', *Political Studies*, vol. 41, no. 3, pp. 471-487. <https://doi.org/10.1111/j.1467-9248.1993.tb01650.x>
- Rodney, W 1972, *How Europe underdeveloped Africa*, Bogle-L'Ouverture Publications, London.
- Transparency International (TI) 2019, *Corruption perceptions index 2019*, viewed n.d., <https://www.transparency.org/files/content/pages/2019_CPI_Report_EN.pdf>
- World Poverty Clock 2020, *Map*, viewed 12 June 2021, <<https://worldpoverty.io/map>>

Chapter 1

- Abed, G, Jin, C & Markovic, B 2019, *Egypt: good progress to date, but sustainability requires deep, transformational change*, Institute of International Finance, February 20, viewed 12 April 2019, <[Publications/ID/3254/Egypt--Good-Progress-to-Date--but-Sustainability-Requires-Deep-Transformational-Change](https://publications/ID/3254/Egypt--Good-Progress-to-Date--but-Sustainability-Requires-Deep-Transformational-Change)>
- Africa Research Bulletin 2020, 'Corrupt fuel subsidy', *Africa Research Bulletin*, vol. 54, no. 5, n.p. <https://doi.org/10.1111/j.1467-6346.2020.09526.x>
- Arrowsmith, S 2010, 'Public procurement: basic concepts and the coverage of procurement rules', in S Arrowsmith (ed.), *Public procurement regulations: an introduction*, Inter-University Network, Brussels, pp. 1-31.
- Asu, F 2020, 'Refineries earn N3.45bn, NAPIMS makes N1.02tn - NNPC', *The Punch*, viewed 12 July 2020, <<https://punchng.com/refineries-earn-n3-45bn-napims-makes-n1-02tn-nnpc/>>
- Ayee, JR 2013, 'The developmental state experiment in Africa: the experiences of Ghana and South Africa', *The Round Table*, vol. 102, pp. 259-280. <https://doi.org/10.1080/00358533.2013.794577>
- Barkhouse, A 2020, *A veil of legitimacy: corruption within SOEs*, International Bar Association, viewed 16 May 2020, <<https://www.ibanet.org/Article/NewDetail.aspx?ArticleUid=6BCD6EC5-1F22-4285-967C-547B32C13BF6>>
- Bashir, M & Hassan, S 2020, 'The need for ethical leadership in combating corruption', *International Review of Administrative Sciences*, vol. 86, no. 4, pp. 673-690. <https://doi.org/10.1177/0020852318825386>
- Bernier, L, Florio, M & Bance, P 2020, 'Introduction', in L Bernier, M Florio & P Bance (eds.), *The Routledge handbook of state-owned enterprises*, Routledge, Taylor and Francis Group, New York, NY, pp. 2-22.
- Bird, MG 2020, 'State-owned enterprises: rising, falling and returning? A brief overview', in L Bernier, M Florio & P Bance (eds.), *The Routledge handbook of state-owned enterprises*, Routledge, Taylor and Francis Group, New York, pp. 60-72.
- Blundell-Wignall, A & Roulet, C 2017, *Foreign direct investment, corruption and the OECD anti-bribery convention*, viewed n.d., <<https://ideas.repec.org/p/oec/dafaaa/2017-1-en.html>>

References

- Brandsma, GJ & Adriaensen, J 2017, 'The principal-agent model, accountability and democratic legitimacy', in T Delreux & J Adriaensen (eds.), *The principal-agent model and European Union*, Palgrave Macmillan, Cham, pp. 35-54. https://doi.org/10.1007/978-3-319-55137-1_2
- Carruthers, D 2019, *African state-owned enterprises: credit trend reflects profitability issues*, viewed 10 March 2019, <<https://www.creditbenchmark.com/african-state-owned-enterprises-credit-trend/>>
- Chikwere, GU, Dzandu, SSK & Dza, M 2019, 'Compliance issues with public procurement regulations in Ghana', *International Journal of Business and Management*, vol. 14, no. 5, pp. 1-8. <https://doi.org/10.5539/ijbm.v14n5p1>
- Chipkin, I, Swilling, M, Borat, H, Buthelezi, M, Duma, S, Friedenstien, H, Mondl, L, Peter, C, Prins, N, Qobo, M, Jonas, M & Haffajee, F 2018, *Shadow state: the politics of state capture*, Wits University Press, Johannesburg. <https://doi.org/10.18772/22018062125>
- Devereux, D 2011, 'Classical political philosophy: Plato and Aristotle', in G Klosko (ed.), *The Oxford handbook of the history of political philosophy*, viewed n.d., <<https://www.oxfordhandbooks.com/view/10.1093/oxfordhb/9780199238804.001.0001/oxfordhb-9780199238804-e-7>>
- Dimant, E & Schulte, T 2016, 'The nature of corruption: an interdisciplinary perspective', *German Law Journal*, vol. 17, no. 1, pp. 53-72. <https://doi.org/10.1177/0020852318825386>
- Dryzek, JS, Honig, B & Phillips, A 2011, 'Overview of political theory', in RE Goodin (ed.), *The Oxford handbooks of political science*, Oxford Handbooks Online Scholarly Research Reviews, s.l.
- Ebo, M 2020, 'NNPC's staff receive N357bn as salary in one year', *Vanguard*, viewed 02 November 2020, <<https://allafrica.com/stories/202011020114.html>>
- Fagbadebo, OM 2019, 'Corruption and the challenge of accountability in the post-colonial African states: a discourse', *Journal of African Union Studies*, vol. 8, no. 1, pp. 9-32. <https://doi.org/10.31920/2050-4306/2019/v8n1a1>
- Fagbadebo, OM 2020, *Impeachment in the Nigerian presidential system: challenges, successes and the way forward*, Palgrave Macmillan, Cham. <https://doi.org/10.1007/978-981-15-6041-5>
- Fagbadebo, OM & Mbada, KA 2021, 'Public procurement law, due process, and public sector corruption in Nigeria: a review', in N Dorasamy & O Fagbadebo (eds.), *Public procurement, corruption and the crisis of governance in Africa*, Palgrave Macmillan, Gateway East, pp. 165-183. <https://doi.org/10.1007/978-3-030-63857-3>
- Florio, M 2013, 'Rethinking on public enterprise: editorial introduction and some personal remarks on the research agenda', *International Review of Applied Economics*, vol. 27, pp. 135-149. <https://doi.org/10.1080/02692171.2013.785664>
- George, L 2020, 'Nigeria pays \$14 million for fuel in June despite subsidy removal: NNPC', *Reuters*, 31 August, viewed n.d., <<https://www.reuters.com/article/us-nigeria-oil-gasoline-idUSKBN25R1DO>>
- Gossel, S 2017, 'How corruption is fraying South Africa's social and economic fabric', *The Conversation*, 12 July, viewed 12 March 2018, <<https://theconversation.com/how-corruption-is-fraying-south-africas-social-and-economic-fabric-80690>>
- Grosh, B 1991, *Public enterprise in Kenya: what works, what doesn't, and why*, Lynne Rienner Publishers, Boulder.
- Gumede, W 2018, *Positioning Africa's SOEs to deliver on the developmental mandate*, viewed 21 June 2019, <<https://democracyworks.org.za/policy-brief-30-positioning-africas-soes-to-deliver-on-the-developmental-mandate/>>
- Hoekstra, K 2007, 'Hobbes on the natural condition of mankind', in P Springborg (ed.), *The Cambridge companion to Hobbes's Leviathan*, 1st edn, Cambridge University Press, New York. <https://doi.org/10.1017/ccol0521836670.005>
- Hogg, A 2019, 'True cost of state capture incalculable - a shocking reprise', *BizNews*, viewed 03 December 2019, <<https://www.biznews.com/leadership/2019/03/01/true-cost-state-capture-incalculable>>

- Hsieh, C & Klenow, PJ 2009, 'Misallocation and manufacturing TFP in China and India', *The Journal of Economics*, vol. CXXIV, no. 4, pp. 1403–1448. <https://doi.org/10.1162/qjec.2009.124.4.1403>
- International Finance Corporation (IFC) 2018, *Corporate Governance of state-owned enterprises*, viewed 12 January 2019, <www.ifc.org/corporategovernance>
- Jaume, L 2007, 'Hobbes and the philosophical sources of Liberalism', in P Springborg (ed.), *The Cambridge companion to Hobbes's Leviathan*, Cambridge University Press, New York. pp. 199–216.
- Kabechani, A & Zulu, B.D 2019, *Performance of state-owned enterprises and privatization in Zambia – getting the right tools*, Policy Brief, Policy Monitoring and Research Centre, Lusaka.
- Kazeem, Y 2017, 'Africa is losing billions annually to illegal capital flight', *Quartz Africa*, 8 May, viewed 13 April 2020, <<https://qz.com/africa/975528/africa-is-losing-billions-annually-to-illegal-capital-flight/>>
- Kgosana, C 2018, 'State-owned enterprises are “sewers of corruption”: Ramaphosa', *Times Live*, 31 May, viewed 01 June 2018, <<https://www.timeslive.co.za/news/south-africa/2018-05-31-state-owned-enterprises-are-sewers-of-corruption-ramaphosa/>>
- Madonsela, S 2019 'Critical reflections on state capture in South Africa', *Insight on Africa*, vol. 11, no. 1, pp. 113–130. <https://doi.org/10.1177/0975087818805888>
- Mbo, M & Adiasi, CKD 2017, 'Drivers of organizational performance in state-owned enterprises', *International Journal of Productivity and Performance Management*, vol. 66, no. 3, pp. 405–423. <https://doi.org/10.1108/IJPPM-11-2015-0177>
- Ministry of Finance 2020, *2018 state ownership report*, Ministry of Finance, Accra.
- Mutize, M & Gossel, S 2017, 'Corrupt state-owned enterprises lie at the heart of South Africa's economic woes', *The Conversation*, 19 June, viewed 20 June 2017, <<http://theconversation.com/corrupt-state-owned-enterprises-lie-at-the-heart-of-southafricas-economic-woes-79135>>
- Mutize, M & Tefera, E 2020, 'The governance of state-owned enterprises in Africa: an analysis of selected cases', *Journal of Economics and Behavioral Studies*, vol. 12, no. 2, pp. 9–16. [https://doi.org/10.22610/jeb.v12i2\(J\).2992](https://doi.org/10.22610/jeb.v12i2(J).2992)
- Omeje, K 2016, 'Natural resource rent and stakeholder politics in Africa: towards a new conceptualization', *Commonwealth & Comparative Politics*, vol. 54, no. 1, pp. 92–114. <https://doi.org/10.1080/14662043.2015.1126887>
- Organisation for Economic Co-operation and Development (OECD) 2014, *OECD foreign bribery report: an analysis of the crime of bribery of foreign public officials*, OECD Publishing, Paris. <https://doi.org/10.1787/9789264226616-en>
- Organisation for Economic Co-operation and Development (OECD) 2015, *OECD guidelines on corporate governance of state-owned enterprises*, 2015 edn, OECD Publishing, Paris. <https://doi.org/10.1787/9789264244160-en>
- Organisation for Economic Co-operation and Development (OECD) 2018, *State-owned enterprises and corruption: what are the risks and what can be done?* OECD Publishing, Paris. <https://doi.org/10.1787/9789264303058-en>
- Public Protector 2017, *State capture: a report of the public protector*, Report No: 6 of 2016/2017, Public Protector, Pretoria.
- Richmond, CJ, Benedek, D, Cabezon, E, Cegar, B, Dohlman, P, Hassine, M, Jajko, B, Kopyrski, P, Markevych, M, Miniane, JA, Parodi, FJ, Pula, G, Roaf, J, Song, MK, Sviderskaya, M, Turk, R & Weber, S 2019, *Reassessing the role of state-owned enterprises in Central, Eastern, and Southeastern Europe*, IMF Paper Series No. 19/11, International Monetary Fund Publications, Washington, DC.
- Simpson, SNY & Nyante, HN 2015, 'Evaluating performance contracts as a tool for evaluating state-owned enterprises in two developing countries: a look at the performance dimensions', *Public Policy and Administration Research*, vol. 5, no. 9, pp. 27–35.
- State Enterprises Commission (SEC) 1992, *Review of legal and institutional framework of SOEs*, State Enterprise Commission, Accra.

- State Enterprises Commission (SEC) 1995, *SOE Programme: review and recommendations 1984-1994 for 1995-2000*, State Enterprise Commission, Accra.
- Tralau, J 2007, 'Leviathan, the beast of myth Medusa, Dionysos, and the Riddle of Hobbes's Sovereign monster', in P Springborg (ed.), *The Cambridge companion to Hobbes's Leviathan*, Cambridge University Press, New York, NY, pp. 61-81.
- Transparency International (TI) 2019, *Corruption perceptions index 2018*, viewed 15 March 2020, <https://www.transparency.org/files/content/pages/2018_CPI_Executive_Summary.pdf>
- Transparency International (TI) 2020, *Corruption perceptions index 2019*, viewed 12 March 2021, <https://images.transparencycdn.org/images/2019_CPI_Report_EN_200331_141425.pdf>
- Udo, B 2020, 'NNPC lost over N20 billion in 2019 - audit report', *Premium Times*, 19 October, viewed 20 October 2020, <<https://www.premiumtimesng.com/news/headlines/421652-nnpc-lost-over-n20-billion-in-2019-audit-report.html>>
- Wang, C, Hong, J, Kafouros, M & Wright, M 2012, 'Exploring the role of government involvement in outward FDI from emerging economies', *Journal of International Business Studies*, vol. 43, no. 7, pp. 655-676. <https://doi.org/10.1057/jibs.2012.18>
- Wolff, J & Haubrich, D 2006, 'Economism and its limitations', in M Moran & RE Goodin (eds.), *The Oxford handbook of public policy*, Oxford University Press, Oxford, pp. 746-770.
- World Bank 2014, *Corporate governance of state-owned enterprises: a toolkit*, viewed 20 April 2019, <<https://documents.worldbank.org/en/publication/documents-reports/documentdetail/228331468169750340/corporate-governance-of-state-owned-enterprises-a-toolkit>>
- Wrong, M 2009, *It's our turn to eat: the story of a Kenyan whistle-blower*, Harper Collins Publishers, London.
- Xie, E & Redding, KS 2018, 'State-owned enterprises in the contemporary global business scenario: introduction', *International Journal of Public Sector Management*, vol. 31, no. 2, pp. 98-112. <https://doi.org/10.1108/IJPSM-01-2018-0015>
- Xie, F, Li, A & Li, Z 2012, 'A new round of debate in China on state versus private ownership', *Science & Society*, vol. 76, no. 3, pp. 291-318. <https://doi.org/10.1521/isis.2012.76.3.291>

Chapter 2

- Abeillé, B 2003, 'Overview of procurement reforms in Africa', viewed 06 May 2022, <<http://www.wto.org>>
- Akers, RL 1998, *Social learning and social structure: a general theory of crime and deviance*, Northeastern University Press, Boston.
- Akullo, G 2013, 'Is fraud and corruption in public procurement being adequately handled in Uganda?', *Journal of Public Procurement and Contract Management*, vol. 2, no. 1, pp. 42-54.
- Ambe, IM & Badenhorst-Weiss, JA 2012, 'Procurement challenges in the South African public sector', *Journal of Transport and Supply Chain Management*, vol. 6, no. 1, pp. 242-261. <https://doi.org/10.4102/jtscm.v6i1.63>
- Ameyaw, C, Mensah, S & Osei-Tutu, E 2011, 'Challenges facing the smooth implementation of Ghana's public procurement law, 2003, Act 663', in S Laryea, R Leiringer & W Hughes (eds.), *Paper presented at the West Africa Built Environment Research (WABER) conference*, Accra, Ghana, July, pp. 237-247.
- Amundsen, I 1999, *Political corruption: an introduction to the issues*, viewed n.d., <<https://www.cmi.no/publications/file/1040-political-coiTuption.pdf>>
- Andvig, JC & Moene, KO 1990, 'How corruption may corrupt', *Journal of Economic Behaviour and Organization*, vol. 13, no. 1, pp. 63-76. [https://doi.org/10.1016/0167-2681\(90\)90053-G](https://doi.org/10.1016/0167-2681(90)90053-G)
- Appolloni, A & Nshombo, JMM 2014, 'Public procurement and corruption in Africa: a literature review', in F Decarolis & M Frey (eds.), *Public procurement's place in the world. Central issues in contemporary economic theory and policy*, Palgrave Macmillan, London, pp. 185-208. https://doi.org/10.1057/9781137430649_8

- Arrowsmith, S 2010, *Public procurement relations: an introduction*, EU Asia Inter University Network, University of Nottingham, Nottingham.
- Basheka, BC 2009, 'Public procurement corruption and its implications on effective service delivery in Uganda: an empirical study', *International Journal Procurement Management*, vol. 2, no. 4, pp. 415-440. <https://doi.org/10.1504/IJPM.2009.026072>
- Basheka, BC 2013, 'Public administration and corruption in Uganda', in S Vyas-Doorgaspersad, LM Tshombe & EP Ababio (eds.), *Public administration in Africa: performance and challenges*, Routledge, New York, NY, pp. 45-81. <https://doi.org/10.4324/9781315089324>
- Basheka, BC 2014, 'What constrains a transformed public service in Uganda?', *Journal of Public Administration*, vol. 49, no. 2.1, pp. 653-669. <https://hdl.handle.net/10520/EJC159967>
- Basheka, BC 2021, 'Public procurement governance: toward an anti-corruption framework for public procurement in Uganda', in N Dorasamy & O Fagbadebo (eds.), *Public procurement, corruption and the crisis of governance in Africa*, Springer Nature, Palgrave Macmillan imprint, Cham, pp. 113-141. <https://doi.org/10.1007/978-3-030-63857-3>
- Basheka, BC & Auriacombe, C 2020, 'Barriers to women participation in public procurement in Africa: empirical evidence from Uganda', *The International Journal of Social Sciences and Humanity Studies*, vol. 12, no. 2, pp. 222-237. <http://hdl.handle.net/20.500.12493/459>
- Basheka, BC, Oluka, PN & Mugurusi, G 2015, 'Citizen-driven approaches for combating public procurement corruption in Uganda's local government systems: an empirical survey', *International Journal of Logistics Systems and Management*, vol. 21, no. 4, pp. 442-464. <https://doi.org/10.1504/IJLSM.2015.070212>
- Basheka, BC & Sabiiti, O 2019, 'The nexus of the study and practice of law and public administration: a need for rediscovery of the debate and principles?', *Administratio Publica*, vol. 27, no. 2, pp. 188-201.
- Bassett, L, Giannozzi, S, Pop, L & Ringold, D 2012, *Rules, roles, and controls: governance in social protection with an application to social assistance*, The World Bank Social Protection Discussion Papers No. 67612, World Bank, Washington DC.
- Blackburn, K, Bose, N & Haque, ME 2005, 'The incidence and persistence of corruption in economic development', *Journal of Economic Dynamics and Control*, vol. 30, no. 12, pp. 2447-2467. <https://doi.org/10.1016/j.jedc.2005.07.007>
- Bolton, P 2006, 'Government procurement as a policy tool in South Africa', *Journal of Public Procurement*, vol. 6, no. 3, pp. 193-217. <https://doi.org/10.1108/JOPP-06-03-2006-B001>
- Bolton, P 2016, 'Public procurement as a tool to drive innovation in South Africa', *PER/PELJ*, vol. 19, no. 1, n.p. <https://doi.org/10.17159/1727-3781/2016/v19i0a1286>
- Bosio, E & Djankov, S 2020, *How large is public procurement?*, viewed n.d., <<https://blogs.worldbank.org/developmenttalk/how-large-public-procurement>>
- Cane, P 2004, *Administrative law*, 4th edn, Oxford University Press, London.
- Carino, LV 1986, 'Tonic or toxic: the effects of graft and corruption', in LV Carino (ed.), *Bureaucratic corruption in Asia: causes, consequences and control*, JMC, Quezon City, pp 163-194.
- Clifford, P, McCue, CP, Prier, E & Swanson, D 2015, 'Five dilemmas in public procurement', *Journal of Public Procurement*, vol. 15, no. 2, pp. 177-207. <https://doi.org/10.1108/JOPP-15-02-2015-B003>
- Coggburn, JD 2003, 'Exploring differences in American state's procurement practices', *Journal of Public Procurement*, vol. 3, no. 1, pp. 3-28. <https://doi.org/10.1108/JOPP-03-01-2003-B001>
- Coppier, R & Piga, G 2007, 'Why do transparent public procurement and corruption go hand in hand?', in G Piga & KV Thai (eds.), *The economics of public procurement*, Palgrave MacMillan, New York, NY, pp. 183-199.
- Dicey, AV 1885, *An introduction to the study of the law of the constitution*, Adamant Media Corporation, s.l.

