

# African Research Review

AN INTERNATIONAL MULTI-DISCIPLINARY JOURNAL,  
BAHIR DAR, ETHIOPIA

AFRREV VOL. 11 (3), SERIAL NO. 47, JULY, 2017: 153-161

ISSN 1994-9057 (Print)

ISSN 2070-0083 (Online)

DOI : <http://dx.doi.org/10.4314/afrrrev.v11i3.15>

---

## **The Anatomy of Privatization Programme in Nigeria: Matters Arising**

**Eke, Gabriel Favour**

Department of Political Science and Sociology

Western Delta University

Oghara, Delta State

Delta State, Nigeria

E-mail: [ekgabriel favour@gmail.com](mailto:ekgabriel favour@gmail.com)

Telephone: +2348056175436

.....

**Chiazor, Clementina Ngozi O.**

Department of Physiology

School of Basic Medical Sciences

College of Medicine

University of Benin

E-mail: [chiazorngozi@yahoo.com](mailto:chiazorngozi@yahoo.com)

Telephone: +2348025281553

### **Abstract**

The paper traced the origin and reasons for privatization programmes in Nigeria to the alleged inefficiency and low productivity services in the system. The paper went on to state that 28 years had passed since the programme was inaugurated, yet Nigerians are still to fully realize the benefits of privatization programmes done in the country. 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 their sales, and are the same people who purchased them at very low prices. The paper concluded that the programme only afforded some corrupt leaders and their foreign collaborators the opportunities to acquire those properties at the detriment of the average Nigerian, meanwhile, the purposes and objectives of the

programmes are still hanging on the air. In recommendation, the paper drew attention of the Government to the number of people who have lost their jobs as a result of this 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 they constitute the base of the nation's respect and integrity.

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

### **Introduction**

Nigeria embarked on privatization policy since 1988; twenty-eight (28) years thereafter, both the Nigerian government and the general public have not derived any benefit from the privatization programmes. The main reason for privatization is for economic growth and development, to reduce waste and to encourage the 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 in the services rendered.

Twenty-eight (28) years have passed since the policy was initiated, yet Nigerians cannot say assuredly that the objectives of the privatization policy have been realized. The policy was aimed at delivering Nigeria from her economic quagmire but this has not been realized (Jerome, 2005). The situations that led to the initiation of this policy have not changed; corruption is still the order of the day and in fact, it is gradually getting 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 reduced neither has it stopped. Can the Nigerian government state emphatically that low performance and inefficiency of these public enterprises, which were the reasons for the introduction of privatisation, have now 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 Olusegun Obasanjo's administration since 1999. Sadly, the programme only ended up providing some influential Nigerians the opportunity to acquire those properties for themselves at very cheap prices while the purpose of the policy is still hanging in the air. The purposes for which public enterprises were established include; providing non-profitable services to the populace, serving as instruments for the pursuit of distributional goals, and creating employment opportunities.

The question one would naturally ask is, how has the policy fared? Underdevelopment, poverty and unemployment have become prevalent in the Nigerian society. Most developing countries including Nigeria are currently in a mess due to bad governance, lack of development, poor planning, economic down-turn and political crises. The major reason for this continued decadence includes the intrusion of imperialists who introduced a lot of economic policies in favour of corruption in the country. This encouraged the under developed countries to continue borrowing instead of producing. Meanwhile, before the under developed countries get funds, they are subjected to a lot of conditions that make them ever dependent on the imperialists for survival. It has

become clear and understandable that multinational financial institutions such as the International Monetary Fund (IMF) and the World Bank are agents of the colonial masters used to underdevelop African countries.

At times, African countries are encouraged to increase their agricultural products, as one major way out of economic problems, but this merely a form of continued deceit and an advanced ways to under-develop Africans. The unequal exchange rate and trade relations between the developing and industrialized nations and the over dependence of African nations on financial aids have also resulted into debts for virtually most developing countries. 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 countries have compounded the problems African countries have had to face. 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 infrastructural projects which increases future output many a time this has brought an untold hardship on the developing countries because this would lead to an accumulation of foreign debt to the extent that paying back becomes an extremely impossible task. This trend however, creates burdensome debts which places these African countries in cages so hard to break. These countries therefore find themselves paying interests 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 government interferences in the economic activities of these public agencies. 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, corrupt and inefficient leadership. Hence, the government was driven to cut down the economic responsibilities, management contract and downsizing of the enterprises. According to Rweyemanu & Hyden, (1975) a typical public enterprise that has lost its glory was the Nigerian Railway Corporation. He further stated that between 1960 and 1965, the Nigeria Railway Corporation alone had thirteen enquiries into its activities and in 1965; it had a deficit of seven million naira which made the World Bank to describe its finances as disastrous.

