

PRIVATIZATION IN NIGERIA: CRITICAL ISSUES OF CONCERN TO CIVIL SOCIETY

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1. PREAMBLE

The participation of the state in enterprises in Nigeria dates back to the colonial era. The task of providing infrastructural facilities such as railway, road, bridges, water, electricity and port facilities fell on the colonial government due to the absence of indigenous companies with the required capital as well as the inability or unwillingness of foreign trading companies to embark on these capital-intensive projects.ⁱ This involvement was expanded and consolidated by the colonial welfare development plan (1946 – 56) that was formulated when the labour party came to power in the United Kingdom. This trend continued after independence such that by 1999, it was estimated that successive Nigerian Governments have invested up to 800 billion Naira in public owned enterprises.ⁱⁱ

Throughout much of the twentieth century, there were three dominant strategies for infrastructure investment. In some countries, most notably those in the Eastern bloc, state ownership of the means of production was promoted, while others (western bloc) promoted private ownership of the means of production. A large number of countries also practiced what was termed a mixed economy i.e. a combination of public and private ownership of the means of production. However, by the end of the twentieth century with the end of cold war between the eastern and western blocs, private ownership of the means of production gained ascendancy. Today, the received wisdom is that the state should recede from this role, and that private ownership of the means of production is the only viable approach to the efficient production of goods and services, as well as economic growth and development. Consequently, there is a move all over the world to privatize erstwhile public enterprises. In this paper, we examine the practice of privatization meant to promote private ownership of means of production in Nigeria and the critical issues of concern to civil society. Before we begin in earnest, let us examine the concept of privatization and its philosophical basis.

2. THE CONCEPT OF PRIVATIZATION

Although the concept of privatization is an is an emotive, ideological and controversial one evoking sharp political reactions, its political origins, meaning and objectives are not ambiguous. Theme defines privatizations as:

...any of a variety of measures adopted by government to expose a public enterprise to competition or to bring in private ownership or control or management into a public enterprise and accordingly to reduce the usual weight of public ownership or control or management. However, in a strict sense, privatization means the transfer of the ownership (and all the incidence

of ownership, including management) of a public enterprise to private investors. The latter meaning has the advantage of helping one to draw a line between privatization and other varieties of public enterprise reform. It is also the sense in which the term has been statutorily defined in Nigeria.ⁱⁱⁱ

In a similar vein, Starr defines privatization as a shift from the public to the private sector, not shifts within sectors.^{iv} According to him, the conversion of a state agency into an autonomous public authority or state owned enterprise is not privatization neither is conversion of a private non-profit organisation into a profit making form.

The Privatisation and Commercialisation Act of 1988 and the Bureau of Public Enterprises Act of 1993 defined privatization as the relinquishment of part or all of the equity and other interests held by the Federal Government or any of its agencies in enterprises whether wholly or partly owned by the Federal Government. Although privatization is not defined in the Public Enterprises (Privatisation and Commercialisation) Act of 1999, we can assume that it is deemed to have the same meaning.

From the definitions above, three things are clear. First, for privatization to take place, there must be in existence public enterprises, which need to convert into private enterprises. Secondly, there is the reasoning that private ownership or control or management would be better than public ownership. Finally, privatization is premised on the fact that there are problems with public ownership of enterprises and privatization is part and parcel of a reform agenda to turn around these enterprises so that they can deliver goods and services more efficiently and effectively. As we shall show later, this kind of reasoning is ideologically loaded and cannot be substantiated by the existential reality of Nigeria.

3. PHILOSOPHICAL BASIS OF PRIVATIZATION

As noted above, the concept of privatization is heavily loaded with ideology. According to Rodee et al, ideology refers to ideas that are logically related and identify those principles or values that lend legitimacy to political institutions or behaviour.^v Ideology may be used to justify the status quo or to justify attempts (violent or non-violent) to change it. For a major part of the twentieth century there were two opposing ideologies on how society should be governed and developed: capitalism vs. socialism or ideologies of the right vs ideologies of the left. Capitalist ideology typified by neo-liberalism insists that a self – regulated system of market will bring about spontaneous process of development. On the other hand, the Socialists and many other variants such as the interventionists argue that unregulated

capitalism will always bring about poverty, unemployment and human misery and that there is the need to intervene to regulate the market. At the end of the 20th century with the end of the cold war, there is an ascendancy of capitalism and neo-liberalism hence the renewed drive for privatisation.