References

- Dza, M, Fisher, R & Gapp, R 2013, 'Procurement reforms in Africa: the strides, challenges, and improvement opportunities', *Public Administration Research*, vol. 2, no. 2, pp. 49-57. <https://doi.org/10.5539/par.v2n2p49>
- Eyaa, S & Oluka, PN 2011, 'Explaining non-compliance in public procurement in Uganda', *International Journal of Business and Social Science*, vol. 2, no. 11, pp. 35-44.
- Fagbadebo, O 2019, 'Interrogating the constitutional requisites for legislative oversight in the promotion of accountability and good governance in South Africa and Nigeria', *Insight on Africa: A Journal of Contemporary African Affairs*, vol. 11, no. 1, pp. 38-59. <https://doi.org/10.1177/0975087818814912>
- Fagbadebo, O & Dorasamy, N 2021, 'Conceptualizing procurement, corruption, and governance', in N Dorasamy & O Fagbadebo (eds.), *Public procurement, corruption and the crisis of governance in Africa*, Springer Nature, Palgrave Macmillan imprint, Cham, p. 7.
- Farida, M & Ahmadi-Esfahani, F 2006, 'Corruption and economic development: a critical review of literature', in *AARES 50th annual conference*, Sydney, Australia, n.d., 2006, n.p.
- Fofie, GA 2016, 'What influence customer patronage of insurance policies: an empirical assessment of socio-economic and demographic determinants of insurance patronage in Ghana', *International Review of Management and Marketing*, vol. 6, no. 1, pp. 81-88.
- Funk, DA 1972, 'Major functions of law in modern society featured, 23 case W. Research', *Law Review*, vol. 257, n.p.
- Gisselquist, RM 2012, 'Good governance as a concept, and why this matter for development policy', UNU-WIDER Working Paper No. 2012/30, UNU-WIDER, Helsinki.
- Gro Holst, V & Bjorn, A 2018, 'The hierarchy of public project governance frameworks: an empirical study of principles and practices in Norwegian ministries and agencies', *International Journal of Managing Projects in Business*, vol. 11, pp. 174-197. <https://doi.org/10.1108/IJMPB-04-2017-0040>
- Gul, H 2010, *Modernising public procurement and creating an independent public procurement regulatory authority*, Law transition online, s.l.
- Henry, N 2010, *Public administration and public affairs*, Pearson, New York.
- Hughes, OE 2003, *Public management and administration: an introduction*, 3rd edn, Palgrave Macmillan, London.
- Hunja, RR 2003, *Obstacles to public procurement reform in developing countries. Public procurement: the continuing revolution*, Kluwer Law International, s.l.
- Huntington, SP 1968, *Political order in changing societies*, Yale University, New Haven.
- Jeppesen, R 2010, *Accountability in public procurement - transparency and the role of civil society*, viewed n.d., <www.unpccdc.org>
- Jones, DS 2007, 'Public procurement in South East Asia: challenge and reform', *Journal of Public Procurement*, vol. 7, no. 1, pp. 3-33. <https://doi.org/10.1108/JOPP-07-01-2007-B001>
- Kooiman, J 2006, *Governing as governance*, Sage, London.
- Lau, AKW 2010, 'Training needs of purchasing and supply management personnel in Hong Kong', *Journal of European Industrial Training*, vol. 34, no. 5, pp. 400-415. <https://doi.org/10.1108/03090591011049783>
- Leff, NH 1964, 'Economic development through bureaucratic corruption', *American Behavioral Scientist*, vol. 8, no. 3, pp. 8-14. <https://doi.org/10.1177/000276426400800303>
- Luigi, GA & Dae-in Kim 2010, 'Special issues on international public procurement: introduction', *Journal of Public Procurement*, vol. 10, no. 3, pp. 290-300.
- Lynch, J 2022, *Solicitation documents (preparation and publication)*, viewed 20 March 2022, <<https://www.procurementclassroom.com/solicitation-documents-preparation-and-publication/>>
- Mahlaba, PJ 2004, 'Fraud and corruption in the public sector: an audit perspective', *SDR*, vol. 3, no. 2, pp. 84-87.
- Mahmood, SAI 2010, 'Public procurement and corruption in Bangladesh: confronting the challenges and opportunities', *Journal of Public Administration and Policy Research*, vol. 2, no. 6, pp. 103-111.

- Matebese-Notshulwana, K 2021, 'Weak procurement practices and the challenges of service delivery in South Africa', in N Dorasamy & O Fagbadebo (eds.), *Public procurement, corruption and the crisis of governance in Africa*, Springer Nature, Cham, pp. 93-111. https://doi.org/10.1007/978-3-030-63857-3_6
- Mauro, P 1998, 'Corruption and the composition of government expenditure', *Journal of Public Economics*, vol. 69, no. 2, pp. 263-279. [https://doi.org/10.1016/S0047-2727\(98\)00025-5](https://doi.org/10.1016/S0047-2727(98)00025-5)
- McCue, CP & Gianakis, GA 2001, 'Public purchasing: who is minding the store?', *Journal of Public Procurement*, vol. 1, no. 1, pp. 71-95. <https://doi.org/10.1108/JOPP-01-01-2001-B002>
- McCue, CP & Pitzer, JT 2000, 'A centralised vs decentralised purchasing: current trends in government procurement practices', *Journal of Public Budgeting, Accounting and Financial Management*, vol. 12, no. 3, pp. 400-420. <https://doi.org/10.1108/JPBAFM-12-03-2000-B003>
- McCue, CP, Prier, E & Swanson, D 2015, 'Five dilemmas in public procurement', *Journal of Public Procurement*, vol. 15, no. 2, pp. 177-207. <https://doi.org/10.1108/JOPP-15-02-2015-B003>
- Mironov, M & Zhuravskayay, E 2016, 'Corruption in procurement and the political cycle in tunneling: evidence from financial transactions data', *American Economic Journal: Economic Policy*, vol. 8, no. 2, pp. 287-321. <https://doi.org/10.1257/pol.20140188>
- Mukherjee, J 2010, 'Revisiting good governance in ancient Indian political thought', *The Indian Journal of Political Science*, vol. 71, no. 1, pp. 53-58.
- Munzhedzi, PH 2016, 'South African public sector procurement and corruption: inseparable twins?', *Journal of Transport and Supply Chain Management*, vol. 10, no. 1, p. 8. <https://doi.org/10.4102/jtscm.v10i1.197>
- Myrdal, G 1970, *Corruption as a hindrance to modernization in South Asia*, Holt, Rinehart and Winston, New York.
- Ngugi, KJ 2012, 'Strategies for curbing procurement fraud and corruption in Kenya', *Journal of Public Procurement and Contract Management*, vol. 1, no. 1, pp. 85-118.
- Odhiambo, W & Kamau, P 2003, *Public procurement: lessons from Kenya, Tanzania and Uganda*, OECD Development Centre, Paris.
- Olken, BA 2007, 'Monitoring corruption: evidence from a field experiment in Indonesia', *Journal of Political Economy*, vol. 115, no. 2, pp. 200-249. <https://doi.org/10.1086/517935>
- Osborne, D & Gaebler, TA 1992, *Reinventing government: how the entrepreneurial spirit is transforming the public sector*, Addison-Wesley, New York.
- Pau, C & Ciurea, J 2020, 'Participatory management and good governance', *Robotica & Management*, vol. 25, pp. 42-46.
- Prier, E & McCue, CP 2006, 'Public procurement analysis of best value in anti-corruption efforts', *paper presented at the 12th International anti-corruption conference in Guatemala City, Guatemala*, 15-18 November.
- Quinot, G 2013, 'Promotion of social policy through public procurement in Africa', in G Quinot & S Arrowsmith (eds.), *Public procurement regulation in Africa*, Cambridge University Press, Cambridge, pp. 370-403.
- Robert, K, Paweł, M & Joanna, M 2021, 'The use of blockchain technology in public sector entities management: an example of security and energy efficiency in cloud computing data processing', *Energies*, vol. 14, no. 7, p. 1873. <https://doi.org/10.3390/en14071873>
- Rendon, RG & Snider, KF 2010, 'Supply management in American public administration: towards an academic discipline?', *Journal of Purchasing and Supply Management*, vol. 16, no. 2, pp. 99-108. <https://doi.org/10.1016/j.pursup.2010.03.009>
- Republic of Uganda 2016, *National budget framework paper: FY 2017/18 - FY 2021/22*, viewed n.d., <<https://s3-eu-west-1.amazonaws.com/s3.sourceafrica.net/documents/117838/National-Budget-Framework-Paper-2017-18-2021-22.pdf>>
- Shafritz, JM, Russel, EW & Borrick, CP 2011, *Introducing public administration*, 7th edn, Pearson, London.
- Soudry, O 2007, 'A principal-agent analysis of accountability in public procurement', in G Piga & KV Thai (eds.), *Advancing public procurement: practices, innovation and knowledge-sharing*, Pr Academics Press, Boca Raton, pp. 432-451.

- Tanzi, V 2013, 'Corruption and the economy', *Philosophy and Society*, vol. 24, no. 1, pp. 33-59. <https://doi.org/10.2298/FID1301033T>
- Thai, KV 2006, 'Advancing public procurement: practices, innovation and knowledge sharing', in KV Thai & G Piga (eds.), *Advancing public procurement: practices, innovation and knowledge sharing*, Pr Academics Press, Boca Raton, pp. 1-13.
- Thai, KV 2007, 'Advancing public procurement: practices, innovation and knowledge sharing', *Journal of Public Procurement*, vol. 7, no. 1, pp. 280-286.
- Thai, KV 2008, 'Measuring losses to public procurement corruption: the Uganda case', viewed n.d., <<http://ippa.org/images/PROCEEDINGS/IPPC3/Chapter56.pdf>>
- Uyarra, E & Flanagan, K 2009, *Understanding the innovation impacts of public procurement*, Manchester Business School, Manchester.
- Van Doeveren, V 2011, 'Rethinking good governance: identifying common principles', *Public Integrity*, vol. 13, no. 4, pp. 301-318. <https://doi.org/10.2753/PIN1099-9922130401>
- Vyas-Doorgapersad, S & Aktan, CC 2017, 'Progression from ideal state to good governance: an introductory overview', *International Journal of Business and Management Studies*, vol. 9, no. 1, n.p.
- Warren, ME 2004, 'What does corruption mean in a democracy?', *American Journal of Political Science*, vol. 48, no. 2, pp. 328-343. <https://doi.org/10.1111/j.0092-5853.2004.00073.x>
- Wood, J & Dupont, B 2006, *Democracy, society and the governance of security*, Cambridge University Press, New York.
- World Bank 2008, *Local government discretion and accountability: a local governance framework*, Economic and Sector Work (ESW) Studies, Washington.

Chapter 3

- Ahsan, RN 2015, *Does corruption attenuate the effect of red tape on exports?*, University of Melbourne, Melbourne.
- Alesina, A & La Ferrara, A 2005, 'Ethnic diversity and economic performance', *Journal of Economic Literature*, vol. 43 no. 3, pp. 762-800.
- Arnold, JM & Hussinger, K 2004, 'Export behavior and firm productivity in German manufacturing: a firm-level analysis', *Review of World Economics*, vol. 141, pp. 219-224.
- Asiedu, E & Freeman, J 2009, 'The effect of corruption on investment growth: evidence from firms in Latin America, sub-Saharan Africa, and transition countries', *Review of Development Economics*, vol. 13, no. 2, pp. 200-214. <https://doi.org/10.1111/j.1467-9361.2009.00507.x>
- Bbaale, E 2011, 'Firm-level productivity and exporting in Uganda's manufacturing sector', *African Journal of Economic and Management Studies*, vol. 2, no. 2, pp. 220-242. <https://doi.org/10.1108/20400701111165650>
- Bbaale, E & Okumu, IM 2018, 'Corruption and firm-level productivity: greasing or sanding effect?', *World Journal of Entrepreneurship, Management and Sustainable Development*, vol. 14, no. 3, pp. 222-241. <https://doi.org/10.1108/WJEMSD-10-2017-0067>
- Beck, PJ, Maher, MW & Tschoegl, AE 1991, 'The impact of the foreign corrupt practices act on US exports', *Managerial and Decision Economics*, vol. XII, no. 4, pp. 295-303. <https://doi.org/10.1002/mde.4090120404>
- Bernard, AB & Bradford Jensen, J 1995, 'Exceptional exporter performance: cause, effect, or both?', *Journal of International Economics*, vol. 47, no. 1, pp. 1-26. [https://doi.org/10.1016/S0022-1996\(98\)00027-0](https://doi.org/10.1016/S0022-1996(98)00027-0)
- Bernard, AB & Wagner, J 1997, 'Exports and success in German manufacturing', *Weltwirtschaftliches Archiv*, vol. 133, no. 1, pp. 134-157. <https://doi.org/10.1007/BF02707680>
- Bernard, AB & Wagner, J 2001, 'Export entry and exit by German firms', *Review of World Economics*, vol. 137, no. 1, pp. 105-123. <https://doi.org/10.1007/BF02707602>
- Bigsten, A, Collier, P, Dercon, S, Fafchamps, M, Gauthier, B, Gunning, JW, Habarurema, J, Oduro, A, Oostendorp, R, Pattillo, C, Söderbom, M, Teal, F & Zeufack, A 2000, *Exports and firm-level efficiency in African manufacturing*, Oxford University, Oxford.

- Brunetti, A, Kisunko, G & Weder, B 1997, 'Credibility of rules and economic growth - evidence from a world wide private sector survey', Background paper for the World Development Report 1997, The World Bank, Washington DC.
- Brunetti, A & Weder, B 1998, 'Investment and institutional uncertainty: a comparative study of different uncertainty measures', *Weltwirtschaftliches Archiv*, vol. CXXXIV, no. 3, pp. 513-533. <https://doi.org/10.1007/BF02707928>
- Bugamelli, M & Infante, L 2003, *Sunk costs of exports*, Bank of Italy, Rome.
- Castellani, D 2002, 'Export behavior and productivity growth: evidence from Italian manufacturing firms', *Review of World Economics*, vol. 138, no. 4, pp. 605-628. <https://doi.org/10.1007/BF02707654>
- Cieslik, A & Goczek, L 2015, 'Corruption and export performance in post-communist countries: evidence from firm-level data', *Ekonomia*, vol. 42, pp. 80-91.
- Clerides, SK, Saul, L & Tybout, JR 1998, 'Is learning by exporting important? Micro-dynamic evidence from Colombia, Mexico and Morocco', *Quarterly Journal of Economics*, vol. 113, no. 3, pp. 903-948.
- Cooksey, B, Mullei, A & Mwabu, G 2002, 'Forms and causes of corruption', in A Mullei (ed.), *The link between corruption and poverty: lessons from Kenya case studies*, The African Centre for Economic Growth/The United States Agency for International Development, Nairobi, pp. 40-53.
- De Rosa, D, Gooroochurn, N & Görg, H 2010, *Corruption and productivity firm-level evidence from the BEEPS survey*, Kiel Working Paper No. 1632, Kiel Institute for the World Economy, Kiel.
- Dreher, A & Gassebner, M 2013, 'Greasing the wheels? The impact of regulations and corruption on firm entry', *Public Choice*, vol. 155, no. 3, pp. 413-432. <https://doi.org/10.1007/s11127-011-9871-2>
- Dutt, P & Traca, D 2010, 'Corruption and bilateral trade flows: extortion or evasion?', *Review of Economics and Statistics*, vol. 92, no. 4, pp. 843-860. https://doi.org/10.1162/REST_a_00034
- Fisman, R & Svensson, J 2000, *Are corruption and taxation harmful to growth: firm level evidence*, Columbia Business School, Columbia University, New York.
- Fisman, R & Svensson, J 2007, 'Are corruption and taxation really harmful to growth? Firm level evidence', *Journal of Development Economics*, vol. 83, no. 1, pp. 63-75. <https://doi.org/10.1016/j.jdeveco.2005.09.009>
- Ghods, MM 2013, 'Corruption and the level of trade protectionism', *Ekonomia*, vol. 30, pp. 75-96.
- Girma, S, Greenaway, D & Kneller, R 2004, 'Does exporting lead to better performance? A microeconomic analysis of matched firms', *Review of International Economics*, vol. 12, no. 5, pp. 855-866. <https://doi.org/10.1111/j.1467-9396.2004.00486.x>
- Greenaway, D & Kneller, R 2004, 'Exporting and productivity in United Kingdom', *Oxford Review of Economic Policy*, vol. 20, no. 3, pp. 358-371. <https://doi.org/10.1093/oxrep/grh021>
- Greenaway, D & Yu, Z 2004, 'Firm level interactions between exporting and productivity: industry specific evidence', *Review of World Economics*, vol. 140, pp. 376-392. <https://doi.org/10.1007/BF02665981>
- Hall Robert, E & Jones Charles, I 1999, 'Why do some countries produce so much more output per worker than others?', *The Quarterly Journal of Economics*, vol. 114, no. 1, pp. 83-116. <https://doi.org/10.1162/003355399555954>
- Hines, JR 1995, *Forbidden payment: foreign bribery and American business after 1977*, National Bureau of Economic Research Working Paper, No. 5266, Cambridge.
- Huntington, SP 1968, *Political order in changing societies*, Yale University Press, New Haven.
- Imran, SM, Ur Rehman, H & Khan, REA 2019, 'Determinants of corruption and its impact on firm performance: global evidence', *Pakistan Journal of Commerce and Social Sciences (PJCSS)*, vol. 13, no. 4, pp. 1017-1028.
- Jain, AK 2001, 'Corruption: a review', *Journal of Economic Surveys*, vol. 15, no. 1, pp. 71-121. <https://doi.org/10.1111/1467-6419.00133>
- Jiang, T & Nie, H 2014, 'The stained China miracle: corruption, regulation, and firm performance', *Economics Letters*, vol. 123, no. 3, pp. 366-369. <https://doi.org/10.1016/j.econlet.2014.03.026>

