The Anatomy of Privatization Programme in Nigeria, Matters Arising

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Abstract
The paper traced the origin and reasons for privatization programme in Nigeria to the alleged sorry state and the depressing picture of inefficiency and low productivity.
services. The paper went on to state that 28 years have passed since the programme was inaugurated, Nigerians are yet to fully realize the benefits of privatization programme. The management corruption and inefficiency are still the order of the day. The paper was of the opinion that it is the same corrupt leaders who mismanaged those public enterprises that are clamouring for the sale of them, they are the same people who purchased them at very low prices. The paper concludes by saying that the programme only afforded some corrupt leaders and their foreign collaborators in advanced countries of the world the opportunities to acquire those properties at the detriment of the average Nigerian, meanwhile the purpose and objectives of the programme are still hanging on the air. In recommendation, the paper draws attention of the Government to the number of people who have lost their jobs as a result of privatization. Finally, the programme can be good or bad depending on the type of people who operate it. There are certain establishments that should not be privatized, since most of them are the base of the Nations respect and integrity.

Key Words: Privatization, economic depression, corruption, inefficiency and underdevelopment

Introduction

Nigeria embarked on privatization policy since 1988, 28 years have passed, to what extent Nigeria and the general public can say they have realized from the purpose and benefit of privatization programme. The main reason for privatization is for economic growth and development, to reduce waste so as to encourage development of the economic sectors. Bakere (2011) stated that the nature of the public sectors in Nigeria before privatization was very bad and he went on to explain the sorry state of public enterprises in Nigeria, the depressing picture of inefficiency, low productivity, losses, budgetary burden and poor productivity services.

The 28 years have passed since the policy was initiated, Nigerians cannot fully say that the objectives of the privatization programme have been realized. The high expectation of the programme to deliver and bail Nigeria out of its economic decay and quagmire have not been realized (Jerome, 2005). The situation in Nigeria that led, to the programme have not changed corruption is still the order of the day and in fact gone beyond remedy. The objectives of fostering economic growth, attaining macroeconomic stability, and reducing public sector borrowing arising from corruption, subsidies and subvention to unprofitable establishment have not really reduced and in fact have not stopped. Can the Nigerian government state catatonically that the low performance, inefficiency and lack of control of the public enterprises that gave room for the privatisation programme have not stopped?

According to Etieybo (2011), privatization was meant to transfer the ownership and control of public enterprises to private individuals as a remedy to the perennial problems of public enterprises. However, this programme of transfer was carried out
by the Obasanjo administration since 1999. The programme only afforded some big personalities in Nigeria the opportunity to acquire those properties for themselves at very cheap prices, but meanwhile the purpose and objectives of the policy is still hanging on the air. The purpose of public enterprise was often established and used as instruments for the pursuit of distributional goals and to create employment.

The question one would naturally ask is, how have the programme fared? Underdevelopment, poverty and unemployment which have become the order of the day take root in Africa and Nigeria to be specific Most developing countries including Nigeria are now in a mess due to bad government lack of development poor planning, economic down turn and political crises. The major reason was because of the imperialist who introduced a lot of economic policies to favour themselves and encourage the under developed countries to continue to borrow as they continue to borrow, they are subjected to a lot of conditions that make them to become dependent on these imperialist countries for survival. It has become clear and understandable that the role of these, multinational financial institutions such as IMF and world bank are agents of the colonial masters the African countries economies are the least developed in the world because they were advised to continue to borrow hence the economic sovereignty of these countries are guided by the dictates of international capital, sometimes, these imperialist nations release loans and other forms of aids to the underdeveloped countries to show that they are concerned, this is only a deceit and window dressing.

Even when they encourage the third world countries to increase their agricultural product and go to the farm as a way of getting out of their economic problems, this is also a form of continued deceit and a way of cheating to make them remain underdeveloped. The unequal exchange rate and trade relations between the developing and industrialized nations and the over dependence on financial aid and investment results into debt burden of virtually most developing countries could not allow them to survive. Hence dependence, over borrowing and poverty becomes the order of the day. That notwithstanding, the fact that most of these underdeveloped countries remain primary products exporting countries and finished products importing ones have compounded the problem. The Third world countries have always involved themselves in postponing the evil days. In a short while and for a temporary period, borrowing allows the government to finance investment and infrastructural projects which increases future output many a time this has brought and untold hardship on the developing countries because this would lead to an accumulation of foreign debt to the extent where the nations will be trapped and where repayment of debt will place them on a cage they will not easily come out. They will find themselves paying interest on loans for years without end.