4. PRIVATIZATION IN NIGERIA

Many countries of the world have embarked on privatization programmes at different times. Chile introduced privatization programme in 1974. The United Kingdom implemented a rigorous privatization programme during the regime of Margaret Thatcher in the 1980s. As Itheme has argued, the British decision to embark on privatization programme was largely informed by the need to cut back on public spending rather than the need to promote efficiency and competition.^{vi} The 1990s witnessed the implementation of privatization programmes in many countries of the former eastern bloc like Russia, Romania, Czechoslovakia etc. It has been documented that more than 8,500 State owned enterprises in over 80 countries have been privatized in the past 12 years.^{vii}

Privatization in Nigeria was formally introduced by the privatization and commercialization Decree of 1988 as part of the Structural Adjustment Programme (SAP) of the Ibrahim Badamosi Babangida administration (1985 – 93). As McGrew was argued, SAP is a neo-liberal development strategy devised by international financial institutions to incorporate national economics into the global market:

The vision of a “global market civilization” has been reinforced by the policies of the major institutions of global economic government namely up to the mid 1990s. underlying them structural adjustment programmes has been a new-liberal development strategy – referred to as the washing on consensus which prioritizes the opening up of national economics to global market forces and the requirement for limited government intervention in the management of the economy.^{viii}

One of the main objectives of SAP was therefore to pursue deregulation and privatization leading to removal of subsidies, reduction in wage bills and the retrenchment of the public sector ostensible to trim the state down to size.^{ix}

The Privatization and Commercialisation Decree of 1988 set up the Technical Committee on Privatization and Commercialisation (TCPC) under the chairmanship of Dr. Hamza Zayyad, his mandate, to privatize 111 public enterprises and commercialize 34 others. In 1993, the TCPC concluded its assignment and submitted a final report having privatized 88 out of the

111 enterprises listed in the decree. Based on the recommendation of the TCPC, the Federal Military Government promulgated the Bureau for Public Enterprises Act of 1993 which repealed the 1998 Act and set up the Bureau for Public Enterprises (BPE) to implement the privatization programme in Nigeria. In 1999, the Federal Government enacted the Public Enterprise (Privatization and Commercialization) Act, which created the National Council on Privatization under the chairmanship of the vice President. The functions of the council included:

- Making policies on privatization and commercialization.
- Determining the modalities for privatization and advising the government accordingly.
- Determining the timing of privatization for particular enterprises
- Approving the prices for shares and the appointment of privatization advisers.
- Ensuring that commercialized public enterprises are managed in accordance with sound commercial principles and prudent financial practices.
- Interfacing with public enterprises, together with the supervising ministries, in order to ensure effective monitoring and safeguard of the managerial autonomy of the public enterprises.

The Act also established the Bureau of Public Enterprises (BPE) as the secretariat of the National Council on Privatization. The functions of the bureau include:

- Implementing the council's policy on privatization and commercialization
- Preparing public enterprises approved by the council for privatization and commercialization.
- Advising the council on further public enterprises that may be privatized or commercialized
- Advising the council on capital restructuring needs of the public enterprises to be privatized.
- Ensuring the update of accounts of all commercialized enterprises for financial discipline.
- Making recommendations to the council in the appointment of consultants, advisers, investment bankers, issuing houses, stockbrokers, solicitors, trustees, accountants and other professionals required for the purpose of either privatization or commercialization.

- Ensuring the success of the privatization and commercialization exercise through effective post transactional performance monitoring and evaluation.
- Providing secretarial support to the council

5. CRITICAL ISSUES OF CONCERN TO CIVIL SOCIETY

Civil society in Nigeria is not homogenous. It is made up of different kinds of people who became civil society activists for different reasons. There are at least five categories of people in the civil society movement in Nigeria. First, there are those who are interested in transforming society and they see civil society activism as an avenue to accomplish this. Secondly, there are those who build their careers as civil society workers. They therefore see civil society activism as a career or profession just like any other career or profession. Thirdly, there are those who utilize civil society activism as a means of survival. They have no job and have no option but to hang on to civil society work as a means of survival. They are prepared to leave civil society work as soon as they find a good job. Fourthly, there are stooges who utilize NGOs to promote the interest of government (GONGOs) or individuals. Finally, there are quasi-government NGOs formed principally by wives of President, vice-President, Governors and Local Government Chairmen. The concern of particular civil society organisation is therefore dependant on the category of civil society and their orientation. For instance, NGOs formed by the wives of Chief Executives are not likely to be opposed to any government policy such as privatization.