References

- Kaufmann, D & Wei, S-J 1999, *Does 'grease money' speed up the wheels of commerce?*, National Bureau of Economic Research, Cambridge.
- Keefer, P & St Knack 1996, 'Institutions and economic performance: cross-country tests using alternative institutional measures', *Economics and Politics*, vol. VII, pp. 207-227. <https://doi.org/10.1111/j.1468-0343.1995.tb00111.x>
- Khan, REA & Farooq, S 2019, 'Corruption, political instability and sustainable development: the interlinkages', *Journal of Quantitative Methods*, vol. 3, no. 1, pp. 56-84. <https://doi.org/10.29145/2019/jqm/030104>
- Kimuyu, P 2007, 'Corruption, firm growth and export propensity in Kenya', *International Journal of Social Economics*, vol. 34, no. 3, pp. 197-217. <https://doi.org/10.1108/03068290710726748>
- Lambsdorff, JG 1998, 'An empirical investigation of bribery in international trade', *European Journal for Development Research*, vol. X, no. 1, pp. 40-59.
- Leff, NH 1964, 'Economic development through bureaucratic corruption', *American Behavioral Scientist*, vol. 8, no. 3, pp. 8-14.
- Leys, C 1965, 'What is the problem about corruption?', *Journal of Modern African Studies*, vol. 3, no. 2, pp. 215-230.
- Lien, DHD 1986, 'A note on competitive bribery games', *Economics Letters*, vol. 22, no. 4, pp. 337-341. [https://doi.org/10.1016/0165-1765\(86\)90093-5](https://doi.org/10.1016/0165-1765(86)90093-5)
- Lui, FT 1985, 'An equilibrium queuing model of bribery', *Journal of Political Economy*, vol. 93, no. 4, pp. 760-781. <https://doi.org/10.1086/261329>
- Makochekanwa, A & Mahofa, G 2021, *Corruption and firm export performance in fragile economies: evidence from Zimbabwe*, AERC Working Paper FW-003, African Economic Research Consortium, Nairobi.
- Mauro, P 1995, 'Corruption and growth', *Quarterly Journal of Economics*, vol. 110, no. 3, pp. 681-712. <https://doi.org/10.2307/2946696>
- McArthur, J 2002, 'The economic consequences of corruption: firm level micro-evidence from Africa', Unpublished MPhil thesis, Oxford University.
- McArthur, J & Teal, F 2010, *Corruption and firm performance in Africa*, CSAE WPS/2002-10, Centre for the Study of African Economies, Department of Economics, Oxford University, Oxford.
- Mendoza, RU, Lim, RA & Lopez, AO 2015, 'Grease or sand in the wheels of commerce? Firm level evidence on corruption and SMES', *Journal of International Development*, vol. 27, no. 4, pp. 415-439. <https://doi.org/10.1002/jid.3077>
- Méon, PG & Khalid Sekkat, K 2005, 'Does corruption grease or sand the wheels of growth?', *Public Choice*, vol. 122, no. 1, pp. 69-97. <https://doi.org/10.1007/s11127-005-3988-0>
- Méon, PG & Weill, L 2010, 'Is corruption an efficient grease?', *World Development*, vol. 38, no. 3, pp. 244-259. <https://doi.org/10.1016/j.worlddev.2009.06.004>
- Myrdal, G 1968, *Amm drama: an enc/uiiy into the povertv of nations*, vol. 2, The Twentieth Century Fund, New York.
- Olken, BA & Pande, R 2011, 'Corruption in developing countries', *Annual Review of Economics*, vol. 4, no. 1, pp. 479-509. <https://doi.org/10.1146/annurev-economics-080511-110917>
- Olney, W 2015, *Impact of corruption on firm-level export decisions*, Williams College, Williamstown.
- O'Toole, CM & Tarp, F 2014, 'Corruption and the efficiency of capital investment in developing countries', *Journal of International Development*, vol. 26, no. 5, pp. 567-597. <https://doi.org/10.1002/jid.2997>
- Paunov, C 2016, 'Corruption's asymmetric impacts on firm innovation', *Journal of Development Economics*, vol. 118, no. C, pp. 216-231. <https://doi.org/10.1016/j.jdevco.2015.07.006>
- Sequeira, S & Djankov, S 2014, 'Corruption and firm behavior: evidence from African ports', *Journal of International Economics*, vol. 94, no. 2, pp. 277-294. <https://doi.org/10.1016/j.jinteco.2014.08.010>

- Svensson, J 2000, *Who must pay bribes and how much? Evidence from a cross-section of firms*, Policy Research Working Paper No. 2486, The World Bank, Washington DC.
- Thede, S & Gustafson, N-Å 2012, 'The multifaceted impact of corruption on international trade', *World Economy*, vol. 35, no. 5, pp. 651–666. <https://doi.org/10.1111/j.1467-9701.2012.01436.x>
- Tuyen, TQ, Van Huong, V, Tinh, DT & Hiep, TD 2016, 'Corruption, provincial institutions and manufacturing firm productivity: new evidence from a transitional economy', *Estudios de Economia*, vol. 43, no. 2, pp. 199–215. <https://doi.org/10.4067/S0718-52862016000200002>
- Ugur, M & Dasgupta, N 2011, *Corruption and economic growth: a meta-analysis of the evidence on low-income countries and beyond*, MPRA Paper 31226, University Library of Munich, Munich.
- Vial, V & Hanoteau, J 2010, 'Corruption, manufacturing plant growth, and the Asian paradox: Indonesian evidence', *World Development*, vol. 38, no. 5, pp. 693–705. <https://doi.org/10.1016/j.worlddev.2009.11.022>
- Wagner, J 2002, 'The causal effects of exports on firm size and labor productivity: first evidence from a matching approach', *Economics Letters*, vol. 77, no. 2, pp. 287–292.
- Wagner, J 2007, 'Exports and productivity: a survey of the evidence from firm-level data', *World Economy*, vol. 30, no. 1, pp. 62–82. <https://doi.org/10.1111/j.1467-9701.2007.00872.x>
- Williams, CC & Kedir, AM 2016, 'The impacts of corruption on firm performance: some lessons from 40 African countries', *Journal of Developmental Entrepreneurship*, vol. 21, no. 4, pp. 165–200. <https://doi.org/10.1142/S1084946716500229>
- Wu, X 2009, 'Determinants of bribery in Asian firms: evidence from the world business environment survey', *Journal of Business Ethics*, vol. 87, no. 1, pp. 75–88. <https://doi.org/10.1007/s10551-008-9871-4>
- Zelekha, Y & Sharabi, E 2012, 'Corruption, institutions and trade', *Economics of Governance*, vol. 13, no. 2, pp. 169–192. <https://doi.org/10.1007/s10101-012-0109-7>

Chapter 4

- African Development Bank 2020, *African economic outlook 2020: developing Africa's workforce for the future*, viewed 30 January 2020, <<https://www.afdb.org/en/documents/african-economic-outlook-2020>>
- Ayyagari, M, Demirgüç-Kunt, A & Maksimovic, V 2011a, 'Firm innovation in emerging markets: the role of governance and finance', *Journal of Financial and Quantitative Analysis*, vol. 46, no. 6, pp. 1545–1580. <https://doi.org/10.1017/S0022109011000378>
- Ayyagari, M, Demirgüç-Kunt, A & Maksimovic, V 2011b, *Small vs. young firms across the world: contribution to employment, job creation, and growth*, Policy Research Working Paper Series 5631, World Bank, Washington DC.
- Balakrishnan, R 2008, *Canadian firm and job dynamics*, International Monetary Fund, Western Hemisphere Department, Washington DC.
- Bartelsman, E, Haltiwanger, J & Scarpetta, S 2009a, *Cross-country differences in productivity: the role of allocation and selection*, NBER, s.l.
- Bartelsman, E, Haltiwanger, J & Scarpetta, S 2009b, 'Measuring and analyzing cross-country differences in firm dynamics', in T Dunne, JB Jensen & MJ Roberts (eds.), *Producer dynamics: new evidence from micro data*, National Bureau of Economic Research, s.n., Cambridge, pp. 15–76.
- Bartelsman, E, Scarpetta, S & Schivardi, F 2005, 'Comparative analysis of firm demographics and survival: evidence from micro-level sources in OECD countries', *Industrial and Corporate Change*, vol. 14, no. 3, pp. 365–391. <https://doi.org/10.1093/icc/dth057>
- Bbaale, E 2011, 'Firm level productivity and exporting in the Uganda's manufacturing sector', *African Journal of Economic and Management Studies*, vol. 2, no. 2, pp. 220–242. <https://doi.org/10.1108/20400701111165650>
- Birch, DL & Medoff, J 1994, 'Gazelles', in LC Solmon & AR Levenson (eds.), *Labor markets, employment policy and job creation*, Westview Press, Boulder, pp. 159–167.

- Butcher, B & Bursnall, M 2013, 'How dynamic is the private sector? Job creation and insights from workplace-level data', *National Institute Economic Review*, vol. 225, no. 1, p. F4. <https://doi.org/10.1177/002795011322500101>
- Cabral, LMB & Mata, J 2003, 'On the evolution of the firm size distribution: facts and theory', *American Economic Review*, vol. 93, no. 4, pp. 1075-1090. <https://doi.org/10.1257/000282803769206205>
- Coad, A, Daunfeldt, S-O, Johansson, D & Wennberg, K 2014, 'Whom do high-growth firms hire?', *Industrial and Corporate Change*, vol. 23, no. 1, pp. 293-327. <https://doi.org/10.1093/icc/dtt051>
- Criscuolo, C, Gal Peter, N & Menon, C 2014, *The dynamics of employment growth: new evidence from 18 countries*, CEP Discussion Paper No. 1274, Centre for Economic Performance, London School of Economics and Political Science, London.
- Evans, DS 1987, 'The relationship between firm growth, size, and age: estimates for 100 manufacturing industries', *Journal of Industrial Economics*, vol. 35, no. 4, pp. 567-581.
- Fort, TC, Haltiwanger, J, Jarmin, RS & Miranda, J 2012, *How firms respond to business cycles: the role of firm age and firm size*, NBER, s.l.
- Haltiwanger, J, Jarmin, RS & Miranda, J 2013, 'Who creates jobs? Small versus large versus young', *The Review of Economics and Statistics*, vol. 95, no. 2, pp. 347-361. https://doi.org/10.1162/REST_a_00288
- Haltiwanger, J, Scarpetta, S & Schweiger, H 2010, *Cross country differences in job reallocation: the role of industry, firm size and regulations*, Working Papers 116, European Bank for Reconstruction and Development, Office of the Chief Economist, s.l.
- Henrekson, M & Johansson, D 2010, 'Gazelles as job creators: a survey and interpretation of the evidence', *Small Business Economics*, vol. 35, pp. 227-244. <https://doi.org/10.1007/s1187-009-9172-z>
- Hijzen, A, Upward, R & Wright, PW 2010, 'Job creation, job destruction and the role of small firms: firm-level evidence for the UK', *Oxford Bulletin of Economics and Statistics*, vol. 72, no. 5, pp. 621-647. <https://doi.org/10.1111/j.1468-0084.2010.00584.x>
- Hsieh, C & Klenow, PJ 2009, 'Misallocation and manufacturing TFP in China and India', *The Quarterly Journal of Economics*, vol. 124, no. 4, pp. 1403-1448. <https://doi.org/10.1162/qjec.2009.124.4.1403>
- Ibsen, R & Westergård-Nielsen, NC 2011, *Job creation by firms in Denmark*, IZA Discussion Papers 5458, Institute for the Study of Labor, s.l.
- International Labour Organization 2018, *World employment and social outlook: trends 2018*, International Labour Office, Geneva.
- International Monetary Fund (IMF) 2017, *Chart of the week: the potential for growth and Africa's informal economy*, viewed n.d., <<https://blogs.imf.org/2017/08/08/chart-of-the-week-the-potential-for-growth-and-africas-informal-economy/>>
- Kaplan, DS 2009, 'Job creation and labor reform in Latin America', *Journal of Comparative Economics*, vol. 37, no. 1, pp. 91-105. <https://doi.org/10.1016/j.jce.2008.10.002>
- Li, Y & Rama, M 2013, 'Firm dynamics, productivity growth and job creation in developing countries: the role of micro- and small enterprises', Background Paper for the World Development Report, World Bank, Washington DC.
- Lotti, F, Santarelli, E & Vivarelli, M 2003, 'Does Gibrat's law hold among young, small firms?', *Journal of Evolutionary Economics*, vol. 13, no. 3, pp. 213-235. <https://doi.org/10.1007/s00191-003-0153-0>
- Meehan, L & Zheng, G 2015, *Firm dynamics and job creation in New Zealand: a perpetual motion machine*, New Zealand Productivity Commission Research Note 2015/1, Productivity Commission, Wellington.
- Melitz, MJ 2003, 'The impact of trade on intra-industry reallocations and aggregate industry productivity', *Econometrica*, vol. 71, no. 6, pp. 1695-1725. <https://doi.org/10.1111/1468-0262.00467>
- Neumark, D, Wall, B & Zhang, J 2008, *Do small businesses create more jobs? New evidence for the United States from the national establishment time series*, IZA Discussion Paper No. 3888, Institute of Labour Economics, Bonn.

- Schreyer, P 2000, *High-growth firms and employment*, OECD Science, Technology and Industry Working Papers, 2000/03, OECD Publishing, s.l.
- World Bank Group 2012, *Innovations in leveraging the private sector for development*, World Bank, Washington DC.

Chapter 5

- Abdullah, WAW, Percy, B & Stewart, J 2015, 'Determinants of voluntary corporate governance disclosure: evidence from Islamic banks in the Southeast Asian and the Gulf Cooperation Council regions', *Journal of Contemporary Accounting & Economics*, vol. 11, no. 3, pp. 262-279. <https://doi.org/10.1016/j.jcae.2015.10.001>
- Adele, T 2012, 'Governance at South African state-owned enterprises: what do annual reports and the print media tell us?', *Social Responsibility Journal*, vol. 8, no. 4, pp. 448-470. <https://doi.org/10.1108/17471111211272057>
- Al-Ali, AA, Singh, SK, Al-Nahyan, M & Sohal, AS 2017, 'Change management through leadership: the mediating role of organizational culture', *International Journal of Organizational Analysis*, vol. 25, no. 4, pp. 723-739. <https://doi.org/10.1108/IJOA-01-2017-1117>
- Ali, A & Patnaik, B 2014, 'Organizational culture: a study on managers of private and public undertakings', *International Journal of Management Research and Reviews*, vol. 4, pp. 861-887.
- Ambe, IM 2016, 'Public procurement trends and developments in South Africa', *Research Journal of Business and Management*, vol. 3, no. 4, pp. 276-290. <https://doi.org/10.17261/Pressacademia.2016.351>
- Ambe, IM & Badenhorst-Weiss, JA 2012, 'Procurement challenges in the South African public sector', *Journal of Transport and Supply Chain Management*, vol. 46, no. 3, pp. 242-261. <https://doi.org/10.17261/Pressacademia.2016.351>
- Amoako, GK & Goh, MK 2015, 'Corporate governance practices of state-owned enterprises in Ghana: an analysis', *The IUP Journal of Corporate Governance*, vol. XIV, no. 2, pp. 45-63.
- Ariff, AM, Ibrahim, MK & Othman, R 2007, 'Determinants of firm level governance: Malaysian evidence', *Corporate Governance*, vol. 7, no. 5, pp. 562-573. <https://doi.org/10.1108/14720700710827158>
- Balasubramanian, N 2009, 'Some inherent challenges to good corporate governance', *The Indian Journal of Industrial Relations*, vol. 44, no. 4, pp. 554-575. <https://doi.org/10.2139/ssrn.2125801>
- Beresford, A 2015, 'Power, patronage, and gatekeeper politics in South Africa', *African Affairs*, vol. 114, no. 455, pp. 226-248. <https://doi.org/10.1093/afraf/adu083>
- Beugré, CD 2015, 'The challenge of management scholarship in Africa', *Africa Journal of Management*, vol. 1, no. 1, pp. 94-98. <https://doi.org/10.1080/23322373.2015.994429>
- Bhatta, G 2001, 'Corporate governance and public management in post-crisis Asia', *Asian Journal of Public Administration*, vol. 23, no. 1, pp. 1-32. <https://doi.org/10.1080/02598272.2001.10800380>
- Boateng, EA 2016, 'Managing state-owned enterprises: the special projects of Ghana', Doctoral thesis, Walden University, Minneapolis.
- Cheteni, P 2018, 'State-owned enterprises in South Africa: a Pinocchio paradox', *Africagrowth Agenda Journal*, vol. 15, no. 1, pp. 4-7.
- Chiwamit, P, Modell, S & Scapens, RW 2017, 'Regulation and adaptation of management accounting innovations: the case of economic value added in Thai state-owned enterprises', *Management Accounting Research*, vol. 37, pp. 30-48. <https://doi.org/10.1016/j.mar.2017.03.001>
- Cuervo-Cazurra, A 2006, 'Who cares about corruption?', *Journal of International Business Studies*, vol. 37, no. 6, pp. 807-822. <https://doi.org/10.1057/palgrave.jibs.8400223>
- Curi, C, Gedvilas, J & Lozano-Vivas, A 2016, 'Corporate governance of SOEs and performance in transition countries. Evidence from Lithuania', *Modern Economy*, vol. 7, no. 12, pp. 1339-1360. <https://doi.org/10.4236/me.2016.712126>

References

- Dalton, DR & Dalton, CM 2010, 'Integration of micro and macro studies in governance research: CEO duality, board composition and financial performance', *Journal of Management*, vol. 37, no. 2, pp. 404–411. <https://doi.org/10.1177/0149206310373399>
- Dawson, HJ 2014, 'Patronage from below: political unrest in an informal settlement in South Africa', *African Affairs*, vol. 113, no. 453, pp. 518–539. <https://doi.org/10.1093/afraf/adu056>
- De Cleyn, SH 2008, 'Compliance of companies with corporate governance codes: a case study of listed Belgian SMEs', *Journal of Business System, Governance and Ethics*, vol. 3, no. 1, pp. 1–16. <https://doi.org/10.15209/jbsge.v3i1.127>
- De Jong, G, Tu, PA & Van Ees, H 2012, 'Which entrepreneurs bribe and what do they get from it? Exploratory evidence from Vietnam', *Entrepreneurship Theory and Practice*, vol. 36, no. 2, pp. 323–345. <https://doi.org/10.1111/j.1540-6520.2010.00400.x>
- Dela Rama, M 2012, 'Corporate governance and corruption: ethical dilemmas of Asian business groups', *Journal of Business Ethics*, vol. 109, no. 4, pp. 501–519. <https://doi.org/10.1007/s10551-011-1142-0>
- Estrin, S, Meyer, KE, Nielsen, BB & Nielsen, S 2016, 'Home country institutions and the internationalization of state-owned enterprises: a cross-country analysis', *Journal of World Business*, vol. 51, no. 2, pp. 294–307. <https://doi.org/10.1016/j.jwb.2015.11.002>
- Fan, JPH, Wong, TJ & Tianyu Zhang, T 2007, 'Politically connected CEOs, corporate governance, and POST-IPO performance of China's newly partially privatized firms', *Journal of Financial Economics*, vol. 84, no. 2, pp. 330–357. <https://doi.org/10.1016/j.jfineco.2006.03.008>
- Frederick, W 2011, 'Enhancing the role of the boards of directors of state-owned enterprises', OECD Corporate Governance Working Papers, No. 2, OECD Publishing, s.l. <https://doi.org/10.1787/5kg9xfg6n4wj-en>
- Fisher, C & Lovell, A 2009, *Business ethics and values: individual, corporate and international perspectives*, Pearson Education, Edinburgh Gate.
- Fisman, R & Svensson, J 2007, 'Are corruption and taxation really harmful to growth? Firm level evidence', *Journal of Development Economics*, vol. 83, no. 1, pp. 63–75. <https://doi.org/10.1016/j.jdeveco.2005.09.009>
- Fourie, D 2015, 'Procurement in the South African public service: a reflection of the ethical and legislative framework', *Public and Municipal Finance*, vol. 4, no. 2, pp. 38–45. <http://hdl.handle.net/2263/59164>
- Guest, PM 2009, 'The impact of board size on firm performance: evidence from the UK', *The European Journal of Finance*, vol. 15, no. 4, pp. 385–404. <https://doi.org/10.1080/13518470802466121>
- Githui, D 2012, *Fundamentals of business ethics and values: a focus on individual, business conduct and environmental concern in a globalized village*, International Institute of Science, Technology & Education, (IISTE), New York.
- Harrison, GL & Baird, KM 2015, 'The organizational culture of public sector organizations in Australia', *Australian Journal of Management*, vol. 40, no. 4, pp. 613–629. <https://doi.org/10.1177/0312896214529440>
- Hoffman, RC 1989, 'Strategies for corporate turnarounds: what do we know about them?', *Journal of General Management*, vol. 14, no. 3, pp. 46–66. <https://doi.org/10.1177/030630708901400304>
- Horn, GS & Raga, K 2012, 'Municipal supply chain management challenges and solutions: an empirical study', *Administratio Publica*, vol. 20, no. 3, pp. 71–91.
- Howard, CF & Seith-Purdie, R 2005, 'Governance issues for public sector boards', *Australian Journal of Public Administration*, vol. 64, no. 3, pp. 56–68. <https://doi.org/10.1111/j.1467-8500.2005.00452.x>
- Huhtala, M, Feldt, T, Hyvönen, K & Mauno, S 2013, 'Ethical organizational culture as a context for managers' personal work goals', *Journal of Business Ethics*, vol. 114, no. 2, pp. 265–282. <https://doi.org/10.1007/s10551-012-1346-y>
- Hyslop, J 2005, 'Political corruption before and after apartheid', *Journal of Southern African Studies*, vol. 31, no. 4, pp. 773–789. <https://doi.org/10.1080/03057070500370555>
- Jacquiline, D & Logan, S 2003, *Corporate governance: business, legal, and ethical challenges faced by boards: methods for successful selection, performance appraisal and succession planning*, McGraw-Hill, New York.