But today after the policy has been implemented, the situation has simply not changed. There are weak private capital sector investment failures, market and infrastructure failure; unemployment rate has increased more than before. The desire of most Nigerians has not been met, and 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. In fact, the privatization policy has become a programme to enrich certain few politicians and individuals who have access to purchasing these government establishments at a very low cost and thereby, enriching themselves but impoverishing the majority of the Nigerian populace. In a recent study, Edozien and Adeoje, (1994), stated that the whole essence of privatization

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.

Hence, the whole purpose of privatization designed to correct negative microeconomic trends which are preventing the economy from optimal performances in relation to the dynamic comparative advantage of the economy is foiled. 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 Frameworks of Analysis**

Several theories play roles in the analysis of this study. First is the Neo-classical. It is one of the best theories that explain the need for state intervention in economic affairs. It postulates that the state serves the interest of the dominant class; it is the belief that the state intervention will bring about a wide range of complementing activities as to achieve rapid industrial growth and development. It states that if concrete action is taken by the state, the economic activities will be distributed in such a way that benefits will be achieved, unlike when it is in the hands of private individuals. According to (Hirschman, 2000), the state has the capacity to create action and to establish infrastructures that will generate technological development programmes that will in turn provide certain social welfare to sustain and stabilize the economy. The Neo-classical theorists believed that even in newly industrialized countries (NICS), the state has played a crucial role in their development not private individuals. However, in underdeveloped countries, where facilities and information network is poor, the presence and decision of 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 sensitive areas of the economy, that prevent the market from achieving optimal performance, can only be ameliorated and handled by the government. Where all these exist, some forms of public ownership and intervention become very crucial and justified.

**The Liberal Theory:** The liberal theorists, 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 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 recommended 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:** According to (Starr, 2000), those who are seeking benefit or interest from the government join to get favourable legislation enacted. It means that individuals 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 indicted 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, the public choice theory assumes that democratic politics have inherent tendencies towards government growth and excessive budgets.

### **Factors That Gave Rise for Privatization**

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 lack of progress. The same people who are the architect of this corrupt act and who have perpetuated these evil, are the ones clamouring for it to be privatized. Hence, Abutudo (2002) perceived privatization to be an economic waste as little progress achieved in the first two decades of post-colonial Nigeria have almost been totally eroded. This is because most expatriates who handed over these enterprises are in one form or the other coming back to take control of executive positions in most of those enterprises and 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 in the country, but with the psychological problem of doubt, whether we are able and have the ability to manage our economic establishment well.

Another reason for privatisation is that public enterprises in Nigeria consumed about ₦200 Billion of National Resources annually by way of grants, subsidies, import duties, etc. (Nasir El-Rufai, 2003). Public enterprises had also consumed over one-third of all the money made from the sales of oil since 1973 and the estimates of vision 2010 committee indicated that the 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 interferences by corrupt civil servants and political office holders.

There is this general belief that government set up corporations in areas where investors and private individuals were not quite comfortable to invest in. The government's reason for setting up corporations like the electricity company and others is because businessmen were unwilling to invest huge capital in a business likely to end in losses. Part of the reasons 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, is also set up for security reasons, it will be very poor and improper to abandon such vast establishment in 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 managed 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, among others. The view is that privatization should greatly minimize the scope of political patronage in the government's appointments, where state revenue is largely wasted. Most people sit down to collect the money which they never worked for.

It could also be deduced that it was the desire of the corrupt leaders that gave rise to privatization, not necessarily because of the poor performances of the public sectors. For example, privatization is one of the conditions of the International Monetary Fund (IMF) for loan to Nigeria. It was argued that privatization will help reduce cost on the part of the government and create room for successful negotiations of external debt rescheduling. Meanwhile none of the third world nations caught in this grip of debt burden easily comes out of it, thereby remaining in a position to continually bow down to the desires of corrupt leaders and interferences of the foreign imperialists.

### **The Outcome of Privatization Programme**

One can rightly ask; what extent of development has the privatization programme brought into the nation's economy? The apostles of privatization do not seem to 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. On the other hand, the arguments of those who opposed 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.

The outcome of privatization policy in Nigeria so far has not been beneficial to most Nigerians contrary to the purpose of privatization which was to benefit and protect all. Most people therefore see the privatization policy 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 problems of structured imbalance; this off course has not been achieved. Since the privatization policy originated from the international creditor, some experts have come to ask whether this is not a conformation of colonial economic exploitation (Wikipedia, 2007).

