

THE STATE OF NIGERIAN ECONOMY IN THE 21ST CENTURY; PRIVATIZATION AND COMMERCIALIZATION PROGRAMMES UNDER OBASANJO/ATIKU REGIME

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Abstract

The inappropriate privatization and commercialization of the Nigerian public corporations under Obasanjo/Atiku regime is one of the major economic obstacles responsible for the decline of our national economy. The study justifies that the Nigerian public sectors were unjustly and improperly privatized and commercialized aimed at satisfying the political, economic and social interests of the authority concerned. In view of the current economic hardship and other problems associated with privatization, the study calls for revisitation of the already commercialized public sectors for the betterment, economic growth and development of our beloved country. It further argues that the strategies adopted while privatizing public utilities were inappropriate, unjust and insignificant to the economic life of the deluded Nigerian masses. At the tail end, the study proffers ways forward, among others include; good governance, resource control, management and efficiency.

Keywords: National economy, Nigerian economy, 21st century Nigeria, privatization, adoption, impact.*

Introduction

For a proper understanding of the state of the Nigerian economy in the 21st century it is important to examine the concepts of privatization and

commercialization, their historical origins, reasons that brought about their implementation, impact and problems associated with them. The first part of the study examines how the two interwoven concepts developed. The second part portrays the public sectors privatized by the government, fact and figures of the privatized public sectors i.e the cost at which they were sold, a brief history of the sources of the money used in possessing the companies among which include public treasury looting, diversion of public account, excessive and unnecessary award of contract for the accumulation of illegitimate wealth. The study has in addition reveals some of the socio-political and economic obstacles brought about by the two implemented programmes, the last but not the least the study proffers solution to the problems of privatization and commercialization. The concept of privatization carries different labels across different land. In India, for example, it is called “disinvestment” in Venezuela it is called “capitalization” and in Brazil it is known as “flexibilization”. In Nigeria, it is called “privatization” Argentina, UK and Mexico have different tags. Whatever, the “garb” the ultimate objective is to liberalize the economy through increasing private sector participation and capacity utilization. In addition, privatization is a “fuzzy” concept that evokes sharp political reaction.

The two concepts are interwoven, for privatization implies commercialization because once an enterprise is sold to members of the public, the social objective will have to give ways to profit motives however as regard the privatization. Some authorities identify the term with neo-liberalism and capitalism, others with “Thatcherism and capitalism”. For example, privatization as a modern political construct is often traced back to the comments of Peter Drucker in the late 1960^s on government in efficiency. Our study observed that government is good in making decision but not good at executing them. Another study has further traced privatization to Margaret Thatcher of Britain during whose tenure the agreement for privatization shifted from emphatically narrow economic consideration to a more ideological political justification.²

Research reveals that many developing countries have followed the path of privatization of the state owned enterprises. Although the pull and push factors leading to privatization differ across countries. In most African countries, privatization of state owned enterprises has been associated with World Bank and International Monetary Fund (IMF) Sponsored Structural Adjustment Programme (SAP), of the World Bank and IMF, following the poor programme of state enterprises in the early 1980^{'s}. Studies conducted have shown that the Nigerian Oil boom of the 1970^{'s}, among other factors gave impetus to a public sector led development strategy, public sector dominance was also prevalent in order to give government an increasing

measures of control over its own resources. In 1980, public enterprises were very prominent in the economy accounting for about 50 percent of GDP and above 60 percent of modern sector employment. Similarly, their establishment and operations transcended the orthodox domain of social services and utilities to unorthodox area such as agriculture, banking, mining, commerce and manufacturing. These numerous state enterprises were sustained and maintained with revenues from oil boom and the proceeds of increased internal and external borrowing. It is interesting to note that one of the factors that led to the implementation of privatization in Nigeria was the economic crisis of the 1980 coupled with the dissatisfaction with performance of the public enterprises. In fact, it was such crisis that had compelled Nigeria to adopt privatization and commission programme in 1988 with the aim of reduced government fiscal burden.³

The Major Methods of Privatization

There are many approaches through which privatization can be carried out. An Authority concerned may opt not to sell the whole enterprises as an entity but to dispose just one or more subsidiaries it may also not sell its existing holding in the public enterprises but opens the capital to private participation and thereby diluting its own proportionate holding, some of these methods include;

- ❖ Private sale of share
- ❖ Public offering of share
- ❖ Sale of government assets
- ❖ Reorganization/fragmentation into component parts
- ❖ New private investment in state owned enterprises
- ❖ Management/employee buy-out and leases and management contracts.