- Judge, WQ, Douglas, TJ & Kutan, AM 2008, 'Institutional antecedent of corporate governance legitimacy', *Journal of Management*, vol. 34, no. 4, pp. 765-785. <https://doi.org/10.1177/0149206308318615>
- Jurkonis, L & Petrusauskaitė, D 2014, 'Effects of corporate governance on management efficiency of Lithuanian SOEs', *Ekonomika*, vol. 93, no. 2, pp. 42-70. <https://doi.org/10.15388/Ekon.2014.2.3545>
- Kamal, M 2010, 'Corporate governance and state-owned enterprises: a study of Indonesia's code of corporate governance', *Journal of International Law and Technology*, vol. 5, no. 4, pp. 206-224.
- Kamel, H & Elbanna, S 2012, 'Investigating the phenomenon of earnings management in the Egyptian stock market', *Corporate Governance*, vol. 12, no. 3, pp. 337-352. <https://doi.org/10.1108/14720701211234591>
- Kanyane, M & Sausi, K 2015, 'Reviewing state-owned entities' governance landscape in South Africa', *African Journal of Business Ethics*, vol. 9, no. 1, pp. 28-41. <https://doi.org/10.15249/9-1-81>
- Karns, GL 2011, 'Stewardship: a new vision for the purpose of business', *Corporate Governance*, vol. 11, no. 4, pp. 337-347. <https://doi.org/10.1108/14720701111159190>
- Khan, RH, Nandhakumar, J & Panayiotis, C 2015, 'ICT driven transformation of state-owned enterprises in a developing country', Completed Research Papers, Paper 98, ECIS, s.l.
- Leutert, W 2016, 'Challenges ahead in China's reform of state-owned enterprises', *Asia Policy*, vol. 21, pp. 83-99. <https://doi.org/10.1353/asp.2016.0013>
- Lipman, FD & Lipman, LK 2006, *Corporate governance best practices: strategies for public, private and not for profit organizations*, John Wiley, Hoboken.
- Li, S & Flier, L 2007, 'The effect of the governance environment on the choice of investment mode and the strategic implications', *Journal of World Business*, vol. 42, no. 1, pp. 80-98. <https://doi.org/10.1016/j.jwb.2006.11.006>
- Liu, F, Tso, KFG, Yang, Y & Guan, J 2017, 'Multilevel analysis of employee satisfaction on commitment to organizational culture: case study of Chinese state-owned enterprises', *Mathematical and Computational Applications*, vol. 22, no. 46, pp. 1-14. <https://doi.org/10.3390/mca22040046>
- Lu, T, Zhong, J & Kong, J 2009, 'How good is corporate governance in China?', *China and World Economy*, vol. 17, no. 1, pp. 83-100. <https://doi.org/10.1111/j.1749-124X.2009.01132.x>
- Mallin, CA 2004, *Corporate governance*, 2nd edn, Oxford University Press, Oxford.
- Mangaliso, MP 2001, 'Building competitive advantage from Ubuntu: management lessons from South Africa', *Academy of Management Perspectives*, vol. 15, no. 3, pp. 23-33. <https://doi.org/10.5465/ame.2001.5229453>
- Mathenge, GD 2013, 'Corporate governance and organizational management: an ethical perspective of the challenges facing effective corporate management in Kenyan state-owned enterprises (SOEs)', *Global Journal of Management and Business Research Administration and Management*, vol. 13, no. 10, pp. 43-53.
- Matsiliza, NS 2017, 'Corporate governance of the state-owned enterprises in an emerging country: risk management and related issues', *Risk Governance & Control: Financial Markets & Institutions*, vol. 7, no. 3, pp. 35-43. <https://doi.org/10.22495/rgcv7i3p4>
- Menzio, A, Urriaga, G & Vannoni, D 2011, 'Board composition, political connections, and performance in state-owned enterprises', *Industrial and Corporate Change*, vol. 21, no. 3, pp. 671-698. <https://doi.org/10.1093/icc/dtr055>
- Miring'u, A & Muoria, ET 2011, 'An analysis of the effect of corporate governance on performance of commercial state corporations in Kenya', *International Journal of Business and Public Management*, vol. 1, no. 1, pp. 36-41.
- Miyamoto, K & Yu, J 2000, 'Macroeconomic policy and ownership structure in a mixed transition economy', *Journal of Comparative Economics*, vol. 28, no. 4, pp. 762-785. <https://doi.org/10.1006/jcec.2000.1679>
- Moeti, K 2014, *Public finance fundamentals*, Juta, Cape Town.
- Mpinganjira, M, Roberts-Lombard, M, Wood, G & Svensson, G 2016, 'Embedding the ethos of codes of ethics into corporate South Africa: current status', *European Business Review*, vol. 28, no. 3, pp. 333-351. <https://doi.org/10.1108/EBR-04-2015-0039>

References

- Munzhedzi, PH 2016, 'South African public sector procurement and corruption: inseparable twins?', *Journal of Transport and Supply Chain Management*, vol. 10, no. 1, pp. 1-8. <https://doi.org/10.4102/jtscm.v10i1.197>
- Ndiweni, E 2008, 'Towards a theoretical framework of corporate governance: perspectives from Southern Africa', *Research in Accounting in Emerging Economies*, vol. 8, pp. 335-357. [https://doi.org/10.1016/S1479-3563\(08\)08012-2](https://doi.org/10.1016/S1479-3563(08)08012-2)
- Nguyen, TT & Van Dijk, MA 2012, 'Corruption, growth, and governance: private vs. state-owned firms in Vietnam', *Journal of Banking & Finance*, vol. 36, no. 11, pp. 2935-2948. <https://doi.org/10.1016/j.jbankfin.2012.03.027>
- Office of the Public Protector 2016, *State capture report*, The Office of the Public Protector, Johannesburg.
- O'Kane, C & Cunningham, J 2014, 'Turnaround leadership core tensions during the company turnaround process', *European Management Journal*, vol. 32, no. 6, pp. 963-980. <https://doi.org/10.1016/j.emj.2014.04.004>
- Organization for Economic Co-operation and Development (OECD) 2012a, *International drivers of corruption: a tool for analysis*, OECD, Paris.
- Organization for Economic Co-operation and Development (OECD) 2012b, *Toward new arrangements for state ownership in the Middle East and North Africa*, OECD, Paris.
- Organization for Economic Co-operation and Development (OECD) 2014, *The rationale for fighting corruption*, OECD, Paris.
- Othman, Z & Rahman, R 2014, 'Attributes of ethical leadership in good governance', *International Journal of Business and Society*, vol. 15, no. 2, pp. 359-372.
- Pandit, NR 2000, 'Some recommendation for improved research on corporate turnaround', *Management*, vol. 3, no. 2, pp. 31-56.
- Peng, MW & Dess, GG 2010, 'In the spirit of scholarship', *Academy of Management Learning & Education*, vol. 9, no. 2, pp. 282-298. <https://doi.org/10.5465/AMLE.2010.51428549>
- Pope, J 2000, *Confronting corruption: the elements of a national integrity system*, Transparency International, Berlin.
- Previtali, P, Zatti, A & Scarozza, D 2018, 'Public owned enterprises in Italy: a hybrid nature for a hybrid regime of over-compliance', *African Journal of Business Management*, vol. 12, no. 6, pp. 140-153. <https://doi.org/10.5897/AJBM2017.8472>
- Rose-Ackerman, S 2008, 'Corruption and government', *International Peacekeeping*, vol. 5, no. 3, pp. 328-343. <https://doi.org/10.1080/13533310802058802>
- Rossouw, GJ 2005, 'Business ethics and corporate governance in Africa', *Business and Society*, vol. 44, no. 1, pp. 95-106. <https://doi.org/10.1177/0007650305274851>
- Sartor, MA & Beamish, PW 2018, 'Host market government corruption and the equity-based foreign entry strategies of multinational enterprises', *Journal of International Business Studies*, vol. 49, no. 3, pp. 346-370. <https://doi.org/10.1057/s41267-017-0115-7>
- Schmitt, A & Raisch, S 2013, 'Corporate turnarounds: the duality of retrenchment and recovery', *Journal of Management Studies*, vol. 50, no. 7, pp. 1216-1244. <https://doi.org/10.1111/joms.12045>
- Shaheer, N, Yi, J, Li, S & Chen, L 2017, 'State-owned enterprises as bribe payers: the role of institutional environment', *Journal of Business Ethics*, vol. 159, no. 1, pp. 221-238. <https://doi.org/10.1007/s10551-017-3768-z>
- Shuhui, SC & Seeger, MW 2012, 'Business ethics; corporate communications; business failures; executives; HIH Group (Company)', *International Journal of Business & Management*, vol. 8, pp. 74-86.
- Sikka, P & Lehman, G 2015, 'The supply-side of corruption and limits to preventing corruption within government procurement and constructing ethical subjects', *Critical Perspectives on Accounting*, vol. 28, no. C, pp. 62-70. <https://doi.org/10.1016/j.cpa.2015.01.008>

- Sikka, P & Willmott, H 2010, 'The dark side of transfer pricing: its role in tax avoidance and wealth retentiveness', *Critical Perspectives on Accounting*, vol. 21, no. 4, pp. 342-356. <https://doi.org/10.1016/j.cpa.2015.01.008>
- Steigenberger, N 2015, 'Emotions in sensemaking: a change management perspective', *Journal of Organizational Change Management*, vol. 28, no. 3, pp. 432-451. <https://doi.org/10.1108/JOCM-05-2014-0095>
- Syakroza, A 2009, *Corporate governance: history and development, theory, model and governance system and its application in state-owned companies*, Speech Inauguration of Permanent Faculty of Economics, University of Indonesia, Issuing FE, Jakarta.
- Szeftel, M 2000, 'Clientelism, corruption & catastrophe', *Review of African Political Economy*, vol. 27, no. 85, pp. 427-441. <https://doi.org/10.1016/j.cpa.2010.02.004>
- Tanlamai, U & Juta, P 2011, 'Performance assessment in Thai state-owned enterprises', *Journal of American Academy of Business*, vol. 17, no. 1, pp. 223-231.
- Tan, R & Sun, H 2012, 'Transformations of organizational culture in the public sector', *Cross-Cultural Communication*, vol. 8, no. 4, pp. 46-52.
- Thomas, A 2012, 'Governance at South African state-owned enterprises: what do annual reports and the print media tell us?', *Social Responsibility Journal*, vol. 8, no. 4, pp. 448-470. <https://doi.org/10.1108/17471111211272057>
- Vo, DHV & Nguyen, TM 2014, 'The impact of corporate governance on firm performance: empirical study in Vietnam', *International Journal of Economics and Finance*, vol. 6, no. 6, pp. 1-13. <https://doi.org/10.5539/ijef.v6n6p1>
- Voliotis, S 2011, 'Abuse of ministerial authority, systemic perjury, and obstruction of justice: corruption in the shadows of organizational practice', *Journal of Business Ethics*, vol. 702, no. 4, pp. 537-562. <https://doi.org/10.1007/s10551-011-0826-9>
- Ware, GT, Moss, S, Campos, JE & Noone, GP 2007, 'Corruption in public procurement a perennial challenge', in JE. Campos & S Pradhan (eds.), *The many faces of corruption. Tracking vulnerabilities at the sector level*, International Bank for Reconstruction and Development/World Bank, Washington DC, pp. 295-334.
- Williams, D 2010, 'State-owned enterprises: end of the road', *Financial Mail*, vol. 205, no. 7, pp. 34-38.
- Williams, S & Quinot, G 2007, 'Public procurement and corruption: the South African response', *South African Law Journal*, vol. 124, pp. 339-363.
- World Bank 2006, *Held by the visible hand: the challenge of SOE corporate governance for emerging markets*, World Bank, Washington DC.
- World Bank 2014, *Corporate governance of state-owned enterprises: a toolkit*, World Bank, Washington DC.

Chapter 6

- Barkhouse, A 2020, *A veil of legitimacy: corruption within SOEs*, International Bar Association, viewed 16 May 2020, <<https://www.ibanet.org/Article/NewDetail.aspx?ArticleUid=6BCD6EC5-1F22-4285-967C-547B32C13BF6>>
- Baum, A, Hackney, C, Medas, P & Mouhamadou, S 2019, 'Governance and SOEs: how costly is corruption?', IMF Working paper No. 19/253, International Monetary Fund, s.l.
- Besley, T & Persson, T 2010, 'State capacity, conflict, and development', *Econometrica*, vol. 78, no. 1, pp. 1-34. <https://doi.org/10.3982/ECTA8073>
- Borga, M, Ibarlucea-Flores, P & Sztajerowska, M 2020, *Divestments by multinational enterprises*, viewed 23 June 2020, <<https://www.oecd.org/investment/Divestments-by-multinational-enterprises-Investment-Policy-Insights.pdf>>

References

- Brothwell, R 2020, *Of all the major state companies under the Department of Public Enterprises, only one is not making a loss*, Business Tech, viewed 15 June 2020, <<https://businesstech.co.za/news/government/377811/of-all-the-major-state-companies-under-the-department-of-public-enterprises-only-one-is-not-making-a-loss/>>
- Brown, AJ 2006, 'What are we trying to measure? Reviewing the basics of corruption definition', in C Sampford, A Shacklock, C Connors & F Galtung (eds.), *Measuring corruption*, Ashgate, e-book.
- Bukovansky, M 2006, 'The hollowness of anti-corruption discourse', *Review of International Political Economy*, vol. 13, no. 2, pp. 181–209. <https://doi.org/10.1080/09692290600625413>
- Chan, A 1998, 'Labor standards and human rights: the case of Chinese workers under market socialism', *Human Rights Quarterly*, vol. 20, no. 4, pp. 886–904. <https://doi.org/10.1353/hrq.1998.0036>
- Craig, J 2000, 'Evaluating privatisation in Zambia: a tale of two processes', *Review of African Political Economy*, vol. 27, no. 85, pp. 357–366. <https://doi.org/10.1080/03056240008704472>
- Dobel, JP 1978, 'The corruption of a state', *The American Political Science Review*, vol. 72, no. 3, pp. 958–973. <https://doi.org/10.2307/1955114>
- Edigheji, E 2005, *A democratic developmental state in Africa? A concept paper*, Centre for Policy Studies, Johannesburg.
- Githongo, J 2006, 'Inequality, ethnicity and the fight against corruption in Africa: a Kenyan perspective', *Journal of the Institute of Economic Affairs*, vol. 26, no. 4, pp. 19–26.
- Galtung, F 2006, 'Measuring the immeasurable: boundaries and functions of (macro) corruption indices', in C Sampford, A Shacklock, C Connors & F Galtung (eds.), *Measuring corruption*, Ashgate, e-book.
- Gumede, N & Asmah-Andoh, K 2016, 'Prescriptions of the national development plan for state-owned enterprises in South Africa: is privatisation an option?', *Journal of Public Administration*, vol. 51, no. 2, pp. 265–277. <https://hdl.handle.net/10520/EJC194413>
- Hellman, J & Schankerman, M 2000, 'Intervention, corruption and capture; the nexus between enterprises and the state', *Economics of Transition*, vol. 8, no. 3, pp. 545–576. <https://doi.org/10.1111/1468-0351.00055>
- He, Z 2000, 'Corruption and anti-corruption in reform China', *Communist and Post-Communist Studies*, vol. 33, no. 2, pp. 243–270. [https://doi.org/10.1016/S0967-067X\(00\)00006-4](https://doi.org/10.1016/S0967-067X(00)00006-4)
- Jahiel, AR 2006, 'China, the WTO, and implications for the environment', *Environmental Politics*, vol. 15, no. 2, pp. 310–329. <https://doi.org/10.1080/09644010600562666>
- Kelemen, P 2007, 'Planning for Africa: the British labour party's colonial development policy, 1920–1964', *Journal of Agrarian Change*, vol. 7, no. 1, pp. 76–98. <https://doi.org/10.1111/j.1471-0366.2007.00140.x>
- Marx, K & Engels, F 1848, 'Manifesto of the communist party', in *Selected works*, vol. 1, Progress Publishers, Moscow, pp. 98–137.
- Mbatha, A 2020, *South Africa curtails debt guarantees for state-owned companies*, viewed 15 June 2020, <<https://www.bloomberg.com/news/articles/2020-02-26/south-africa-curtaills-debt-guarantees-for-state-owned-companies>>
- Merten, M 2019, *State capture wipes out third of SA's R4.9 trillion GDP - Never mind lost trust, confidence, opportunity*, viewed 21 June 2020, <<https://www.dailymaverick.co.za/article/2019-03-01-state-capture-wipes-out-third-of-sas-r4-9-trillion-gdp-never-mind-lost-trust-confidence-opportunity/#gsc.tab=0>>
- Mishra, RK 2014, 'Role of SOEs in India's economic development', in *Workshop on SOEs in the development process, OECD conference*, viewed 21 June 2020, <https://www.oecd.org/daf/ca/workshop_soedesdevelopmentprocess_india.pdf>
- Mkhabela, M 2020, *South African debt burden will reach 90% of GDP by 2021*, viewed 15 June 2020, <<https://www.iol.co.za/business-report/opinion/south-african-debt-burden-will-reach-90-of-gdp-by-2021-47236765>>
- Momba, JC 2007, 'The intersection between politics and corruption in Zambia, South African', *Journal of International Affairs*, vol. 14, no. 1, pp. 115–125. <https://doi.org/10.1080/10220460709545486>

- Niang, A 2019, *The colonial origins of extractivism in Africa: there is no such thing as a 'resource curse' and Africans are no more corrupt than others*, viewed 06 May 2020, <<https://www.aljazeera.com/indepth/opinion/colonial-roots-africa-corruption-problem-190806084604839.html>>
- Niewijk, A 1999, 'Tough priorities: organ triage and the legacy of apartheid', *Hastings Center Report*, vol. 29, no. 6, pp. 42-50. <https://doi.org/10.2307/3527871>
- Nwaura, K 2007, 'The failure of corporate governance in SOEs and the need for restructured governance in fully and partially privatized enterprises: the case of Kenya', *Fordham International Law Journal*, vol. 3, no. 1, pp. 34-75.
- Ogunbadejo, O 1980, 'Soviet policies in Africa', *African Affairs*, vol. 79, no. 316, pp. 297-325. <https://doi.org/10.1093/oxfordjournals.afraf.a097226>
- Organisation for Economic Co-Operation and Development (OECD) 2015, *Corporate governance state-owned enterprise reform*, viewed 22 June 2020, <<https://www.oecd.org/corporate/south-africa-state-owned-enterprise-reform.pdf>>
- Oyugi, E, Ocholla, J & Kaara, M 2018, *Colonial extractivism at the root of power asymmetry in Kenya*, viewed 03 April 2020, <<http://www.socialwatch.org/node/18149>>
- Phillip, M 2006, 'Corruption definition and measurement', in C Sampford, A Shacklock, C Connors & F Galtung (eds.), *Measuring corruption*, Ashgate, e-book.
- Pitcher, A 2012, 'Was privatisation necessary and did it work? The case of South Africa', *Review of African Political Economy*, vol. 39, no. 132, pp. 243-260. <https://doi.org/10.1080/03056244.2012.688803>
- Price Waterhouse Coopers (PWC) 2015, *SOEs catalysts for public value creation?*, viewed 06 April 2020, <<https://www.pwc.com/gx/en/psrc/publications/assets/pwc-state-owned-enterprise-psrc.pdf>>
- Prior, B 2019, *SOE debt - here are the numbers*, viewed 15 May 2020, <<https://mybroadband.co.za/news/government/317331-soe-debt-here-are-the-numbers.html>>
- Rogerson, CM 1990, 'Defending apartheid: armscor and the geography of military production in South Africa Johannesburg, South Africa', *Geo Journal*, vol. 22, no. 3, pp. 241-250. <https://doi.org/10.1007/BF00711335>
- South African Broadcast Company (SABC) 2019, *Corruption has cost SA close to R1 trillion: Ramaphosa*, viewed 21 June 2020, <<https://www.sabcnews.com/sabcnews/corruption-has-cost-sa-close-to-r1-trillion-ramaphosa/>>
- South African Government n.d., *State-owned enterprises (SOEs). National government directory: state owned enterprises*, viewed 16 June 2021, <<https://www.gov.za/about-government/contact-directory/soe-s>>
- Stanford Encyclopaedia of Philosophy (SEP) 2017, *Karl Marx*, viewed 22 March 2020, <<https://plato.stanford.edu/entries/marx/>>
- Sutherland, E 2015, 'Bribery and corruption in telecommunications: the case of Kenya', *Info*, vol. 17, no. 3, pp. 38-57. <https://doi.org/10.1108/info-01-2015-0013>
- Szeftel, M 2000, "'Eat with us": managing corruption and patronage under Zambia's three republics, 1964-99', *Journal of Contemporary African Studies*, vol. 18, no. 2, pp. 207-224. <https://doi.org/10.1080/713675624>
- Tanzi, V 1998, *Corruption around the world: causes, consequences, scope and cures*, WP/98/63, International Monetary Fund, Washington DC.
- Telepneva, N 2014, 'Our sacred duty: the Soviet Union, the liberation movements in the Portuguese colonies, and the Cold War, 1961-1975', Doctoral thesis, Department of International History, London School of Economics.
- Tharoor, S 2017, *Inglorious empire: what the British did to India*, C. Hurst & Co., London.
- Thomas, A 2019, *Panorama investigates \$10bn BP 'energy scandal' in Senegal*, viewed 03 May 2020, <<https://www.energyvoice.com/oilandgas/africa/200694/panorama-investigates-10bn-bp-energy-scandal-in-senegal/>>