The policy, has continued to promote unemployment and retrenchment in most of the privatised establishments. Hence, a close look at the operation so far has shown that it has made the poor to become poorer and has reduced the majority of people's access to basic goods and services through increase in prices of goods. Many have equally protested that privatisation has not only mad people lose their jobs but has also gone against the tenets and purposes of the establishment of many enterprises. The purpose can be said to be not genuine since many of the establishments were sold to a few privileged Nigerians who have access to government money. 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).

Despite the fact that privatization was intended to as a one of the conditions given the international communities to assist the nations in its debt burden, and despite the fact that it was expected to help reduce cost on the part of the Government thereby creating room for successful negotiations of external debts rescheduling, refinancing and restructuring, the mode and greed shown by those who purchased these enterprises, have brought to nothing, made doubtful and questionable the genuineness, efficiency and the ultimate purpose of embarking on the privatization programme. Oriakhi (2002) described reforms of privatization as being responsible for mass unemployment and a fall in the standard of living of the people.

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 examples so far, the privatization programme has led to so many people losing their jobs by way of retrenchment, increase in prices of goods, etc. 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 their economic positions. Even the few privatized enterprises have shown the concentration of economic resources in the hands of few persons; the same few rich persons complaining that the enterprises were not doing well also mobilized resources and bought over everything for their own use, hence the gap between the rich and the poor continued to get wider.

## 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 capitalists. He further concluded that this situation necessarily cuts down the economic and political power of the citizenry in favour of the corrupt capitalists. Privatization may neither be good nor bad. What makes it bad however, is the greed and corruption displayed by the paid Nigerians leaders, who in their quest to purchase these enterprises have failed to maintain and correct the inefficiencies noticed in these establishments which led to their privatization in the first place. A close look at NEPA will show that the same problems that lead to its privatization are still there. Despite the fact that many workers were laid-off, the epileptic power supply continues and people are still over-billed. With the privatised enterprises in the wrong hands, Nigerian citizenry are yet to experience the supposed gains of privatization.

## Recommendations

This study recommends the following:

- i. That all those who purchased these enterprises should be made to account for how they have managed them so far for the benefit of all.
- ii. There are some enterprises that should not be privatized. This is because most of these corporations form the strength, respect and integrity of this nation.
- iii. The citizens should be allowed to have a stake in the economy.
- iv. As suggested earlier, privatization and commercialization are not the only way to expand and control the economy. Public enterprises are expected to pursue social objectives which can help to subsidize consumer's goods and other necessities of life and help to create increase in output, employment and not to retrench workers.

## References

- Abutudes, M. (2002). Globalization and local initiatives: Issues and challenges being a seminar paper. *LAPO Annual Development Forum*: Benin City.
- Afeikhena, J. (2002). Public enterprises reform in Nigeria: Evidence from the telecommunications industry. *AERC Research paper 129*, Nairobi: The African Economics Research Consortium.
- Akhakpe, I. (2008). *Administration and management of public enterprises in Nigeria*: Pumark Nigeria Limited.
- Azelama, J. (2002). Privatization and commercialization of public enterprises in Nigeria. *Public Enterprises Management in Nigeria*. Benin City.
- Bakre, M. O. (2007). Privatization and the scruple for control of capital in Nigeria. Burea of Business School, Brunel University: United Kingdom.



- EL-Rufair, N. (2003). Is liberal democracy encouraging corruption and corrupt practices? The privatization process in Nigeria. *The Nigeria Social Scientist*, volume 6 No. 2 September 2003 p. 34.
- Etieyibo, E. (2011). The ethics of Government privatization in Nigeria. *Journal of the Philosophical Association of Kenya* 3 (1); 87 – 112.
- Hirschman, A. O. (2000). The political economy of import substitution industrialization (151) in Latin America. *The Quarterly Review of Economics* vol. LXXXII No. 1. P.1
- Jerome, A. J. (1996). Privatization of public enterprises in Nigeria: Expectations, illusions and reality in economic reforms and macro-economic Management in Nigeria. Ibadan, *Centre for Public Private Co-operation*.
- Megginson, W. L. & Netter, J. (2001). From state to market: A survey of empirical studies on privatization. *Journal of Economic literature*, 39 (2): 321–89.
- Odikoyo, A. O. (2007). Theoretical and empirical issues in privatization: A comparative study of the British and Nigerian experience. *Journal of Social and management Science* 14 (1) 25 – 43. Retrieved from <http://www.ngex.com/business/public/newsinfo.php>? On 26 May 2007
- Rweyemanu, A. & Hyden, G. (1975). A Decade of public administration in Africa Nairo, Kenya, *East Africa Literature Review*, Bureau Nairo
- Wikipedia the Free Encyclopedia (2017). Privatization: Retrieved on July 13, 2017 from <http://www.en.wikipedia.org/wiki/privitization>