In view of the above, the study seeks to discover why does Nigerian government privatized? Among the concrete reasons, evidently found include the fact that many developing countries have created parastatals and public enterprises to balance or replace a weak or ideologically unacceptable private sector to produce high investment ratios and yield a capital surplus for investment in the economy. However, public enterprises have turned out to be unsustainable burden on the budget and banking system absorbing scarce public resources, public enterprises have become economically inefficient and have incurred heavy financial losses.⁴

Government privatizes public corporations for reasons including the followings:-

- Exposing public enterprises to domestic and external competition and educating preferential treatment in order to create a level playing field and

- To develop institutional mechanisms such as contract, plan and performance evaluation system to hold managers accountable for results.⁵

Privatization and Its Implementation in Nigeria

The interwoven concepts of privatization and commercialization were formally adopted in Nigeria in 1986 as part of the elements of the Structural Adjustment Programme (SAP). However, this does not imply that privatization was not used prior to this period for example, prior to 1986 several commissions and study groups had been set up by successive governments to examine the operation of government and parastatals and recommend ways of making them more efficient. One of such commissions was the Presidential commission on parastatals known as “Onosode report of 1984” it was set up by Shagari/Alex Ekwame regime.

The commission recommended the commercialization of public enterprises cautioned against privatization. Similarly, in 1984, Al-hakim committee was set up by the Buhari/Idiagbon regime. This committee recommended Privatization for the country on the basis of parastatals, non-performance and failure as well as fiscal crises of the state. Unfortunately, the committee’s recommendation were not implemented as the Buhari/Idiagbon regime was toppled in a palace coup that brought Babangida into power during whose regime ‘SAP’ was implemented.⁶

The Nigerians’ Reaction to Privatization

The argument for and against privatization in Nigeria is another episode witnessed in the economic history of Nigeria, particularly with the implementation of privatization. Studies conducted have indicated that the adoption of privatization in Nigeria has been welcome with mixed reactions by Nigerians. Privatization in Nigeria has become a subject of debate between the proponents and the antagonists of the programme in the country. For example, some of the Nigerian elites considered it as an attempt made by the policy makers for economic domination and exploitation. Other section of Nigerians particularly, the least patriotically minded ones agreed and supported the brains behind its implementation (policy makers) on political and economic grounds. Among other points raised include the followings;

- Privatization would allow the government to perform its primary function that is administration and maintenance of law and order and leave the actual running of business enterprises to private sectors.
- Public corporations is a massive drain on the country, as resources depend on the government subvention and subsidy without tangible financial return and effective services
- Parastatals were characterized by gross inefficiency, corruption and mismanagement. Conversely, the operational dynamics of privatization favour efficient management and

- Privatization will bring change of attitude in workers as private management does not tolerate the attitude that prevails in the public sector⁷.

In respect of the aforementioned points, the proponents agreed that privatization is inevitable in Nigeria. They however expressed divergent opinions regarding what should be privatized. Others called for the privatization of all parastatals, and some became interested in partial privatization of Nigerian parastatals.⁸

Furthermore, studies have indicated that the antagonistic views were championed by the Nigerian Labour Congress (NLC), sequel to the Federal Government's decision to privatize, the congress drew up memoranda entitled "Nigeria for sale". On contrary, the NLC strongly argued that attempt at privatization is a deliberate play to use public funds for few Nigerian individuals to be enriched. Government on its part pointed out that the problems of these corporations have to do with their mismanagement and as such called for radical reorganization.⁹ In real economic sense, as far as economic exploitation is concerned, the realization of the strategy applied made many Nigerians, including economists to argue that the programme had deteriorated Nigerian economy rather than revamping it. In any case, it is important to note that privatization in Nigeria may only compound the social problem of the society since the private sector cannot render some of the services, the government could render. Though the Nigerian public sector has not been making profit, the truth of the matter is that selfishness, bribe taking, corruption, nepotism, complete absence of resource control and mismanagement are found among public officers in charge of the Nigerian public corporations.