- UN News 2018, *United against corruption for development, peace and security*, viewed 21 June 2020, <<https://www.un.org/en/observances/anti-corruption-day>>
- Walton, GW 2015, 'Defining corruption where the state is weak: the case of Papua New Guinea', *The Journal of Development Studies*, vol. 51, no. 1, pp. 15–31. <https://doi.org/10.1080/00220388.2014.925541>
- Wilkinson, W 2018, '*Socialism*' vs. '*capitalism*' is a false dichotomy, viewed 19 April 2020, <<https://www.vox.com/the-big-idea/2018/8/16/17698602/socialism-capitalism-false-dichotomy-kevin-williamson-column-republican-ocasio-cortez>>
- Wrong, M 2009, *It's our turn to eat: the story of a Kenyan whistle-blower*, HarperCollins Publishers, London.
- Zoubir, YH 1995, 'The United States, the Soviet Union and decolonization of the Maghreb, 1945–62', *Middle Eastern Studies*, vol. 31, no. 1, pp. 58–84. <https://doi.org/10.1080/00263209508701041>

Chapter 7

- Abegunde, O 2014, 'Social service delivery in a waning state: interrogating the Nigerian case', *Journal of Law, Policy and Globalization*, vol. 22, pp. 134–144.
- Abioro, TA 2017, 'Assessment of the subsidy reinvestment and empowerment programme of President Goodluck Jonathan's Administration', PhD thesis, Obafemi Awolowo University.
- Abioro, TA 2021, 'Public procurement corruption and service delivery in Nigeria and South Africa', in N Dorasamy & O Fagbadebo (eds.), *Public procurement corruption and the crisis of governance in Africa*, Palgrave Macmillan, Cham, pp. 249–267. https://doi.org/10.1007/978-3-030-63857-3_13
- Abioro, TA & Daramola, T 2018, 'Governance, human security, safety and rule of law in Nigeria's Fourth Republic from the twin eye of WGI and IIAG', *Journal of Public Administration and Governance*, vol. 8, no. 2, pp. 304–320. <https://doi.org/10.5296/jpag.v8i2.13092>
- Abioro, T & Adefeso, H 2016, 'The menace of poverty and the challenges of public policy making in Nigeria', *Journal of Sustainable Development*, vol. 9, no. 1, n.p.
- Adeyeye, M 2016, *Governing the localities: lessons (un)learnt*, viewed 17 March 2020, <<https://www.du.edu.284>>
- Africanews 2021, *Nigeria court grants forfeiture of over \$150m linked to former oil minister*, viewed 21 April 2021, <<https://www.fricnews.com>>
- Appadorai, A 1975, *The substance of politics*, Oxford University Press, New York.
- Bertelsmann Stiftung's Transformation Index (BTI) 2018, *Home*, viewed 03 March 2020, <<http://www.bti.projects.org>>
- Chikerema, G 2013, *Improving public policy*, Van Schaik, Pretoria.
- Cornwall, J & Gaventa, O 2012, 'Capacity building: facilitating citizens participation in local governance', *Australian Journal of Public Administration*, vol. 64, no. 4, pp. 63–80.
- DeSario, J & Langton, S 1987, *Citizen participation in public decision making*, Greenwood, Westport.
- European Commission 2006, 'Communication on governance: in the European consensus on development', *COM 2006, 421, P3* viewed 28 January 2021, <<https://www.eumonitor.eu/9353000/1/j9vvik7m1c3gyxp/vikqhkajlyk#fullVersion>>
- Federal Republic of Nigeria 2018, *Nigerian Financial Intelligence Unit Act*, Federal Republic of Nigeria, Abuja.
- Fox, J & Meyers, S 2015, *Public and development management*, Stellenbosch University, Cape Town.
- Guardian Newspaper 2020, *Nigeria charges ex-attorney general in court over \$1.3 billion oil deal*, viewed 23 January 2020, <www.reuters.com>
- Hope, K 2005, 'Towards good governance and sustainable development; the African peer review mechanism on governance', *International Journal of Policy, Administration and Institutions*, vol. 18, no. 2, pp. 283–311. <https://doi.org/10.1111/j.1468-0491.2005.00276.x>

- Ibrahim Index of African Governance 2017, 'Index Report, Mo Ibrahim Foundation', viewed 28 January 2021, <<http://mo.ibrahim.foundation/iiag/downloads>>
- Ikpeze, N 2013, 'Fusion of anti-corruption agencies in Nigeria: a critical appraisal', *Journal Sustainable Development Law and Policy*, vol. 1, no. 1, pp. 148-167.
- Joshi, A 2010, 'Producing social accountability? The impact of service delivery reforms', *CIDS Bulletin*, vol. 38, no. 6, pp. 10-17(8). <https://doi.org/10.1111/j.1759-5436.2007.tb00414.x>
- Kaufmann, D 2005, *Myths and realities of governance and corruption*, World Bank, Washington DC.
- Kaunain, R 2018, *Overview of corruption and anticorruption in Ghana*, viewed 20 August 2021, <<https://www.U4.No/Publications/Overview-Of-Corruption-And-Anti-Corruption-In-Ghana-2018/Update.Pdf>>
- Kweit, M & Kweit, R 1986, *Implementing citizen participation in a bureaucratic society*, Praeger, New York.
- Lammer, Y 2015, *Popular participation in planning for basic needs*, Gow, Hants.
- Lumumba-Kasongo, T 2006, 'The welfare state within the context of liberal globalism in Africa; is the concept all relevant in social policy alternatives for Africa?', *Africa Journal of International Affairs*, vol. 9, no. 1 and 2, pp. 1-40. <https://doi.org/10.4314/ajia.v9i1-2.57240>
- Menocal, R & Sharma, B 2008, *Joint evaluation of citizen's voice and accountability*, Synthesis report, DFID, London.
- Okeke, E 2010, 'The challenges of governance in Nigeria: broad perspective and implications for the engineering practice', *paper presented at the 'Engineering in Development' conference organized by the Assistance of Consulting Engineers of Nigeria (ACEN)*, Abuja, Nigeria, 8-10 November.
- Schedler, A 1999, 'Conceptualizing accountability', in A Schedler, L Diamond & M Platter (eds.), *The self restraining state: power and accountability in new democracies*, Lynne Rien, Boulder, pp. 13-28.
- Siddiqui, J, Melita, M & Rahman, S 2019, 'Accountability and labour governance in a state of denial', in P Weetman & I Tsalavoutas (eds.), *The Routledge companion to accounting in emerging economies*, Routledge Manchester, pp. 259-271.
- Trading Economics 2020, *Mauritius GDP annual growth rate*, viewed 14 March 2021, <<https://tradingeconomics.com/mauritius/gdp-growth>>
- Transparency International 2019, *Home*, viewed 17 March 2020, <<https://www.transparency.org>>.
- United Nations Development Programme 1997, *Human development report 1995*, Oxford University Press, New York.
- Vanguard Newspaper 2021, *Money laundering trial: Maina's new lawyer withdraws from case*, viewed 10 March 2021, <www.vanguardngr.com>
- Vidhya, D 2003, 'Democratic governance on tribal regions: a distant dream', *Economic and Political Weekly*, vol. 38, pp. 4429-4432.
- World Bank 2004, 'Annual report: volume 1', viewed 23 March 2021, <<https://elibrary.worldbank.org/doi/abs/10.1596/0-8213-5771-9>>
- Worldometer 2020, *Real time world statistics*, viewed 09 March 2021, <www.worldometers.info>

Chapter 8

- Aharoni, Y 2018, 'The evolution of state-owned multinational enterprise theory', in A Cuervo-Cazurra (eds.), *State-owned multinationals*, JIBS Special Collections, Palgrave Macmillan, Cham. https://doi.org/10.1007/978-3-319-51715-5_2
- Auditor-General of the Republic of South Africa 2017, *Auditor-General Report of the Republic of South Africa, 2016/17*, viewed 29 July 2020, <www.agsa.co.za>
- Auditor-General of the Republic of South Africa 2019, *Auditor General Report of the Republic of South Africa, 2018/19*, viewed 29 July 2020, <www.agsa.co.za>

- Batalla, CE 2000, *De-institutionalizing corruption in the Philippines identifying strategic requirements for reinventing institutions*, Political Science Department, De La Salle University.
- Bezuidenhout, L & Pilane, B 2019, 'South Africa public procurement', in E Burrows, E McNeill & LLP Ashurst (eds.), *The International comparative guide to public procurement*, 11th edn, Global Legal Group, s.l., pp. 210-216.
- Bruton, GD, Peng, MW, Ahlstrom, D, Stan, C & Xu, K 2015, 'State-owned enterprises around the world as hybrid organisations', *The Academy of Management Perspectives*, vol. 29, no. 1, pp. 92-114. <https://doi.org/10.5465/amp.2013.0069>
- Businesswire 2021, *State-own enterprises in South Africa Report*, viewed 25 October 2021, <<https://www.businesswire.com/news/home/20210715005768/en/South-Africa-State-Owned-Enterprises-Report-2021-with-Profiles-of-24-Public-Entities-Including-Transnet-Eskom-South-African-Airways-and-Denel---ResearchAndMarkets.com>>
- Cendales, A, Garza, N & Arroyo, S 2019, 'A model of public choice with clientelism and corruption: introducing the analytical', in P Daiser (ed.), *Analytical narrative on subnational democracies in Colombia*, Springer Briefs in Economics, Springer, Cham, pp. 65-83.
- Daiser, P, Ysa, T & Schimitt, D 2017, 'Corporate governance of state-owned enterprises: a systematic analysis of empirical literature', *International Journal of Public Sector Management*, vol. 30, no. 5, pp. 447-466. <https://doi.org/10.1108/IJPSM-10-2016-0163>
- Department of Public Enterprises 2002, *Protocol on corporate governance in the public sector*, viewed 22 October 2021, <https://www.gov.za/sites/default/files/gcis_document/201409/corpgov0.pdf>
- De Villiers, J 2020, *South African taxpayers have paid R16.5bn to bail out SAA over the past decade-almost R1,000 per household*, viewed 24 June 2020, <<https://www.businessinsider.co.za/this-is-how-much-the-south-african-government-spent-bailing-out-saa-2020-1>>
- Eskom 2019, *Eskom group annual report, 2018/19*, viewed 07 June 2021, <www.eskom.co.za/IR2019>
- Fourie, D 2014, 'The role of public sector enterprises in the South African economy', *African Journal of Public Affairs*, vol. 7, no. 1, pp. 31-39.
- Gumede, W 2018, *Lessons for South Africa's SOEs from other African countries*, viewed 24 June 2020, <<https://www.news24.com/news24/columnists/guestcolumn/lessons-for-south-african-soes-from-other-african-countries-20181120>>
- Gwede, M 2021, *Renewable energy IPP procurement programme BID Window 5. Announcement of preferred bidders*, viewed 01 November 2021, <www.ipp-projects.ac.za>
- Holburn, G & Fremeth, A 2019, *Best practice principles of corporate governance for crown corporations*, Energy Policy and Management Centre, IVEY Business School, Western University, Ontario.
- Jancsics, D 2019, 'Corruption as resource transfer: an interdisciplinary synthesis', *Public Administration Review*, vol. 79, no. 4, pp. 523-537. <https://doi.org/10.1111/puar.13024>
- Jika, T 2019, *Eskom waste R300m on housing*, viewed 22 June 2020, <<https://mg.co.za/article/2019-10-25-00-eskom-wastes-r300m-on-housing/>>
- JinKyo, S, Young-Hee, K & Saithibongsa, P 2020, 'Personal characteristics and corrupt intention: the moderating role of intense Facebook attachment', *International Journal of Economics and Management*, vol. 2, no. 1, pp. 34-57.
- Kane-Berman, J 2016, *Privatisation or bust. South African Institute of race relations*, viewed 04 May 2022, <www.sairr.org.za>
- Kaufmann, D 1997, *Corruption: the facts*, viewed 02 July 2020, <http://web.worldbank.org/archive/website00818/WEB/PDF/FP_SUMME.PDF>
- Kings Report on Governance for South Africa 2009, *Institute of Directors in Southern Africa*, viewed 04 May 2022, <https://cdn.ymaws.com/www.iodsa.co.za/resource/resmgr/king_iii/King_Report_on_Governance_fo.pdf>
- Khumalo, S 2019, *A grim year for state-owned entities*, viewed 25 October 2021, <<https://www.news24.com/fin24/economy/south-africa/2019-a-grim-year-for-state-owned-entities-20191229>>

- Kowalski, P, Büge, M, Sztajerowska, M & Egeland, M 2013, *State-owned enterprises: trade effects and policy implications*, OECD Trade Policy Papers, No. 147, OECD Publishing, Paris. <https://doi.org/10.1787/5k4869ckqk7l-en>
- Landoni, M 2020, 'Knowledge creation in state-owned enterprises', *Structural Change and Economic Dynamics*, vol. 53, no. C, pp. 77–85. <https://doi.org/10.1016/j.strueco.2020.01.001>
- Leff, NH 1964, 'Economic development through bureaucratic corruption', *American Behavioral Scientist*, vol. 8, no. 3, pp. 8–14. <https://doi.org/10.1177/000276426400800303>
- Lloyd, RE & McCue, CP 2004, 'What is public procurement? Definitional problems and implications', in *Public procurement conference proceedings*, viewed 30 July 2020, <https://leadershipanddevelopment.org.files.wordpress.com/2016/12/mantzaris_2014a.pdf>
- Manyanga, CB, Gori, JM & Sewe, T 2016, 'Privatization of state-owned enterprises and its effect on the performance of the Kenyan Economy', *International Journal for Innovation Education and Research*, vol. 4, no. 6, pp. 166–175. <https://doi.org/10.31686/ijer.vol4.iss7.571>
- Mauro, P 1995, 'Corruption and growth', *The Quarterly Journal of Economics*, vol. 110, no. 3, pp. 681–712. <https://doi.org/10.2307/2946696>
- McLaughlin, M 2020, 'Defining a state-owned enterprise in international investment agreements', *ICSID Review*, pp. 1–31. <https://doi.org/10.1093/icsidreview/siz011>
- Minogue, M & Cariño, L 2006, *Regulatory governance in developing countries*, Edward Elgar Publishing, s.l. <https://doi.org/10.4337/9781847203076>
- Montinola, G & Jackman, RW 2002, 'Sources of corruption: a cross-country study', *British Journal of Political Science*, vol. 32, no. 1, pp. 147–170. <https://doi.org/10.1017/S0007123402000066>
- Mothibi, JL 2021, *SUI presentation to SCOPA on the PRASA investigation*, viewed 09 October 2021, <<http://www.siu.org.za>>
- Mungiu-Pippidi, A & Hartmann, T 2019, 'Corruption and development: a reappraisal', in *Oxford research encyclopedia of economics and finance*, Oxford University Press, Oxford. <https://doi.org/10.1093/acrefore/9780190625979.013.237>
- Nichols, PM 2017, 'What is organizational corruption?', in MS Aßlander & S Hudson (eds.), *The handbook of business and corruption*, Emerald Publishing, Bingley, pp. 3–23. <https://doi.org/10.1108/978-1-78635-445-720161001>
- Nkosi, L 2020, 'The relationship between government debt and state-owned enterprises: an empirical analysis of Eskom', *International Journal of Economics and Finance Studies*, vol. 12, no. 1, pp. 119–134. <https://doi.org/10.34109/ijefs.202012108>
- Organisation for Economic Co-operation and Development (OECD) 2005, *OECD guidelines on corporate governance of state-owned enterprises*, viewed 04 May 2022, <<http://www.oecd.org/daf/ca/oecd-guidelines-corporate-governance-soes-2005.htm>>
- Organisation for Economic Co-operation and Development (OECD) 2009, *Policy roundtables. State owned enterprises and the principle of competitive neutrality*, viewed 08 June 2021, from <<http://oecd.org/competition>>
- Organisation for Economic Co-operation and Development (OECD) 2015, *SOE guidelines on corporate governance of state-owned enterprises*, OECD Publishing, Paris. <https://doi.org/10.1787/9789264244160-en>
- Organisation for Economic Co-operation and Development (OECD) 2016, *Global knowledge sharing network on corporate governance of state-owned enterprises*, viewed 25 October 2021, <<https://www.oecd.org/daf/ca/Global-knowledge-Sharing-Network-on-SOEs-Proceedings-June-2016.pdf>>
- Organisation for Economic Co-operation and Development (OECD) 2018, *OECD guidelines on corporate governance of state-owned enterprises. 2015 edition*, viewed 10 March 2020, <www.oecd.org/daf/ca/OECD-Guidelines-Corporate-Governance-SOEs-2015.pdf>
- Park, C 2020, *Enhancing the transparency and accountability of state-owned enterprises*, ADBI Working Paper 1070, Asian Development Bank Institute, Tokyo.
- Passenger Rail Agency of South Africa (PRASA) 2017, *Passenger Rail Agency of South Africa Annual Report. 2016/17*, viewed 03 May 2022, <<https://www.prasa.com/Annual%20Reports/Prasa%20Annual%20Report%202015-16.pdf>>

References

- Peyper, L 2017, *9 SOEs have debt of close to R700bn*, viewed 23 June 2020, <<https://www.news24.com/fin24/Economy/gigaba-9-soes-have-debt-of-close-to-r700bn-20170607>>
- Presidential Review on State-owned Enterprises 2014, *Growing the economy, bridging the gap*, viewed n.d., <www.gov.za>
- Price Waterhouse Coopers 2014, *State-owned enterprises catalysts for public value creation?*, viewed 30 July 2020, <<https://www.pwc.com/gx/en/psrc/publications/assets/pwc-state-owned-enterprise-psrc.pdf>>
- Rebello, D 2020, *Legal alert | Kenya | New mining act alert series | The immediate impact of the new regulations: dealing in minerals*, viewed 30 July 2020, <<https://www.africalegalnetwork.com/legal-alert-new-mining-act-alert-series-immediate-impact-new-regulations-dealing-minerals/>>
- Republic of South Africa (RSA) 1999, *Public Finance Management Act No.1*, viewed 03 May 2022, <www.treasury.gov.za/legislation/pfma/PFMA1999asamendedMarch2017.pdf>
- Republic of South Africa (RSA) 2018, *Report of the portfolio committee on public enterprises on the inquiry into governance, procurement and financial sustainability of Eskom*, viewed 03 May 2022, <<https://www.parliament.gov.za/storage/app/media/Links/2018/November%202018/28-11-2018/Final%20Report%20-%20Eskom%20Inquiry%2028%20NOV.pdf>>
- Republic of South Africa National Treasury 2006, *Current position regarding governance of state-owned entities in South Africa*, viewed 30 October 2021, <<http://www.treasury.gov.za/publications/other/soe/Presentation%20on%20Governance%20over%20State%20Owned%20Entities.pdf>>
- South African Government 2015, *Let's grow together*, viewed 22 June 2020, <https://www.gov.za/speeches/government-continues-address-challenges-facing-state-owned-enterprises-26-nov-2015-0000?gclid=EAlaIqobChMI5-WTxv6T6gIVmK3tChIjpwgcEAYAiAAEgL6sPD_BwE>
- South African Government 2020, *South African state-owned entities*, viewed 13 June 2020, <www.gov.za>
- Sturesson, J, McIntyre, S & Jones, NC 2015, *State-owned entities: catalysts for public value creation?*, viewed 13 June 2020, <<https://www.pwc.com/gx/en/psrc/publications/assets/pwc-state-owned-enterprise-psrc.pdf>>
- Taghizadeh-Hesary, F, Yoshino, N, Kim, CJ & Mortha, A 2019, *A comprehensive evaluation framework on the economic performance of state-owned enterprises*, ADBI Working Paper 949, Asian Development Bank Institute, Tokyo.
- Taylor, Y & McGann, N 2018, *Advancing the public procurement - governance nexus - the case of Iraq*, viewed 29 February 2020, <<https://openknowledge.worldbank.org/bitstream/handle/10986/30616/131377-bri-public-add-series-vc-qn-171.pdf?sequence=1&isallowed=y>>
- The World Bank 2006, *Held by the visible hand - the challenge of SOE corporate governance for emerging markets*, viewed 11 July 2021, <<https://documents1.worldbank.org/curated/en/396071468158997475/pdf/377110CorporateOGovernanceOSOEs01PUBLIC1.pdf>>
- Wakhungu, MN 2013, *Transparency in the award of public tenders in Kenya. Published on School of Law*, viewed 04 May 2022, <<http://law-school.uonbi.ac.ke>>

Chapter 9

- Aidt, TS 2009, 'Corruption, institutions, and economic development', *Oxford Review of Economic Policy*, vol. 25, no. 2, pp. 271-291. <https://doi.org/10.1093/oxrep/grp012>
- Ahmetova, SA, Beissov, E, Nurbek, D, Sadykbekova, A, Meirambaeva, G & Yernishev, K 2016, 'Corruption as a social and legal phenomenon', *The Social Sciences*, vol. 11, no. 7, pp. 1134-1137.
- Amundsen, I 1999, *Political corruption: an introduction to the issues*, Chr. Michelsen Institute, Bergen.