Statement of the Problem
Privatization was meant to bring solution to the dwindling output of the public enterprises by offering a reduction or total withdrawal of public sector intervention in economic activities. This will bring about the relinquishment of part or all of the equity and other interest held by the government or its agencies. It will offer or bring about a reduction of government expenditure on economic activities and transferring such huge public assets, investment to the private sector of the economy for proper and better administration and management (Bakere, 2011). Privatization becomes necessary because of depressing, unproductive, corruption and inefficiency in productivity and losses. Hence the government was driven to cut down the economic responsibilities, management contract and downsizing of the enterprises. Rweyemanu and Hyden (1975) were of the opinion that a typical public enterprise that has lost its glory was the Nigerian Railway corporation. They stated that between 1960 and 1965 the Nigeria Railway corporation alone had 13 enquiries into its activities and in 1965, it had a deficit of N7 million which made the World Bank to describe its finances as disastrous.

But today after the policy has been implemented has the situation changed? There are week private capital sector investment failures, such also is notified in the private sector, market failure in infrastructure and unemployment rate have increased more than before. Most of them their performance has been very low and disappointing, there is equally low return to capital investment, the returns have been used by the chief executives for private ends and political pursuits. The desires of most Nigerians have not been met, the desired benefit of privatization have not been realized. To some, it appears that the privatization programme was just a mere change of ownership without a change in orientation or how else can one explain the accumulated cost of debt and unpaid salaries of most of these private establishments. In fact, the privatization policy has become a programme to enrich certain few politicians and individuals who have access to purchasing these government establishment at a very low cost there by enriching themselves and impoverishing the majority of the public. If this is not true how one could justify the accumulated cost and debt of N25 million in Hotel bills owned by NITEL for the stay of its managing Director in NICON Hilton Hotel (The Sun Newspaper of 10th June, 2007). Some have questioned, whether this was not the type of wastage that characterized the public enterprises which privatization sets out to correct.

The whole essence of privatization according to Edozien and Adeoje (1994) is for structural adjustment programme which involves redefining the role of the state by disengaging the state from those activities which are best performed by the private sector. It is a political process that is implemented as an economic activity. Experience in Nigeria in recent times has shown that the private adjustment programme in Nigeria has failed the masses. The private owned institutions that should have been the force that drives the economy forward have fallen below expectation. Some have even collapsed and the employed workers retrenched and sacked if one should take a look
or study of most of those government establishments privatized how many of them now still functioning and working up to expectations? Is it the NITEL the NEPA or some refineries? Although most of these corporations and enterprises were sold to the same people who were clamouring for its privatization. Also, they allocated and shared it among themselves. They were the same people who made sure that they do not perform well so that they could buy it for themselves. Hence the circle of poverty and economic stagnation and underdevelopment continued.

As they were able to price them very low and purchase them for themselves, one would have expected them to manage it well and increase the level of economic growth and development, thereby increasing the number of youth employment, the opposite is now the case. They only jumped on the benefit and financial aspect of the gain living other areas like the expansion and increasing the level of structural growth and economic development. Hence, the whole purpose of privatization designed to correct microeconomic trends which are preventing the economy from moving in the directions that is optimal in relation to the dynamic comparative advantage of the economy. Thus, putting in place appropriate private economic policies in such a way that the resources allocation employment, income and resource mobilization will function well. This would also involve other economic stabilization measures such as reduction of balance of payment deficit, debt, rescheduling, and proper regulation of money supply, reduction of subsidies and control of speculative money flow as well as overall wage policy have failed.

**Theoretical Framework of Analysis**

The purpose of a theory is to make issues clearer, guide the research study and to create understanding of the relationship between phenomena. One of the best theorist to explain the need for state intervention in economic affairs is the Neo-classical and Marxist postulations, which believe that the state serves the interest of the dominant class; their believe is that the state intervention will bring about a wide range of complementing activities as to achieve rapid industrial growth and development. It stated that if concrete action is taken by the state the economic activities will be distributed in such a way that benefit will be achieved, unlike when it is in the hand of the private individual.

Hirschman (2000) was of the view that the state has the capacity to create action and to establish infrastructures that will generate technological development programmes that will provide certain social welfare to sustain and stabilize the economy. The Neo-classical theorists believe that even in the newly industrialized countries (NICS) the state has played a crucial role in their developments and not the private individuals. However even in the underdeveloped countries of the world where facilities and information network is poor, the presence and decision of the private economic agents
may be short-sighted and not good enough to bring about the desired change, hence wastage and inefficiency might be the order of the day.