The economic reasons responsible for the adoption and implementation of privatization and commercialization in Nigeria among others included the fact that Nigeria got a legal backing with the promulgation of Decree 25 of 1988. Such a Decree had provided legal framework for the implementation of the programme within the context of restructuring the Nigerian economy.¹⁰ The decree was responsible for the implementation of the establishment of a "Technical Committee" on privatization and commercialization (TCPC), now re-named "Bureau of public enterprises" (BPE), charged with the responsibility of working out the modalities and supervising the sale wholly or partly commercializing hitherto public owned enterprises. The BPE is charged with the responsibility of seeing to the full privatization of enterprises already slated for privatization. Studies have rightly pointed out that the success of any privatization programme can only be measured in terms of the objectives that motivated it. In view of the above, our study argues that unfortunate economic state of affairs is one of the major economic conditions that

motivate a country to privatize its public corporations.¹¹ Other related factors also include; lack of patriotism, resource control, lack of geniuses and altruistic political and economic interests in public officers to move their nation forward. Still in the case of Nigeria, nonchalant attitude of our leaders /insincerity of purpose, selfishness interest, religious, socio cultural and tribal sentiments also play a negative role against the progress of our national economy, worst part of the above pointed problems is the inappropriate practice of national treasury looting.

The Slated Nigerian Public Corporations and Parastatals for Privatization under Obasanjo/Atiku Regime

Nigeria under privatization (NCP), was established to look into the activities of the BPE and was headed by the Vice President Atiku Abubakar. The corporations slated for privatization under Obasanjo/Atiku regime were Insurance Companies, Commercial and Merchant Banks, Daily Times, New Nigerian Newspapers, Nigerian Airways, NITEL, NEPA, NPA, Refineries, Nigerian Security Minting and Printing Company (NSPMC), and steel companies.¹²

Furthermore, different methods had been adopted and continued to be used by Nigerian government under Obasanjo/Atiku regime, in its implementation of the privatization programmes. The methods included; public share offering, auctioning lease and management contract among others. Our study argues that none of the above methods found crucial to the survival of the deluded Nigerian masses and the economic life of the country in general. This is because it had never been a hitch-free affair to the less privileged Nigerians. The study has in addition observed that, privatization in Nigeria is very inimical to the need for public control over the commanding heights of the economy. Research has further revealed that in Nigeria those calling on the government to privatize public utilities in Nigeria are being blind folded by their selfish interest. Some Nigerians have the view that privatization of Nigerian public sector was not attempted in transparent manner, particularly during Obasanjo/Atiku regime. In addition, to the views of some Nigerians as regards the privatization programme. The concept of the “Journey So Far” is an attempt at examining other related aspects of privatization for ease of analysis, privatization can be categorized into segments. They are as follows:-

- The first stage known as the first round 1988 – 1994.
- The second stage is referred to as the period of inertia 1994 – 1997 and,
- The third stage is called the third round 1997 – to date

The first wave of privatization (1988 – 1994), the legal and institutional framework for planning and implementing the first round of privatization programme in Nigeria was the promulgation of

commercialization and privatization Decree No. 25 of October 1998. The Decree empowered the Technical Committee on privatization to plan and manage the programme. Such Decree stated that public enterprises (PES), that were not categorized under the commercialization policy and were not also involved in the production of public utilities were to be partially or fully privatized.¹³ Consequently, seven (PES) were later transferred from partial to full privatization, among the companies included;

- ❖ The Defunct Nigerian Industrial Development Bank
- ❖ Federal Mortgage Bank
- ❖ Federal Fertilizer Company Limited
- ❖ National Company of Nigeria
- ❖ Flour Mills of Nigeria
- ❖ Federal Ministry of Commerce and Industry and,
- ❖ National Oil and African petroleum.

Similarly, by the month of July, 1989, two additional enterprises were also put up for sale. These were Sun Insurance Nigeria PLC, and American International Insurance Company, Nigeria LTD. Studies have further shown that in October 1989, a sum of ₦89 Million had been realized from the privatized firms. By March, 1991, Nigerian government had also realized the total sum of ₦275 Million from the sale of about 147. 2 million ordinary shares offered for sale that is 47.34 million followed by Ashaka Cement Company PLC with 32.5 million shares other companies' shares that were sold in included Agip-Uku Oil Palm Company and the National Salt Company. Most of those shares were sold at premium by the end of 1995 only 55 PES were privatized by TCPC, using various techniques of privatization. For example, 35 PES were privatized through the public offer of shares.¹⁴