- Bellaubi, F & Pahl-Wostl, C 2017, 'Corruption risks, management practices, and performance in water service delivery in Kenya and Ghana: an agent-based model', *Ecology and Society*, vol. 22, no. 2, p. 6. <https://doi.org/10.5751/ES-09205-220206>
- Buchanan, JM & Tullock, G 1962, *The calculus of consent*, vol. 3, University of Michigan Press, Ann Arbor.
- Burguet, R & Che, Y 2004, 'Competitive procurement with corruption', *RAND Journal of Economics*, vol. 35, no. 1, pp. 50-68. <https://doi.org/10.2307/1593729>
- Caiden, G & Caiden, N 1977, 'Administrative corruption', *Public Administration Review*, vol. 37, no. 3, pp. 301-309. <https://doi.org/10.2307/974828>
- Csapodi, P, Takács, I & György-Takács, K 2011, 'Corruption as a deviant social attitude', *Public Finance Quarterly*, vol. 56, no. 1, p. 27.
- De Sardan, JO 1999, 'A moral economy of corruption in Africa?', *The Journal of Modern African Studies*, vol. 37, no. 1, pp. 25-52. <https://doi.org/10.1017/S0022278X99002992>
- Egger, P & Winner, H 2005, 'Evidence on corruption as an incentive for foreign direct investment', *European Journal of Political Economy*, vol. 21, no. 4, pp. 932-952. <https://doi.org/10.1016/j.ejpoleco.2005.01.002>
- Gelléri, P & Csáki, C 2004, 'Novelties in the toolkit to curb public procurement corruption in a "new born" European Union Country', in *International public procurement conference proceedings*, vol. 3, Fort Lauderdale, p. 1.
- Gordon, MB 2017, *Bribery and corruption in public service delivery: experience from the Ghana Judicial Service*, viewed 30 July 2020, <<https://ssrn.com/abstract=2922519>>
- Hasty, J 2005, 'The pleasures of corruption: desire and discipline in Ghanaian political culture', *Cultural Anthropology*, vol. 20, no. 2, pp. 271-301. <https://doi.org/10.1525/can.2005.20.2.271>
- Heidenheimer, A, Johnston, M & LeVine, V 1993, *Handbook of political corruption*, Transaction Publishers, New Brunswick.
- Hessami, Z 2014, 'Political corruption, public procurement, and budget composition: theory and evidence from OECD countries', *European Journal of Political Economy*, vol. 34, pp. 372-389. <https://doi.org/10.1016/j.ejpoleco.2014.02.005>
- Khan, MH 1996, 'The efficiency implications of corruption', *Journal of International Development*, vol. 8, no. 5, pp. 683-696. [https://doi.org/10.1002/\(SICI\)1099-1328\(199609\)8:5%3C683::AID-JID411%3E3.0.CO;2-4](https://doi.org/10.1002/(SICI)1099-1328(199609)8:5%3C683::AID-JID411%3E3.0.CO;2-4)
- Khramkin, A 2007, 'Anti-corruption practices in public procurement', Discussion paper submitted to the Government Procurement Institute of the Russian Civil Service Academy, Moscow, Russia.
- Knack, S 2007, 'Measuring corruption: a critique of indicators in Eastern Europe and Central Asia', *Journal of Public Policy*, vol. 27, no. 3, pp. 255-291. <https://doi.org/10.1017/S0143814X07000748>
- Larmour, P 2006, 'Civilizing techniques: transparency international and the spread of anti-corruption', in B Bowden & L Seabrooke (eds.), *Global standards of market civilization*, Routledge, London, pp. 113-124.
- Laws Ghana 2003, *Public Procurement Act 2003 (Act 663)*, viewed 30 December 2019, <[https://lawsghana.com/post-1992-legislation/table-of-content/Acts%20of%20Parliament/PUBLIC%20PROCUREMENT%20ACT,%202003%20\(ACT%20663\)/72](https://lawsghana.com/post-1992-legislation/table-of-content/Acts%20of%20Parliament/PUBLIC%20PROCUREMENT%20ACT,%202003%20(ACT%20663)/72)>
- Leff, NH 1964, 'Economic development through bureaucratic corruption', *American Behavioural Scientist*, vol. 8, no. 3, pp. 8-14. <https://doi.org/10.1177/000276426400800303>
- Mafunisa, MJ 2013, 'Role of leadership in creating commitment in the public service', *Journal of Public Administration*, vol. 48, no. special issue 1, pp. 751-763.
- Mahmood, SA 2010, 'Public procurement and corruption in Bangladesh confronting the challenges and opportunities', *Journal of Public Administration and Policy Research*, vol. 2, no. 6, pp. 103-111.
- Mawenya, AS 2008, *Preventing corruption in African procurement*, South African Institute of International Affairs, Johannesburg.

- Mensah, S, Aboagye, K, Addo, E & Buatsi, S 2003, 'Corporate governance and corruption in Ghana: empirical findings and policy implications', *paper presented at African Capital Markets forum*, Johannesburg, 27-29 October.
- Mironov, M & Zhuravskaya, E 2016, 'Corruption in procurement and the political cycle in tunneling: evidence from financial transactions data', *American Economic Journal: Economic Policy*, vol. 8, no. 2, pp. 287-321. <https://doi.org/10.1257/pol.20140188>
- Munzhedzi, PH 2016, 'South African public sector procurement and corruption: inseparable twins?', *Journal of Transport and Supply Chain Management*, vol. 10, no. 1, pp. 1-8. <https://doi.org/10.4102/jtscm.v10i1.197>
- Nyavor, G 2018, "'It's reality on the ground": lecturer backs Afriyie Ankrah on "corrupt system"', viewed 30 June 2020, <<https://www.myjoyonline.com/politics/2018/October-5th/its-the-reality-on-the-ground-lecturer-backs-afriyie-ankrah-comments-on-corrupt-system.php>>
- Nye, J 1989, 'Political corruption: a cost-benefit analysis', in A Heidenheimer, M Johnston & V LeVine (eds.), *Political corruption: a handbook*, Transaction, New Brunswick, p. 966.
- Osei-Tutu, E, Badu, E & Owusu-Manu, D 2010, 'Exploring corruption practices in public procurement of infrastructural projects in Ghana', *International Journal of Managing Projects in Business*, vol. 3, no. 2, pp. 236-256. <https://doi.org/10.1108/17538371011036563>
- Osei-Tutu, E, Offei-Nyako, K, Ameyaw, C & Ampofo, K 2014, 'Conflict of interest and related corrupt practices in public procurement in Ghana', *International Journal of Civil Engineering Construction and Estate Management*, vol. 1, no. 2, pp. 1-15.
- Philp, M 1997, 'Defining political corruption', *Political Studies*, vol. 45, no. 3, pp. 436-462. <https://doi.org/10.1111/1467-9248.00090>
- Philp, M 2016, 'Corruption definition and measurement', in *Measuring corruption*, Routledge, London, pp. 61-72.
- Rose-Ackerman, S 1999, *Corruption and government: causes, consequences and reforms*, Cambridge University Press, Cambridge.
- SFO-v-Aibus Judgement 2020, 'Case No: U20200108', viewed 30 May 2020, <<https://www.judiciary.uk/wp-content/uploads/2020/01/Director-of-the-Serious-Fraud-Office-v-Airbus-SE-1.pdf>>
- Sokro, E & Agbola, RM 2021, 'Rising above the tide: review of anti-corruption measures in the Ghanaian procurement process', in N Dorasamy & O Fagbadebo (eds.), *Public procurement, corruption and the crisis of governance in Africa*, Palgrave Macmillan, Cham, pp. 143-163.
- Transparency International 2005, *Preventing corruption in construction projects - examples of corruption*, viewed 30 June 2019, <www.transparency.org>
- Tsepelev, V, Borisov, A, Vlasov, A & Drozdova, E 2019, 'Corruption and legal limits of anti-corruption enforcement', *International Journal of Economic and Business Administration*, vol. 7, no. 1, pp. 204-208. <https://doi.org/10.35808/ijeba/264>
- United Nations (UN) 2019, *United Nations Procurement Manual*, viewed 30 May 2020, <https://www.un.org/Depts/ptd/sites/www.un.org.Depts.ptd/files/files/attachment/page/pdf/PM_2019.pdf>
- Webb, W 2010, 'Public management reform and the management of ethics: incompatible ideals for the developing state?', *International Journal of Public Sector Management*, vol. 23, no. 7, pp. 669-684. <https://doi.org/10.1108/09513551011078914>

Chapter 10

- African Development Bank 2014, *Annual report, regional intergration for inclusive growth*, viewed 19 June 2019, <www.adfb.org>
- All Africa 2014, *Tanzania suspends 19 procurement firms over corruption - AllAfrica.com*, viewed 20 June 2019, <<https://allafrica.com/stories/201410080468.html>>

- Armstrong, P 2015, 'Corporate governance and state-owned enterprises', *Ethical Boardroom*, viewed 18 June 2020, <<https://ethicalboardroom.com/corporate-governance-and-soes>>
- Baguma, R & Shellukindo, WN 1993, *Ethical standards and behaviour in African public services*, United Nations Economic Foundation for Africa and Africa Association for Public Administration and Management, Dar es Salaam.
- Bertelsmann Stiftung 2014, *BTI 2014 - Tanzania country report*, viewed 10 May 2020, <https://bti-project.org/fileadmin/api/content/en/downloads/reports/country_report_2014_TZA.pdf>
- Bertelsmann Stiftung 2020, *BTI 2020 country report - Tanzania*, viewed 10 May 2020, <https://bti-project.org/fileadmin/api/content/en/downloads/reports/country_report_2020_TZA.pdf>
- Bhagwan, V & Bhushan, V 2009, *Public administration*, S. Chand & Company Ltd. Ram Nagar, New Delhi.
- Camargo, BC 2017, *Corruption, social norms and behaviours: a comparative assessment of Rwanda, Tanzania and Uganda*, viewed n.d., <<https://baselgovernance.org/publications/corruption-social-norms-and-behaviours-comparative-assessment-rwanda-tanzania-and>>
- Chêne, M 2009, *Overview of corruption and anti-corruption in Tanzania*, viewed 16 June 2019, <<https://www.u4.no/publications/overview-of-corruption-in-tanzania.pdf>>
- Controller and Auditor General (CAG) 2017, *Annual General Audit Report on the Audit of the Public Authorities and other bodies for 2016/17 financial year*, National Audit Office, Dar es Salaam.
- Controller and Auditor General (CAG) 2018, *Annual General Audit Report on the Audit of the Public Authorities and other bodies for 2017/18 financial year*, National Audit Office, Dar es Salaam.
- Controller and Auditor General (CAG) 2019, *Annual General Audit Report on the audit of the public authorities and other bodies for 2018/19 financial year*, National Audit Office, Dar es Salaam.
- Cooksey, B 2011, *The investment and business environment for gold exploration and mining in Tanzania*, viewed 17 June 2019, <[http://41.86.178.5:8080/xmlui/bitstream/handle/123456789/13440/The investment and business environment for gold exploitation.pdf?sequence=1&isAllowed=y](http://41.86.178.5:8080/xmlui/bitstream/handle/123456789/13440/The%20investment%20and%20business%20environment%20for%20gold%20exploation.pdf?sequence=1&isAllowed=y)>
- Cooksey, B 2017, *IPTL, Richmond and 'Escrow': the price of private power procurement in Tanzania*, viewed 26 June 2019, <<https://www.africaresearchinstitute.org/newsite/publications/iptl-richmond-escrow-price-private-power-procurement-tanzania>>
- ESAAMLG 2019, *Procurement corruption in the public sector and associated money laundering in the ESAAMLG region*, viewed n.d., <https://www.esaamlg.org/reports/Report_procurement.pdf>
- GAN Integrity 2016, *Tanzania corruption report*, viewed 26 June 2019, <www.ganintegrity.com/portal/country-profiles/tanzania/>
- GAN Integrity 2019, *Tanzania corruption report*, viewed 26 June 2019, <www.ganintegrity.com/portal/country-profiles/tanzania/>
- Global Corruption Barometer 2019, *Global corruption barometer report*, viewed 20 June 2019, <<https://www.transparency.org/en/gcb>>
- Honan, E 2015, *Corruption: Tanzania's port authority head suspended in latest scandal*, viewed 23 June 2019, <<https://www.theafricareport.com/3340/corruption-tanzanias-port-authority-head-suspended-in-latest-scandal/>>
- Kihamba, J 2015, 'Administrative governance and executive agencies' service delivery in Tanzania', Unpublished PhD thesis, University of Dar es Salaam.
- Kihamba, JS 2021, 'Public procurement reforms in Tanzania: dispersion of corruption and governance', in N Dorasamy & O Fagbadebo (eds.), *Public procurement, corruption and the crisis of governance in Africa*, Palgrave Macmillan, Cham, pp. 185-204. https://doi.org/10.1007/978-3-030-63857-3_10

References

- Kweka, J 2019, *The role of state-owned enterprises in industrialization in Tanzania: lessons from East Asian economies*, viewed n.d., <<https://uongozi.ortz/wp-content/uploads/2019/02/SOEs-Brief-FINAL.pdf>>
- Laleye, M 1997, 'Public enterprise', in L Admolekyum (ed.), *Public administration in Africa. Main issues and selected country studies*, Spectrum Book, Ibadan, pp. 328-344.
- Lindner, S 2014, *Tanzania: overview of corruption and anti-corruption 1 overview of corruption in Tanzania*, viewed 26 June 2019, <https://knowledgehub.transparency.org/assets/uploads/helpdesk/Country_profile_Tanzania_2014.pdf>
- Lovelock, CH & Wright, L 2001, *Principles of service marketing and Management*, Prentice Hall, Hoboken.
- Lufunyo, H 2014, 'Impact of public sector reforms on service delivery in Tanzania', *Journal of Public Administration and Policy Research*, vol. 5, no. 2, pp. 26-49. <https://doi.org/10.5897/jpapr12.014>
- Lumbanga, M 1995, *Report on the joint donors and government meeting on the civil service reform programme*, President Office, Dar es salaam.
- Mallya, ET 2000, 'A critical look at Tanzania's development vision 2025', *Development Policy Bulletin*, vol. 2, no. 7, pp. 16-27.
- Mallya, ET 2006, 'Civil society and the land question in Tanzania', in A Kiondo & J Nyang'olo (eds.), *Civil society and development in Tanzania*, MWENGO, Harare.
- Mantzaris, E 2014, 'Public procurement, tendering and corruption: realities, challenges and tangible solutions', *African Journal of Public Affairs*, vol. 7, no. 2, pp. 67-79.
- Matto, MC 2017, 'Analysis of factors contributing to poor performance of procurement functions in local government authorities: empirical evidence from audit reports', *European Journal of Logistics, Purchasing and Supply Chain Management*, vol. 5, no. 3, pp. 41-52.
- Miller, T, Kim, AB, Roberts, JM & Tyrrell, P 2019, *Index of economic freedom*, 25th Anniversary edn, Heritage Foundation, Washington DC.
- Moe, CE & Paivarinta, T 2011, 'Challenges in information systems procurement in the Norwegian public sector', in *10th International conference, EGOV 2011*, Delft, The Netherlands, August 29-1 September, 2011, pp. 404-417.
- Msafiri, D 2019, *Public service delivery in Tanzania: fewer problems and bribes, improved satisfaction*, REPOA, Dar es Salaam.
- Mukandala, RS 1993, 'To be or not to be: the paradoxes of African bureaucracy in 1990s', *International Review of Administrative Science*, vol. 58, pp. 526-555. <https://doi.org/10.1177/002085239205800405>
- Mutahaba, G, Bana, B & Mallya, ET 2017, *Reforming Tanzania's public sector: assessment and future direction*, Mkuki na Nyota Publishers, Dar es Salam.
- Nkinga, NS 2003, 'Public procurement reform - the Tanzanian experience', *paper presented at the Joint WTO - World Bank regional workshop on procurement reforms and public procurement for the English - Speaking African countries held at the Royal Palm Hotel*, Dar Es Salaam, Tanzania, 14-17 January.
- Nord, R, Sobolev, Y, Dunn, D, Hajdenberg, A, Hobdari, N, Maziad, S & Roudet, S 2009, *Tanzania, the story of an African transition*, International Monetary Fund, Washington DC.
- Organisation for Economic Co-operation and Development (OECD) 2018, *Preventing corruption in public procurement*, viewed 26 June 2019, <<http://www.oecd.org/gov/ethics/Corruption-Public-Procurement-Brochure.pdf>>
- Price Waterhouse Coopers (PWC) 2015, *State-owned enterprises: catalysts for public value creation?* viewed 26 June 2019, <www.psrc.pwc.com>
- Prier, E & MnCue, CP 2009, 'The implication of a muddled definition of public procurement', *Journal of Public Procurement*, vol. 9, no. 3/4, pp. 326-370. <https://doi.org/10.1108/JOPP-09-03-04-2009-B002>
- Public Procurement Regulatory Authority (PPRA) 2018, *Assessment of the country's procurement system: final report*, Public Procurement Regulatory Authority, Dar es Salaam.