Justifying the state intervention in economic activities as against privatization, the market failure theory was propounded to make a case for government involvement in enterprises. The disarticulations and distortions which are noticed in form of imperfect information, inequalities of goods and services, pressures from international competition in the internal and external markets and fear of large scale unemployment in the sensitive areas of the economy that prevent the market from achieving optimal performance can only be meliorated and handled by the government. Where all these exist, some forms of public ownership and intervention become very crucial and justified.

The Liberal theories as stated by Galbraith and Samuelson (2004) were not very comfortable with the efficiency of the market system in managing and allocating resources for national development. Samuelson in justifying the need for government intervention posited that consumers are induced to buy the goods they do not want as a result of heavy advertising and at a cost that is prohibited. He went on to state that, the promotional cost is added to the production cost thereby increasing the price the ultimate consumers pay for the goods and services. On his own part, Galbraith (2004) suggested that due to the limitations of the price system, there is need for government’s intervention and this they can achieve by introducing private activity regulation subsidization policy and strict ministerial control. The theory recommends and accepted government intervention by establishing public enterprises to produce essential goods and services, the production of which the private sector may not invest their resources on.

The public choice theory: This was so referred to in assumption that the only thing it recognizes is essentially the private. According to Starr (2000), those who are seeking benefit or interest from the government join together to get favourable legislation enacted. Rather than being particularly needy, these groups are likely to be those whose big stake in a benefit arouses them to more effective action than is taken by the tax payers at Large over whom the cost are spread. It means that individual with concentrated interest in increased expenditure take a free ride on those with diffuse interest in lower taxes. This theory was developed through studies of public management of land, water, forests and comparative analysis of public and private enterprises. The public choice theory indict public ownership and management. Public ownership according to this exponent leads to what has been termed “the tragedy of the commons” This mean that individuals acting out of rational self-interest abuse and ultimately destroy what is commonly owned but take good care of their own private property.
Thus, the dilemma of the common is applicable to any limited resources to which access is unlimited by fee or regulation. This makes publicly managed organizations suffer from worse management than privately owned ones. This is because value is dissipated through self-aggrandizing expansionary policies. Like the property rights theory or the public choice theory assumes that democratic politics have inherent tendencies towards government growth and excessive budgets.

Background Problems in Privatisation

All along, people have been complaining of lack of progress in government owned enterprises, the corruption that is prevalent in most of them that have crippled them and contributed for their not moving forward. The same people who are the architect of this corrupt act and who have perpetuated this evil are the same people clamouring for its privatization.

Hence, Abutudo (2002), perceiving privatization to be economic waste, stated that gains in welfare achieved in the first two decades of post-colonial Nigeria have almost been totally eroded.

This is because most of those expatriates who handed over these enterprises over, are in one form or the other coming back to take control of executive positions in most of those enterprises in major companies relinquished to Nigeria more than two decades ago under the guise of privatization. It is clear that it is not a question of the wholesale reassertion of foreign dominance of the economy that we are confronted with the country but with the psychological problem of doubt whether we are able and have the ability to manage our economic establishment well.

There reason is that public enterprises in Nigeria consume about ₦200 Billion of National Resources annually by way of grants, subsidies, imports duties, learners tax exemption etc. (El-Rufai, 2003). Public enterprises have also consumed over one-third of all the money made from the sale of oil since 1973 and the estimates of vision 2010 committee indicates that federal government investments in public enterprises stood at over US 100 Billion (one hundred Billion dollars) in 1974, thus resources that could have been directed at attacking poverty and other programmes that could benefit millions of Nigerians are wasted on a few public enterprises. These public enterprises were created to spearhead the development of Nigeria, but they now appear to serve as platforms for patronage and the promotion of political objectives and consequently suffer from operational interference by civil servants and political office holders.

The question that rightly put forward is that to what extent has the privatization programme carried out by the federal government of Nigeria helped to change the situation in our economy. The Apostles of privatization do not see the negative effects of privatization, which include, increase in the prices of goods and services. There is this lack of incentive for government to ensure that the enterprises they own are
efficient. The arguments of those who oppose the sale of public enterprises are that
government who run public enterprises poorly will lose public support and votes as
well. Moreover, where a firm lacks adequate information on external factors, on the
management of that establishment, it will still not be efficient and will not achieve
success in its operation irrespective of whether it is public or private.

If the government who is saddled with the responsibility to cater for the generality of
the people with its huge economic power and resources cannot run an establishment
well, there is no likelihood that the private individual who are handicapped in many
ways will do better. From the example, so far, have shown that the privatization has led
to so many people losing their jobs by way of retrenchment, increase in prices of goods,
pursuit of private and selfish interest in general welfare.