The Impact of Privatization and Commercialization on Nigerian Economy

The study looks at the positive and negative development associated with privatization and commercialization programmes. Privatization is an essential and appropriate economic policy that which if properly adopted and implemented would be useful to the economic life of the country concerned. However, in the case of Nigeria studies have proved that it was found woefully failure, as the basic criteria governing its conduct and implementation were not properly carried out. The beneficiaries of the programme in Nigeria were very few, among them included; the policy makers, emirs, chiefs, cosmopolitan opinion leaders and certain number of religious leaders and elites. The negative developments generated by privatization in Nigeria has to do with the fact that it was confronted by a number of hindrances and stop-over as a result of inadequate planning, ,selfishness interest, improper implementation and evaluation procedure,

government's inconsistency and insecurity on the part of those saddled with the responsibility of implementing the programme. In view of the above, our study strongly argues that "*privatization is a class inspired and therefore partisan programme for the regressive and distribution of wealth, income and power*".

Upon all, Nigerian government under privatized economy was not functional and effective¹⁵. Its economy was found inadequately buoyant and as a result our national economy began to have declined. The most noticeable economic problems associated with privatization among others included; massive retrenchment of workers, lack of welfare, or incentive, public treasury looting for further investment, lack of job security, unemployment, high rate of crimes, complete absence of transparency, inflation, total removal of subsidy on petroleum products and fertilizer in particular, low level of human development and financial misappropriations. Both of the aforementioned had as a result of privatization become common practices, particularly in the public service. It had further brought about economic tension, hardship, social vices, and falling standard of living in the country.

A Way Forward

Having examined some of the major problems confronted by privatization in Nigeria, among which included the misapplication of basic criteria governing the implementation of privatization, selfish interest of the leaders, looting of the national treasury and the existence of ineffective and unjust administration. In view of this, one of the ways forward for Nigeria is to revisit the already privatized Nigerian public corporations for reorganization with sincerity of purpose. The Nigerian leaders or policy makers should be altruistic, just, dynamic and pro-active for the reconstruction of national economy. Furthermore, privatization is an appropriate policy for economic development. It is interesting to note that among other ways forward include; resource control, proper maintenance and management of public utilities and good governance for actual economic growth and development to be attained. Any government in power should endeavour to be sincere, effective, functional, purposeful and meaningful to its citizens regardless of colour, culture, tribe, religion, political, economic and social status in general. The last but not the least, all the Nigerian employees ranging from local government, state and national levels should be encouraged to discharge their primary assignments honestly and diligently. Prior to the oil boom, agriculture was the backbone of the nation's economy. However, our study does not mean to claim Oil-glut and world recession as the root causes of the current economic crisis. The root causes of the current economic crisis in Nigeria are located in the fundamental, domestic and external, sets of relationships which constituted this economy.

These relationships of production, ownership, distribution, income and power, exist and operate to ensure an increasing rate of the private accumulation of wealth from the human and natural resources of this country and the transfer of most of this wealth abroad, to Western Europe and other parts of the world. It has also been observed that the abandonment of agricultural sector in the wake of oil boom till date is taking its toll on the nation's economy terribly. The Nigerian economy can only recover on the basis of improvements in employment health, education, revisitation, reorganization and repossession of the already privatized public sectors by the government. More so, real income of the majority of the people of this country, is also part of the essential requirement for genuine economic recovery, and is not just a matter of the government being humanitarian, and providing "free" social amenities for "the masses" as most of the Nigerian governments in the past and present seem to have believed. Therefore, the study recommends that the authority concerned should look into the problem of agriculture for the revival of its rightful shape. This is fundamentally because studies conducted have rightly pointed out that the massive amount of wealth Nigeria obtained from crude oil exports, particularly since 1970, illustrates this process very clearly and brings out some of these sets of relationships. Instead of this wealth earned in hard currency, utilized to develop the agriculture and industrialize the country by either the government or the businessmen and companies, most of its was transferred abroad, and what little is left in the country is wastefully consumed, or hoarded by a tiny unproductive minority, in control of government and of the economy.

Conclusion

In a nutshell, it is safe to conclude that the study has discovered that the outcome of the privatized Nigerian economy proved that privatization is not an automatic ticket to performance improvement without recourse to other policy changes within and outside an organization. The question of handing over all the legacies of the country to private individuals is not idealistic, but rather economically destructive. The study has also suggested that proper planning and evaluation of policy programmes should always be the first things to be done prior to adoption and implementation in general.

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