- Public Procurement Regulatory Authority (PPRA) 2007, *Assessment of the country's procurement system: final report*, Public Procurement Regulatory Authority, Dar es Salaam.
- Putniņš, TJ 2015, 'Economics of state-owned enterprises', *International Journal of Public Administration*, vol. 38, no. 11, pp. 815–832. <https://doi.org/10.1080/01900692.2014.982289>
- Rahman, K 2019, *Overview of corruption and anti-corruption in Tanzania*, Transparency International, Berlin.
- Schwab, K 2015, 'The global competitiveness report 2015–2016', *World Economic Forum*, vol. 5, no. 5. DOI 92-95044-35-5
- Shafritz, JM, Russell, EW & Borick, CP 2011, *Introducing public administration*, 7th edn, Pearson Education, London.
- Transparency International 2019, *Overview of corruption and anti-corruption in Tanzania*, viewed 09 May 2020, <<https://www.transparency.org>>
- United Republic of Tanzania (URT) 1961, *Exchequer and Audit Ordinance*, Government Printers, Dar es Salaam.
- United Republic of Tanzania (URT) 2016, *Five year development plan 2016/17–2020/21: 'Nurturing industrialization for economic transformation and human development'*, viewed 08 June 2019, <https://extranet.who.int/nutrition/gina/sites/default/files/FYDP2_II__April1.pdf>
- United Republic of Tanzania (URT) 2017, *Annual general report of the controller and auditor general*, National Audit Office, Dar es Salaam.
- United Republic of Tanzania (URT) 2019, *Annual general report of the controller and auditor general on the audit of the financial statements of 30 June 2018: public authorities and other bodies*, National Audit Office, Dar es Salaam.
- Waigama, MSS 2008, 'Privatization process and asset valuation: a case study of Tanzania', PhD thesis, on Building and Real Estate Economics, School of Architecture and the Built Environment, Royal Institute Technology.
- Warioba, S, Kaduma, IM, Mbita, H, Othman, SJ, Mworira, S, Kasunga, HY, Gama, LT & Muganda, AA 1996, *Report of the presidential commission on corruption*, President's Office, Dar es salaam.
- World Bank 1998, *The World Bank's anti-corruption policy: a long-term strategy for better governance*, viewed 06 June 2019, <<http://www.worldbank.org>>
- World Bank 2014, *Corporate governance of state-owned enterprises: a tool kit*, World Bank, Washington DC.
- World Bank 2016, *Tanzania: new service delivery data show some progress*, viewed 24 June 2019, <www.worldbank.org/en/news/press-release/2016/05/27/tanzania-new-service-delivery-data-show-some-progress>

Chapter 11

- Adaramola, Z 2016, 'Nitel was evil, I'm glad it died - El-Rufa!', *Daily Trust*, 1 November, viewed 30 June 2019, <<https://allafrica.com/stories/201611160706.html>>
- Adebayo, B 2018, 'Nigeria overtakes India in extreme poverty ranking', *CNN*, 26 June, viewed 18 May 2019, <<https://edition.cnn.com/2018/06/26/africa/nigeria-overtakes-india-extreme-poverty-intl/index.html>>
- African News 2019, 'Ambitious Buhari plans to lift 100 million Nigerians out of poverty in 10 years', viewed 15 June 2019, <<https://www.africanews.com/2019/06/13/ambitious-buhari-plans-to-lift-100-million-nigerians-out-of-poverty-in-10-years/>>
- Aliyu, AS, Ramli, AT & Saleh, MA 2013, 'Nigeria electricity crisis: power generation capacity expansion and environmental ramifications', *Energy*, vol. 61, no. 1, pp. 354–367. <https://doi.org/10.1016/j.energy.2013.09.011>
- Awojulgbe, O 2019, 'Ghana's 560 km rail to cost for \$2 bn - same as 156 km Lagos-Ibadan', *The Cable*, 1 June, viewed 03 June 2019, <<https://www.thecable.ng/crcc-construct-560km-railway-ghana-same-lagos-ibadan-rail>>

References

- Bauhr, M 2017, 'Need or greed? Conditions for collective action against corruption', *Governance*, vol. 30, no. 4, pp. 561-581. <https://doi.org/10.1111/gove.12232>
- Cowell, A 1983, 'A skyscraper fire in Lagos causes pangs of conscience', *New York Times*, 13 February, viewed 23 June 2020, <<https://www.nytimes.com/1983/02/13/weekinreview/a-skyscraper-fire-in-lagos-causes-pangs-of-conscience.html>>
- Da Costa, G 2009, 'Nigerian lawmakers probe \$16 billion spending on power', *Voice of America*, 1 November, viewed 12 May 2019, <<https://www.voanews.com/archive/nigerian-lawmakers-probe-16-billion-spending-power>>
- De Graaf, G 2007, 'Causes of corruption: towards a contextual theory of corruption', *Public Administration Quarterly*, vol. 31, no. 1-2, pp. 39-86.
- Doran, D 2001, 'NITEL axes 109 workers for corruption', *Fin24*, 12 October, viewed 12 May 2019, <<https://www.fin24.com/Companies/Nitel-axes-109-workers-for-corruption-20011012>>
- Fagbadebo, OM 2007, 'Corruption, governance and political instability in Nigeria', *African Journal of Political Science and International Relations*, vol. 1, no. 2, pp. 28-37.
- Fagbadebo, OM 2016, 'Exploring the politics of impeachment in Nigeria's presidential system: insights from selected states in the Fourth Republic, 1999-2007', PhD dissertation, University of KwaZulu-Natal.
- Fagbadebo, OM 2019a, 'Corruption, and the challenge of accountability in the post-colonial African states: a discourse', *Journal of African Union Studies*, vol. 8, no. 1, pp. 9-32. <https://doi.org/10.31920/2050-4306/2019/v8n1a1>
- Fagbadebo, OM 2019b, 'Interrogating the constitutional requisites for legislative oversight in the promotion of accountability and good governance in South Africa and Nigeria', *Insight on Africa: A Journal of Contemporary African Affairs*, vol. 11, no. 1, pp. 38-59. <https://doi.org/10.1177/0975087818814912>
- Gong, T & Yang, SL 2019, 'Controlling bureaucratic corruption', in WR Thompson (ed.), *Oxford research encyclopedia of politics*, Oxford University Press, New York. <https://doi.org/10.1093/acrefore/9780190228637.013.1463>
- Gupta, A 2017, 'Changing forms of corruption in India', *Modern Asian Studies*, vol. 51, no. 6, pp. 1862-1890. <https://doi.org/10.1017/S0026749X17000580>
- Gyamfi, CC 2018, 'Obasanjo releases EFCC report on alleged \$16 b power project expenditure', *The Guardian*, 27 May, viewed 13 April 2019, <<https://allafrica.com/stories/201805270001.html>>
- Ibekwe, N 2013a, 'Investigations (part 1): after stealing billions, grounding Nigeria airways, indicted officials still enjoy loot', *Premium Times*, 12 February, viewed 13 June 2013, <<https://www.premiumtimesng.com/news/119933-investigations-part-1-after-stealing-billions-grounding-nigeria-airways-indicted-officials-still-enjoy-loot.html>>
- Ibekwe, N 2013b, 'Investigations (part 2): how officials, travel agencies robbed, ran Nigeria airways aground', *Premium Times*, 16 February, viewed 15 June 2019, <<https://www.premiumtimesng.com/news/120640-investigations-part-2-how-officials-travel-agencies-robbed-ran-nigeria-airways-aground.html>>
- Ibekwe, N 2018, 'Special report - the men who embezzled Nigerian airways to death', *Premium Times*, 29 October, viewed 15 June 2019, <<https://www.premiumtimesng.com/news/headlines/293027-special-report-the-men-who-embezzled-nigerian-airways-to-death.html>>
- Ifenayi, D 2016, 'The rise and demise of Nigeria airways', *Aviation Tribune*, 25 October, viewed 15 June 2019, <<http://aviationtribune.com/airlines/africa/rise-demise-nigeria-airways/>>
- Jancsics, D 2019, 'Corruption as resource transfer: an interdisciplinary synthesis', *Public Administration Review*, vol. 79, no. 4, pp. 523-537. <https://doi.org/10.1111/puar.13024>
- Jancsics, D & Javor, I 2012, 'Corrupt governmental networks', *International Public Management Journal*, vol. 15, no. 1, pp. 62-99. <https://doi.org/10.1080/10967494.2012.684019>
- Jannah, C 2018, 'Nigeria airways: reps to revisit report on looted N60bn', *Daily Trust*, 25 October, viewed 15 June 2019, <<https://dailypost.ng/2018/10/25/nigeria-airways-reps-revisit-report-looted-n60bn/>>

- Kaufmann, D & Kraay, A n.d., *Worldwide governance indicators (WGI)*, The World Bank Group, New York.
- Kazeem, Y 2018, 'Nigeria has become the poverty capital of the world', *Quartz Africa*, 25 June, viewed 13 May 2019, <<https://qz.com/africa/1313380/nigerias-has-the-highest-rate-of-extreme-poverty-globally/>>
- Lakemfa, O 2009, 'The rape of NITEL', *Vanguard*, 10 June, viewed 12 April 2019, <<https://www.vanguardngr.com/2009/06/the-rape-of-nitel/>>
- Lodge, T 2019, 'Corruption in African politics', in WR Thompson (ed.), *Oxford research encyclopedia of politics*, Oxford University Press, New York. <https://doi.org/10.1093/acrefore/9780190228637.013.848>
- Lumumba, PLO 2014, 'Corruption: the bane of Africa', in E Nduka & J Tenamwenye (eds.), *Corruption in Africa: a threat to justice and sustainable peace*, Globethics.net, Geneva, pp. 17-48.
- Maclean, R & Egbejule, E 2019, 'Muhammadu Buhari's reputation hindered by allegations about his allies', *The Guardian*, 11 February, viewed 12 April 2019, <<https://www.theguardian.com/world/2019/feb/11/nigeria-election-mr-honesty-muhammadu-buhari-tainted-by-failure-to-tackle-corruption>>
- Morris, SD 2011, 'Forms of corruption', *CESifo DICE Report*, vol. 9, no. 2, pp. 10-14.
- Munshi, N 2019, 'Muhammadu Buhari's challenge to keep Nigeria's lights on', *Financial Times*, 28 May, viewed 20 June 2019, <<https://www.ft.com/content/43c7cc52-7e12-11e9-81d2-f785092ab560>>
- Nasir, J 2019, 'Lawan: cost of infrastructure projects in Nigeria highest in the world', *The Cable*, 2 July, viewed 02 July 2019, <<https://www.thecable.ng/lawan-cost-of-infrastructure-projects-in-nigeria-highest-in-the-world>>
- Nwogu, S, Onojeghen, T & Peter, A 2019, 'Oshiomole: once you join the APC, your sins are forgiven', *The Punch*, 18 January, viewed 23 May 2019, <<https://punchng.com/oshiomole-once-you-join-the-apc-your-sins-are-forgiven/>>
- Ogbuefi, UC, Ugwu, CL & Ogbogu, NO 2018, 'Analysis of Nigeria power system voltage collapse incidences from 2000 to 2017', *IOSR Journal of Electrical and Electronics Engineering*, vol. 13, no. 2, pp. 28-34.
- Oketola, D 2015, 'Power failure: Nigerians burn N17.5tn on generators in five years', *The Punch*, 20 June, viewed 20 April 2019, <<https://punchng.com/power-failure-nigerians-burn-n17-5tn-fuel-on-generators-in-five-years/>>
- Page, MT & Okeke, C 2019, *Stolen dreams: how corruption negates government assistance to Nigeria's small businesses*, Carnegie Endowment for International Peace, Washington DC.
- Persson, A, Rothstein, B & Teorell, J 2013, 'Why anticorruption reforms fail - systemic corruption as a collective action problem', *Governance*, vol. 26, no. 3, pp. 449-471. <https://doi.org/10.1111/j.1468-0491.2012.01604.x>
- Prasad, M, Da Silva, MBM & Nickow, A 2019, 'Approaches to corruption: a synthesis of the scholarship', *Studies in Comparative International Development*, vol. 54, no. 1, pp. 96-132. <https://doi.org/10.1007/s12116-018-9275-0>
- Rose-Ackerman, S 1978, *Corruption: a study in political economy*, Academic Press, New York.
- Rose-Ackerman, S & Palifka, BJ 2016, *Corruption and government: causes, consequences, and reform*, Cambridge University Press, Cambridge.
- Rose, R & Peiffer, C 2019, *Bad governance and corruption*, Palgrave Macmillan, Cham.
- Sahara Reporters 2006, *How El-Rufai did the Pentascope deal*, viewed 10 May 2019, <<http://saharareporters.com/2006/03/12/how-el-rufai-did-pentascop-deal-the-newssaharareporters>>
- Schneider, P & Bose, G 2017, 'Organizational cultures of corruption', *Journal of Public Economic Theory*, vol. 19, no. 1, pp. 59-80. <https://doi.org/10.1111/jpet.12174>
- Socio-Economic Rights and Accountability Project (SERAP) 2017, *From darkness to darkness: how Nigerians are paying the price for corruption in the electricity sector*, SERAP, Ikeja.

- Sutherland, E 2018, 'Bribery and corruption in telecommunications – the case of Nigeria', *Digital Policy, Regulation and Governance*, vol. 20, no. 3, pp. 244–272. <https://doi.org/10.1108/DPRG-06-2017-0031>
- The Nigerian Voice 2010, *N3bn fraud: Court discharges ex-NERC commissioners*, viewed 16 June 2019, <<https://www.thenigerianvoice.com/news/34643/3/n3bn-fraud-court-discharges-ex-nerc-commissioners.html>>
- Torsello, D 2018, 'Organizational culture and corruption', in DC Poff & AC Michalos (eds.), *Encyclopedia of business and professional ethics*, pp. 1–5. https://doi.org/10.1007/978-3-319-23514-1_136-1
- Transparency International (TI) 2018, *What is corruption?*, viewed 28 June 2019, <<https://www.transparency.org/what-is-corruption>>
- Warami, U 2019, 'Why Nigeria's economy cannot grow – Dangote', *Vanguard*, 10 June, viewed 12 June 2019, <<https://www.vanguardngr.com/2019/06/why-nigerias-economy-cannot-grow-dangote/>>
- Yahaya, A & Muideen, U 2019, 'Corruption, governance and national question in Nigeria', *Kampala International University Journal of Social Sciences*, vol. 5, no. 1, pp. 95–106.

Chapter 12

- Ara, F & Khan, MMR 2006, 'Good governance: Bangladesh perspective', *The Social Sciences*, vol. 1, no. 2, pp. 91–97.
- Arbuckle, JL & Wothke, W 2006, *Amos 7.0 users guide*, Small Waters Corporation, Chicago.
- Azmat, F & Coghill, K 2005, 'Good governance and market-based reforms: a study of Bangladesh', *International Review of Administrative Sciences*, vol. 71, no. 4, pp. 625–638.
- Dhiraj Kumar, N 2004, *Guide lines for good governance*, CIRDAP, Dhaka.
- Goel, RK, Mazhar, U & Nelson, MA 2016, 'Corruption across government occupations: cross-national survey evidence', *Journal of International Development*, vol. 28, pp. 1220–1234. <https://doi.org/10.1002/jid.3040>.
- Heywood, P 2016, 'Anti-corruption: bridging the gap between research and policy-making', *British Academy Review*, November, pp. 9–12.
- Holmbeck, GN 1997, 'Toward terminological, conceptual, and statistical clarity in the study of mediators and moderators: examples from the child-clinical and pediatric psychology literatures', *Journal of Consulting and Clinical Psychology*, vol. 65, no. 4, pp. 599–610. <https://doi.org/10.1037/0022-006X.65.4.599>
- Organisation for Economic Co-operation and Development (OECD) 2010, *Organisation for economic co-operation and development, strategies to improve rural service delivery*, viewed 12 December 2012, <www.oecd.org/publishing/corrigenda>
- Richard, R & Peiffer, C 2018, *Bad governance and corruption*, Springer, London.
- Robinson, M 2007, 'Introduction: decentralising service delivery? Evidence and policy implications', *IDS Bulletin*, vol. 38, no. 1, pp. 1–6. <https://doi.org/10.1111/j.1759-5436.2007.tb00332.x>
- Rodríguez, PG, Burguete, JLV, Vaughan, R & Edwards, J 2009, 'Quality dimensions in the public sector: municipal services and citizen's perception', *Journal of International Review on Public and Non-Profit Marketing*, vol. 6, no. 1, pp. 75–90. <https://doi.org/10.1007/s12208-009-0030-0>
- Rotberg, R 2014, 'Good governance means performance and results', *Governance*, vol. 27, no. 3, pp. 511–518. <https://doi.org/10.1111/gove.12084>
- Sachdev, SB & Verma, HV 2004, 'Relative importance of service quality dimensions: a multisectoral study', *Journal of Services Research*, vol. 4, no. 1, pp. 93–116.
- Senthilkumar, N & Arulraj, A 2011, 'SQM-HEI determination of service quality measurement of higher education in India', *Journal of Modelling in Management*, vol. 6, no. 1, pp. 60–78. <https://doi.org/10.1108/17465661111112502>

- The Australian Government's Overseas Aid Program 2000, *Good governance: guiding principles for implementation*, Australian Aid, Canberra.
- Wan Yusoff, WZ, Ismail, M & Newell, G 2008, 'FM-SERVQUAL: a new approach of service quality measurement framework in local authorities', *Journal of Corporate Real Estate*, vol. 10, no. 2, pp. 130-144. <https://doi.org/10.1108/14630010810905633>
- Wohlmuth, K 1999, 'Good governance and economic development in Africa: an introduction', in K Wohlmuth, HH Bass & F Messner (eds.), *Good governance and economic development*, Lit Verlag, Munster, p. 3.

Chapter 13

- Bakre, OM & Lauwo, S 2016, 'Privatisation and accountability in a "crony capitalist" Nigerian state', *Critical Perspectives on Accounting*, vol. 39, pp. 45-58. <https://doi.org/10.1016/j.cpa.2016.01.003>
- Centre for Aviation 2019, *Africa Aviation Outlook 2019: change may be in the air - at last*, 1 February 2019, viewed 05 October 2020, <<https://centreforaviation.com/analysis/airline-leader/africa-aviation-outlook-2019-change-may-be-in-the-air--at-last-457938>>
- Crosby, BC & Bryson, JM 2018, 'Why leadership of public leadership research matters: and what to do about it', *Public Management Review*, vol. 20, no. 9, pp. 1265-1286. <https://doi.org/10.1080/14719037.2017.1348731>
- Dithebe, K, Aigbovboa, CO, Thwala, WD & Oke, AE 2019, 'Factor analysis of critical success factors for water infrastructure projects delivered under public-private partnerships', *Journal of Financial Management of Property Construction*, vol. 24, no. 3, pp. 338-357. <https://doi.org/10.1108/JFMPC-06-2019-0049>
- Dlamini, M 2020, 'Privatization of SOEs will make poor black people poorer', *News 24*, 28 January, viewed 01 February 2020, <<https://www.news24.com/news24/Columnists/GuestColumn/mcebo-damini-privatisation-of-soes-will-make-poor-black-people-poorer-20200128>>
- Editorial 2020, 'Spending N120b annually on idle refineries?', *The Guardian*, 07 September, viewed 08 September 2020, <<https://guardian.ng/opinion/spending-n120b-annually-on-idle-refineries/>>
- Estrin, S & Pelletier, A 2018, 'Privatization in developing countries: what are the lessons of recent experience?', *The World Bank Research Observer*, vol. 33, no. 1, pp. 65-102. <https://doi.org/10.1093/wbro/lkx007>
- Fagbadebo, OM 2019a, 'Corruption and the challenge of accountability in the post-colonial African states: a discourse', *Journal of African Union Studies*, vol. 8, no. 1, pp. 9-32. <https://doi.org/10.31920/2050-4306/2019/v8n1a1>
- Fagbadebo, OM 2019b, 'Corruption, governance and political instability in Nigeria: a dysfunctional conundrum', in AG Mag & KN Bhatt (eds.), *Current research in education and social studies*, vol. 1, Book Publisher International, West Bengal, pp. 55-68. <https://doi.org/10.9734/bpi/cress/v1>
- Federal Republic of Nigeria 1981, *Report of the presidential commission on parastatals*, Federal Government Printer, Lagos.
- Federal Republic of Nigeria 1982, *Views of government of the federation on the report of the presidential commission on parastatals*, National Assembly Press, Lagos.
- Federal Republic of Nigeria 1984, *The report of the study group on statutory corporations, state-owned companies and public utilities*, Government Printers, Lagos.
- Federal Republic of Nigeria 1985, *Views of the government of the federation on the report of the study group on statutory corporations, state-owned companies and public utilities*, Government Printers, Lagos.
- Gilbert, P 2020, 'Telkom SA's profit falls despite mobile success', *Connecting Africa*, 22 June, viewed 23 June 2020, <http://www.connectingafrica.com/author.asp?section_id=761&doc_id=761862>
- Gossel, S 2019, 'How SA's broken state-owned companies made the "new dawn" a fake resurrection', *News 24*, 28 March, viewed 29 March 2019, <<https://www.news24.com/fin24/opinion/how-sas-broken-state-owned-companies-made-the-new-dawn-a-fake-resurrection-20190328-2>>