There is this, view that privatization have been one sided and certain individuals have
been denied the opportunity and liberty to choose because of lack of economic position.
Even the few privatized enterprises have shown that it leads to the concentration of
economic resources in the hands of private few. It makes the economy to be one sided,
since it is this same few rich people complaining that the enterprises were not doing
well, that mobilize the resources and purchase them for their own use hence the gap
between the rich and the poor continue to get wider.

**The Outcome of Privatization Programme**

The outcome of privatization policy in Nigeria so far has not been beneficial to most
Nigerians which the purpose of privatization was meant to benefit and protect. The
outcome and failure have been very great. Most people see the purpose as part and
parcel of the economic exploitation of the masses.

The third world countries including Nigeria embarked on the policy of privatization to
help them adjust to the economic expenses and market reform so as to deliver them
from the problem of structured imbalance. Many of them have not succeeded in
adjusting in their economy and moreover since the privatization policy originated from
the international creditor, some experts have come to believe whether this is not a
conforma
cion of colonial economic exploitation (Wikipedia, 2007).

The policy has continued to promote unemployment and retrenchment in most of these
establishments, hence a close look at the operation so far has shown that it has made
the poor to become poorer and reduces the majority of the people access to basic goods
and services through increase in prices of goods. Many have equally protested against
this, in the sense that not only a way to make them lose their jobs but against the purpose
by which most of those enterprises were established.

A proper consideration, or look at the many people that have lose their jobs or
retrenched, some did not see the policy of Privatization as a human development
oriented. While the purpose cannot be said to be genuine since it was sold to few
privileged Nigerians who have access to this government money hence this is a way of making few people rich at the expense of majority of Nigerians, who continued to be poor and poorer (Azelama, 2002).

The purpose of privatization, according to the policy, is that it is one of the conditions for the international community to assist the nations in its debt burden. Also, it will help reduce cost on the part of the Government and therefore create room for successful negotiations on external debts reschedule, refinancing and restructuring. However, what the people are arguing against privatization is that the mode and greed with which some of those who purchased these enterprises displayed, particularly those leaders who purchased them have made the genuineness and the ultimate purpose and efficiency of embarking on the privatization programme doubtful purpose and questionable. Oriakhi (2002) described these reforms of privatization as being responsible for mass unemployment and a fall in the standard of living of the people.

Factors that Gave Rise for Privatization

There is this general believe that government set up corporations in areas where investors and private individuals were not quite comfortable to invest on. The government reason for setting up corporations like electricity and others is because businessmen were unwilling because of the huge capital involved to set up such enterprises. Part of the reason is to bring about development in such areas and to create opportunities for employment.

Government also needs revenue, it is expected that these enterprises when established will bring money to the government and initiate development. That, notwithstanding it is also set up for security reasons, it will be very poor and improper to abandon such vast establishment to the hands of foreigners this in a way will continue the dependency and imperialism that the developing nations are fighting against with the underdeveloped nations able to handle these big establishments will show that they are really independent. The government also believed that privatization will bring about economic efficiency. It will reduce the burden on the dwindling resources of the government and bring about better rewarding system, organization and management through incentives, communication, collective bargaining and creativity.

It is long believed, that private establishments are better and efficiently manage than the public ones, therefore, privatization will increase private initiative, help to restructure the Nigerian economy, reallocate public fund to efficient users, create a self-sustaining culture, attract foreign investors, while the goods and services will reflect real value. The view is that privatization has greatly minimized the scope of political patronage in the board appointment. This is one of the areas where the government money and revenue is wasted. People sit down to collect the money which they never worked for.
The origin of privatization in Nigeria may be traced back to 1965. Rweyemanu and Hyden (1975) were of the opinion that the poor performance of public enterprises in Nigeria prompted the International Monetary Fund (IMF) to recommend privatization and commercialization programme for the developing countries including Nigeria as a way to escape from there problems. They stated that the loss-making enterprise have for many years been a drain in governmental resources in these countries. The Government for decades have dominated the business enterprises including the state-owned enterprises which reflected a desire to control after political control from enterprises have become so inefficient as exemplified by the services they rendered to the public notwithstanding the huge capital investment government still continue to pump in a lot of money into them.