- Gumede, W 2018, 'Positioning Africa's SOEs to deliver on the developmental mandate', a policy brief presented at the African network on corporate governance of state-owned enterprises held in Le Meridien, Mauritius, 08-09 November.
- Holdt, KV 2019, 'Why corruption in South Africa isn't simply about Zuma and the Guptas', *The Conversation*, 07 March, viewed 08 March 2019, <<https://theconversation.com/why-corruption-in-south-africa-isnt-simply-about-zuma-and-the-guptas-113056>>
- House of Representatives Committee on Privatization and Commercialization 2009, *Report*, National Assembly Press, Abuja.
- International Finance Corporation (IFC) 2018, *Corporate governance of state-owned enterprises*, viewed 12 January 2019, <www.ifc.org/corporategovernance>
- Joseph, RA 1991, *Democracy and prebendal politics in Nigeria: the rise and fall of the second republic*, Spectrum Books, Ibadan.
- Kavishe, N & Chileshe, N 2019, 'Critical success factors in public-private partnerships (PPPs) on affordable housing schemes delivery in Tanzania: a qualitative study', *Journal of Facilities Management*, vol. 17, no. 2, pp. 188-207. <https://doi.org/10.1108/JFM-05-2018-0033>
- Khan, FU, Zhang, J, Usman, M, Badulescu, A & Sial, MS 2019, 'Ownership reduction in state-owned enterprises and corporate social responsibility: perspective from secondary privatization in China', *Sustainability*, vol. 11, no. 1008, pp. 1-13. <https://doi.org/10.3390/su11041008>
- Lodge, T 2018, 'State capture: conceptual considerations', in M Meirotti & G Masterson (eds.), *State capture in Africa: old threats, new packaging*, EISA, Johannesburg, pp. 13-28.
- Mahlaka, R 2019, 'Telkom's turnaround shows potential for privatizing tax-guzzling SOEs', *Daily Maverick*, 28 May, viewed 29 May 2019, <<https://www.dailymaverick.co.za/article/2019-05-28-telkoms-turnaround-shows-potential-for-privatising-tax-guzzling-soes/>>
- Majavu, M 2020, 'Corruption in South Africa: echoes of leaders who plundered their countries', *The Conversation*, 23 January, viewed n.d., <<https://theconversation.com/corruption-in-south-africa-echoes-of-leaders-who-plundered-their-countries-130136>>
- Mbo, M & Adjasi, C 2017, 'Drivers of organizational performance in state owned enterprises', *International Journal of Productivity and Performance Management*, vol. 66, no. 3, pp. 405-423. <https://doi.org/10.1108/IJPPM-11-2015-0177>
- Meirotti, M 2018, 'Introduction', in M Meirotti & G Masterson (eds.), *State capture in Africa: old threats, new packaging*, EISA, Johannesburg, pp. 1-10.
- Mkhabela, M 2020, 'Reshaping SOEs to align to South Africa's developmental mission', *IOL*, 22 June, viewed n.d., <<https://www.iol.co.za/business-report/opinion/reshaping-soes-to-align-to-south-africas-developmental-mission-49710822>>
- Moyo, A 2018, 'Mobile revenue boosts Telkom as BCX woes continue', *IT Web*, 13 November, viewed 14 November 2018, <<https://www.itweb.co.za/content/KA3Wwqdl8xqrydZ>>
- Mikailu, AS & Yaqub, NO 1999, 'The problems of the public enterprise system in Nigeria: capitalist privatization of management along Islamic lines?', *Intellectual Discourse*, vol. 7, no. 1, pp. 1-26.
- Mutize, M & Tefera, E 2020, 'The governance of state-owned enterprises in Africa: an analysis of selected cases', *Journal of Economics and Behavioral Studies*, vol. 12, no. 2, pp. 9-16. [https://doi.org/10.22610/jeb.v12i2\(J\).2992](https://doi.org/10.22610/jeb.v12i2(J).2992)
- Mzekandaba, S 2018, 'Government shelves plans to sell Telkom stake', *IT Web*, 14 November, viewed 15 November 2018, <<https://www.itweb.co.za/content/KzQenqj8ZD37Zd2r>>
- National Treasury, Republic of South Africa 2019, *Budget review*, viewed n.d., <<http://www.treasury.gov.za>>
- National Treasury, Republic of South Africa 2020, *Supplementary budget review 2020*, viewed 12 January 2021, <<http://www.treasury.gov.za/documents/national%20budget/2020S/review/FullSBR>>
- Okpi, A 2020, 'Factsheet: the challenge of keeping Nigeria's lights on', *Africa Check*, 18 November, viewed 19 November 2020, <<https://africacheck.org/factsheets/factsheet-challenge-keeping-nigerias-lights/>>

- Olowosejeje, SA 2020, 'What Nigeria's poor power supply really costs and how a hybrid system could work for business', *The Conversation*, 22 September, viewed 23 September 2020, <<https://theconversation.com/what-nigerias-poor-power-supply-really-costs-and-how-a-hybrid-system-could-work-for-business-144609>>
- Onuoha, BC, Umoh, ED & Ufomba, H 2017, 'The impact of the politics of privatization and commercialization of public enterprises in Nigeria on the level of productivity and economic viability: the case of ALSCON and NITEL', *Asian Development Policy Review*, vol. 5, no. 1, pp. 43-55. <https://doi.org/10.18488/journal.107/2017.5.1/1071.43.55>
- Organisation for Economic Co-operation and Development (OECD) 2012, *Recommendation of the council on principles for public governance of public-private partnerships*, viewed 23 April 2019, <<https://www.oecd.org/governance/budgeting/PPP-Recommendation.pdf>>
- Organisation for Economic Co-operation and Development (OECD) 2014, *OECD foreign bribery report: an analysis of the crime of bribery of foreign public officials*, OECD Publishing, Paris. <https://doi.org/10.1787/9789264226616-en>
- Organisation for Economic Co-operation and Development (OECD) 2015a, *OECD guidelines on corporate governance of state-owned enterprises, 2015 edition*, OECD Publishing, Paris. <https://doi.org/10.1787/9789264244160-en>
- Organisation for Economic Co-operation and Development (OECD) 2015b, *South Africa policy brief*, viewed 23 June 2017, <www.oecd.org/southafrica>
- Organisation for Economic Co-operation and Development (OECD) 2020, *OECD economic surveys: South Africa 2020*, viewed 03 January 2021, <https://www.oecd-ilibrary.org/economics/oecd-economic-surveys-south-africa_2218614x>
- Phi, NTM, Taghizadeh-Hesary, F, Tu, CA, Yoshino, N & Kim, CJ 2019, *Performance differential between private and state-owned enterprises: an analysis of profitability and leverage*, ADBI Working Paper 950, Asian Development Bank Institute, Tokyo.
- Piper, L & Charman, A 2018, *Tenderpreneur (also tenderpreneurship and tenderpreneurism)*, viewed 15 June 2019, <https://www.researchgate.net/publication/326990577_Tenderpreneur_also_tenderpreneurship_and_tenderpreneurism>
- Privatization Barometer 2015, *The PB report 2014/2015*, viewed 17 August 2017, <http://www.privatizationbarometer.com/PUB/NL/5/5/PB_AR2014-2015.pdf>
- Rubio, DF & Andvig, E 2019, 'Serious about sustainability? Get serious about corruption', *World Economic Forum*, 23 September, viewed 25 November 2019, <<https://www.weforum.org/agenda/2019/09/serious-about-sustainability-get-serious-about-corruption/>>
- Schoeller, MG 2017, 'Providing political leadership? Three case studies on Germany's ambiguous role in the Eurozone crisis', *Journal of European Public Policy*, vol. 24, no. 1, pp. 1-20. <https://doi.org/10.1080/13501763.2016.1146325>
- Senate Ad Hoc Committee on Privatization 2011, *Senate investigation of BPE*, National Assembly, Abuja.
- Senate Committee on Privatization and Commercialization 2009, *Report*, National Assembly, Abuja.
- Senate Committee on Privatization and Other Related Matters 2008, *Senate investigates sale of national assets*, National Assembly, Abuja.
- Thambo, S 2020, 'OPINION: SOE's must stay state-controlled and out of the hands of business', *News24*, 28 January, viewed 23 March 2020, <<https://www.news24.com/news24/columnists/guestcolumn/opinion-soes-must-stay-state-controlled-and-out-of-the-hands-of-business-20200128>>
- The Herald 2020, *Editorial comment: state enterprises' reform will benefit all*, 06 November, viewed 07 November 2020, <<https://www.herald.co.zw/editorial-comment-state-enterprises-reform-will-benefit-all/>>
- United States Agency for International Development (USAID) 2020, *Nigeria: Power Africa fact sheet*, viewed n.d., <<https://www.usaid.gov/powerafrica/nigeria#>>

References

- World Bank 2017, *Africa's pulse: an analysis of issues shaping Africa's economic future*, World Bank, Washington DC.
- World Bank 2018, *Combating corruption*, viewed n.d., <<http://www.worldbank.org/en/topic/governance/brief/anti-corruption>>
- World Investment Report (WIR) 2017, *World investment report: investment and the digital economy*, United Nations Publication, New York.
- Xie, E & Redding, KS 2018, 'State-owned enterprises in the contemporary global business scenario: introduction', *International Journal of Public Sector Management*, vol. 31, no. 2, pp. 98-112. <https://doi.org/10.1108/IJPSM-01-2018-0015>
- Zuniga, N 2020, 'Grand corruption and tailor-made laws: explaining state capture in the Western Balkans and Turkey', *paper presented at the virtual 19th International anti-corruption conference (IACC)*, 30 November-05 December.

Index

A

accountability, 14, 20, 23–25, 29, 31, 34–35, 40–44, 87–91, 93–100, 103–104, 106, 126–127, 132–134, 136, 141–142, 150, 162–163, 168–169, 179–180, 183–184, 190–191, 194, 205, 208, 210–211, 215, 217–222

Africa, 11–16, 18, 20–25, 27–28, 30–32, 36–38, 42, 44, 47–48, 50, 52, 54–56, 58, 60, 62–68, 70, 72, 74–76, 78, 80, 82, 84–88, 90, 92–100, 104–106, 109–110, 112–114, 116–119, 128–134, 136–143, 145–146, 148–149, 156, 161, 164, 166, 169, 173, 175, 177, 190, 193, 195, 207–212, 214–222

B

bureaucracy, 33, 47–58, 60–66, 102, 136, 170

C

citizen, 34–35, 41, 119–120, 122, 124–126, 128, 159, 173, 196–198, 201–203

contract bidding, 100

corruption, 13, 15, 18, 20–25, 27–33, 35–45, 47–56, 58–66, 86–94, 96–106, 109–111, 113–124, 126–130, 132, 134, 136–143, 145–152, 154, 156, 158–160, 162–174, 176–191, 194, 204, 208–212, 215–218, 220, 222

crisis of governance, 22, 210

D

delivery, 11–12, 14, 16, 18, 20–25, 27, 30, 34–36, 40, 44–45, 47, 67, 87–88, 100, 109, 116–117, 119–120, 122–130, 132–134, 136, 138–140, 142–143, 145–146, 148, 150–152, 154, 156, 158, 160–178, 180, 182, 184, 186, 188, 190, 193–195, 207, 209–210, 212, 215, 218, 221–222

direct exporters, 57–60, 62, 64–66

E

economics, 11, 27, 47, 67, 87, 109, 119–120, 129–130, 142, 145, 161–162, 164, 166–168, 170, 172, 174–175, 193, 207

EFCC, 122, 183–184, 189

embezzlement, 122, 127, 138, 171, 174, 184–185, 189

employment growth rate, 75–78

enterprise dynamics, 67–68, 70, 72, 74, 76, 78, 80, 82, 84–86

ethics, 97–98, 106, 115, 133, 136, 146, 162, 168, 170, 184, 221

exporting, 47–52, 55–56, 58, 60–62, 64–66, 73, 83

F

firm age, 53, 59–62, 69, 71–72, 74, 76–77, 79–81, 83

firm size, 51, 53, 57, 68–69, 71–74, 77, 79–81, 85

firms, 16, 18, 32–33, 47–66, 68–86, 104, 109, 111, 130, 180, 214

G

Ghana, 18–20, 63, 84, 99, 145–158, 188, 191, 208, 217

governance, 14–16, 18, 20–23, 27–37, 40–45, 87–103, 106–107, 111, 115, 118–119, 123–126, 128–134, 138, 140–141, 143, 146, 148, 150, 168, 171, 176–177, 180, 182, 184, 188–190, 193–196, 198, 200, 202, 204–205, 208–210, 212–215, 218, 220–222

government, 13–25, 27–45, 48, 50, 53–55, 57–59, 64, 66, 79, 86–91, 93–96, 98–100, 104–106, 109–110, 114–123, 125, 127–134, 136, 138–143, 146–151, 157–160, 162–167, 169–178, 180–191, 193–196, 204–205, 208, 210–222

gross job creation rate, 72, 75–78, 80, 82–84, 86

gross job destruction rate, 72, 75–76, 78, 80, 83

H

human development, 127, 161, 175–176, 178, 180, 182, 184, 186, 188, 190, 194, 205, 209

I

India, 114, 169, 193–194, 196, 198, 200, 202, 204–205, 212

indirect exporters, 57–62, 64–66

institution, 33–34, 42, 132, 139–140, 142, 150, 152–157, 193

IV-probit, 54, 65

L

leadership, 101-103, 113, 120, 139, 146, 171-173, 194, 209-211, 222

M

Mauritius, 113, 119-122, 124, 126-128
mediating effects, 203
modelling, 198

N

Nigeria, 18, 22-24, 104, 116, 119-122, 124, 126-128, 175-176, 178, 180-191, 207-208, 211, 214-217
NITEL, 176, 185-187, 189

O

old firms, 59, 69, 72-73, 75-81, 85
oversight, 20, 24, 41, 43, 93, 95-96, 98, 100-101, 132, 134, 136, 138, 142, 171, 191, 210-211, 217, 221

P

participation, 34, 42, 49, 52, 61, 64-66, 104, 119-120, 122-126, 128, 131, 169, 178, 180, 216, 220
political interference, 21, 90, 94-96, 104, 132, 160, 189, 210, 218, 221
poor governance, 16, 90-91, 93-94, 103, 140, 146, 168, 194
poor service delivery, 18, 22, 36, 138-139, 173, 176
poverty, 17, 88, 120, 130, 137, 142, 150, 164, 169, 175, 177-178, 180, 182, 191, 194-195, 204-205, 218
power, 14, 16-17, 21, 23-24, 34, 36, 39, 56, 60-62, 65, 86, 88-89, 91-94, 105, 112-115, 124, 126, 137, 139, 147-149, 151, 157, 162-163, 165, 167, 170, 172, 175-178, 182-185, 189-190, 194, 207, 209-210, 217
private sector, 17-18, 20, 23, 30, 45, 179, 216
privatisation, 16, 25, 30, 88, 90, 116, 118, 176, 184-187, 208, 212-219
privatization, 214, 216-217, 219
procurement, 18, 20, 23, 25, 27-45, 87-94, 96-98, 100-106, 115, 118, 122, 129-130, 132-143, 145-170, 172-174, 181, 188, 191, 209, 222
public accounts, 43, 126, 152-157
public administration systems, 27-28, 30, 32, 34, 36, 38, 40, 42, 44
public enterprise, 133, 140, 163, 186
public management service, 195, 197-203

public procurement, 20, 27-45, 88-90, 94, 96-98, 100, 103-104, 115, 130, 133-138, 141-143, 145-151, 153-154, 156-160, 163-165, 167-170, 172, 188, 191
public sector, 16-18, 22-23, 25, 28, 30, 33, 36, 40-41, 44, 66, 87, 90-91, 100, 102, 114, 133-134, 145-146, 148, 150, 152, 154, 156, 158-160, 164, 171, 174, 176-179, 187-191, 194-195, 211, 214-220, 222
public service delivery, 11-12, 14, 16, 18, 20-24, 27, 30, 34, 40, 47, 67, 87-88, 109, 119, 129, 145, 151, 161-162, 164, 166, 168, 170, 172, 174-178, 180, 182, 184, 186, 188, 190, 193, 207, 209-210, 212, 215, 218, 221

R

report, 15, 20-22, 38, 96, 126, 130, 133-134, 138-141, 145, 151-157, 163-164, 175, 182-183, 208, 213, 219
revenue administration, 196-198, 200, 202-205
revenue, 22, 117, 140, 142, 152, 161-162, 166, 181, 186-187, 196-198, 200, 202-205, 213, 219
risk management, 99, 101, 103

S

self-selection, 48, 50, 64
service delivery, 11-12, 14, 16, 18, 20-25, 27, 30, 34, 36, 40, 44-45, 47, 67, 87-88, 109, 116, 119-120, 122-130, 132, 134, 136, 138-140, 142-143, 145-146, 148, 150-152, 154, 156, 158, 160-178, 180, 182, 184, 186, 188, 190, 193-195, 207, 209-210, 212, 215, 218, 221-222
service, 11-12, 14-16, 18, 20-25, 27-28, 30, 32, 34-36, 38-40, 44-45, 47, 54, 67, 87-88, 91, 102-104, 109, 113, 116, 119-120, 122-130, 132, 134-136, 138-140, 142-143, 145-148, 150-152, 154-158, 160-178, 180, 182, 184-186, 188, 190, 193-205, 207, 209-210, 212, 215-216, 218-222
South Africa, 11, 18, 20-21, 23, 68, 87, 92-93, 95-96, 99-100, 104, 109-110, 112, 114, 116-118, 129-134, 136-143, 149, 175, 193, 207-208, 211, 217-220
starters, 59-60, 72-73, 75-79, 83, 85-86
state capture, 18, 20-23, 99, 110-111, 117-118, 210-211, 218, 221
state of nature, 11-12
state, 11-24, 27, 32, 34, 39, 41-42, 47, 67, 69, 87-90, 92-94, 96-97, 99-104, 106, 109-124, 127, 129-140, 142, 145-147, 149-151, 159-162, 164-168, 170-172,

- 174-178, 181, 185-186, 188, 190, 193-194,
196, 202, 204-205, 207-208, 210-214,
216-222
- state-owned enterprises, 11-14, 16-22, 24,
27, 47, 67, 87-90, 96-97, 99, 101, 106,
109-110, 112-114, 116-119, 129-130, 132,
134, 136, 138-140, 142, 145, 161-162,
164-168, 170, 172, 174-175, 193, 207-208,
210, 212, 214, 216, 218, 220-222
- sunk costs, 50-52
- T**
- transparency, 18, 20, 24-25, 29, 31, 34-35,
42-44, 90-91, 96, 98-101, 103-104, 106,
116, 121, 126-127, 135, 146, 149-153, 155,
159, 162-163, 169-173, 176, 180, 184, 194,
205, 208, 210, 220-221
- Y**
- young firms, 59, 70, 72-73, 75-86

Governments across the world are constantly searching for ways to improve governance, public sector accountability and public service delivery. This impressive book covers many of the questions that get asked in this search. The book provides an impressive assessment of country governance contexts, and offers insights into various contextual factors that engender the failure of governments in the delivery of public services. It offers insightful scholarly assessments of the crisis of governance in Africa and grapples with the vexing questions and wicked problems of pervasive corruption, procurement, collapsed service delivery and collapsed state-owned enterprises. The book assesses and analyses state-owned enterprises in Africa and how the nature of the state impacts on public administration. The effect of bureaucratic inefficiency on export orientation and the dynamics associated with enterprises and job creation in Africa are elaborately tackled. The book further provides a thorough exposition and analysis of the pillars supporting corruption in procurement practices, cost of state-owned enterprise failure, procurement in state-owned enterprises, and citizen participation in service delivery. Thanks to the well-structured chapters by leading scholars, analysts and researchers, we now have a comprehensive framework of reference to assess the practices and challenges associated with the performance of state-owned enterprises from different perspectives and contexts, often in the heat of governance crises often experienced in many African countries. This timely book is indeed a rich source for scholars in Public Administration and Management and related disciplines. This well-written book will inspire and inform governance, ethics and accountability, and reform thinking across Africa and the developing world for many years to come.

**Dr Mpumelelo Ndlovu, Department of Public Administration,
Faculty of Management and Commerce, University of Fort Hare, Alice, South Africa**

This is a thought-provoking outline of one of Africa's major problems — CORRUPTION. The reader is taken on a heart-wrenching journey through the economics of state-owned enterprises across the continent. It unpacks the rippling effects of corruption, first by a broader continental perspective and then a deeper perspective and analysis of specific case studies. Lastly, it provides insights on how state-owned enterprises have devastated economies, specific details that are hard to ignore and which hit like a ton of bricks. Worth mentioning is that the book seals the deal by outlining alternative ways to manage and ultimately mitigate corruption. This book is particularly successful in linking corruption to variables such as unemployment (amongst others), bringing one closer to the reality and the manifestation of the problem. Good governance, for which a prerequisite is accountability (one of many), should prevail. This book is indeed a much-needed confirmation that something has got to give, if we are to succeed as a people.

**Prof. Nolubabalo Lulu Magam, Department of International and Public Affairs,
Faculty of Humanities, University of KwaZulu-Natal, Pietermaritzburg, South Africa**



Open access at
[https://doi.org/10.4102/
aosis.2022.BK270](https://doi.org/10.4102/aosis.2022.BK270)



ISBN: 978-1-77634-236-5