Therefore, in the 1986 budget speech the federal Government Lamented of the poor performance and condition of public enterprises in the community over the years and revealed the desire on its part to privatize or commercialize these state enterprises. However, the policy was not implemented until 1988 due to problems and complexities involved in the privatization process. Therefore, in July 1988, the federal government promulgated the privatization and commercialization decree No.25 of 1988 as a level framework for implementing the policy. The decree also established the Technical Committee on Privatization (TCPC) which was inaugurated on 27 July 1988 and vested with the responsibilty of implementing the programme.

Looking at the above conditions for privatization, one could concluded that it is the wish of the so-called leaders who are corrupt and linked with the foreign capital that gave rise to privatization not necessarily because of their poor performance. For example, privatization is one of the conditionality’s of the International monetary fund (IMF) to assist the nations in its debt burden which the colonial masters were paid to the original creators, by handing over power to those who will make returns to them. The real people who have the fear and interest of their community at heart were not allowed. They stated that privatization will help reduce cost on the part of the government and therefore create room for successful negotiation on external debt rescheduling. Meanwhile none of the third world nations caught in this grip of debt burden easily comes out of it. They make sure that these nations bow down to their desire and choice which is almost another way of enslavement and imperialism.

**Conclusion**

The economic benefits of privatization notwithstanding, the outcome and effects of the programme on the generality of the people should also be put into consideration. No wonder some experts like Odukoya (2007) saw the move as the transfer of the economic power and resources base of the people to private capitalist interest, he further concludes that this situation necessarily whittles down the economic and political power of the citizenry in favour of the capitalist interest. However,
privatization may not be good or bad. What makes it bad is the greed and corruption displayed by the paid Nigerians Leaders in their quest to purchase those enterprises and failure which they have display to maintain and correct the inefficiencies noticed in these establishments which lead to their privatization has made the whole exercise questionable.

Fisher (2000) was of the opinion that public workers are efficient, competent and experienced and private sector employers doing the same work because they have longevity whereas the private sector is constantly paying for employee turnover. This turnover according to him leads to the damaging of an organizations learning capacity. While going by experience and consideration of all the government established enterprises that have been privatized, which one among them now one can obviously conclude that with the exception of this others are doing well. A close look at NEPA will show, that the same problems that lead to its privatization is still there despite the fact that a lot of workers have been laid off, the ecliptic nature of the organisation continues and many people still are facing over billing and crazy bills. The services rendered to the general public are still the same; there has not been any improvement. NITEL’s privatization is not an exception, the following problems exist. According to Ngex (2007), there was a general global down-turns in telecoms industry; financial weakness in several leading international telecoms operators due to over billing for 3G Licenses; weak domestic investment environment; lack of established benchmarks and precedents in terms of Nigerian telecoms investment; new and uncertain regulatory environment and unstable polity.

The whole benefits expected to be derived from the whole exercise have not been achieved. This is because the companies were not sold to the right people and the expected amount were not realised, those who purchased them were the same few Nigerians who are connected to power. Instead of the establishment moving forward, what we see is massive retrenchment of workers; complain of inefficiency and lack of provision of public demands and satisfaction.

The Way Forward

As stated earlier, privatization can be good or bad depending on the manner to which it is carried out. One of the ways that will make public establishment in Nigeria to perform well with respect to privatization programme is the removal of politicization. Every issue in Nigeria always comes with the wrong person being in charge. If the right people are allowed assess both in the operation and even in the privatization process the nation will received the benefit. But where the same people who are clamouring for its sale because they are close to the powers that be takes advantage of that and purchase it over, nothing will be achieved.

Corruption has been part and parcel of the Nigerian problem. This is why no policy actual works. It has eaten deep into our fabrics. If the issue of transparency and
accountability is taken serious note of in the sale of these public enterprises much will be realised, and even the reason why most of these establishment failed to work well is still the same issue of corruption. Those who caring out this process should be men of integrity and honest report and the money realised should be properly accounted for.

The fact is that, it is not because Nigerians want to privatize the government decided to privatize to satisfy certain opinion and demands of some people there are certain establishments that government should not privatize. Most of them are the base of the nation’s respect and integrity. The citizens should be allowed to have a stake in the economy.

Government should consider the number of people that have lost their jobs as a result of privatization. Government that is elected to protect the interest of the people should not be seen as destroying what they are there to protect.

As suggested earlier, privatization and commercialization are not the only way to expand and control the economy and makes it buoyant. Public enterprises are expected to pursue social objectives which can help to subsidize consumer goods and other necessities of life and help to create increase in output employment and not to retrench them. The financial performance must be accorded to public enterprises as a way of fulfilling non-economic objective. For the fact that certain leaders and corrupt people abused public enterprises does not remove the fact that public enterprises sectors are an important investment to promote income redistribution, and process of employment creation.

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