In this paper, we shall discuss the critical issues of concern to civil society about privatization in Nigeria under three headings:

- a. Concerns about the philosophical and constitutional basis of privatization
- b. Concerns about Equity and Gender Issues
- c. Concerns about implementation problem.

a. Concerns about the philosophical and constitutional basis of privatization: There are civil society activists who are concerned about the philosophical basis of privatization. They argue that privatization is a neo-liberal approach to development, which is imposed by the Brettons Woods institution as part of globalization that can only favour rich countries and individuals. They argue that privatization is anti-labour and will always lead to unemployment. In addition, privatization is always anti – poor. It is clear that in most cases, privatization particularly of public utilities like road, electricity, water etc. will always lead to increase in prices. Meanwhile, it has been documented that whenever user fees are introduced

in the provision of social services, the utilizations by the rich increases while utilization by the poor decreases.^x This is compounded by the fact that there is a lot of double talk and hypocrisy in the whole business of privatization. While the government is busy selling off public enterprises on the one hand, it is simultaneously investing in old/new public enterprises e.g. Ajaokuta Steel Complex and Railways. Only recently, the Delta State Government announced the purchase of African Timber and Plywood (A.T and P) Sapele, while the Osun State Government announced that it will soon start the production of drugs.

There is also concern for the disregard for the constitution and rule of law in the whole privatization process. The 1999 constitution not only provides that the state operate in a way to prevent the concentration of wealth or the means of production and exchange in the hands of few individuals or group, but also that the state should operate and manage the major sectors of the economy (section 16). The privatization process in Nigeria is only a fragment of the abuse experienced by this provision of the constitution.

This means that the privatization of public enterprises is being pursued with scant regard to the laws of the country. For instance, attempts were made to privatize the NEPA (Nigerian Electric Power Association). This flew in the face of the law that set it up in the first instance , which prohibited private ownership of the electric company in Nigeria.

b. Concerns about Equity and Gender Issues

Civil society actors in Nigeria are concerned that the privatization exercise will lead to further widening of the gap between the rich and poor in Nigeria. Already, Nigeria is among the 20 countries in the world with the widest gap between the rich and the poor. The Gini index measures the extent to which the distribution of income (or in some cases consumption expenditure) among individuals or households within an economy deviates from a perfectly equal distribution.^{xi} A Gini index of zero represents perfect equality while an index of 100 implies perfect inequality. Nigeria has one of the highest Gini index in the world. The Gini index for Nigeria is 50.6. This rates poorly in comparison with other countries such as India (37.8), Jamaica (37.9), Mauritania (37.3) and Rwanda (28.9). There is the real fear that privatisation will further widen the gap between the rich and the poor.

One argument that has always been used to promote privatization and to counter the argument for equity is the argument that the private sector is more efficient. But the Senior Staff Association of Statutory Corporations and Government Owned Companies showed that the experience of Nigeria's Ports authority (NPA) does not support this claim. According to them:

The case of RORO Port when it was in private hands is still fresh in our minds as a glaring testimony of the anathema of privatization. The RORO terminal, which was for many years managed by a private company, claimed to have generated a paltry monthly revenue of fifty four million naira (N54,000,000.00). Out of this amount, it claimed that about forty eight million naira (representing about 80 percent of the total income) was used to pay salaries and other sundry expenses. This left a profit of six million naira (N6,000,000.00) about 50 percent of which was paid to the NPA as profit. However, when the NPA took over operations, NPA recorded a staggering sum of sixty million naira as revenue. Out of this amount, only six million naira was used for payment of salaries and other overhead cost leaving a total of fifty four million naira in the coffers of government. The Consultants in Port Management that operated in both Apapa and Tin Can Island Ports are equally glaring examples of the folly of privatized operations in Port management.

In view of the foregoing, we hereby submit that anybody advocating for the privatization or concessioning of the Nigerian Ports Authority (NPA) is a saboteur to the socio-economic growth of this country.^{xii}

There are also concerns that the privatization programme will reinforce male dominance and ownership of property in Nigeria. In fact, it can be argued that women were excluded from the privatization process from the start. When the TCPC was set up in 1988, it had fifteen members all men.

c. Concerns about implementation problems

There are concerns in civil society circles that the economic environment of Nigeria as presently constituted, as well as the way the privatization programme has been implemented cannot lead to success. According to the World Bank, the Chief architect of privatization:

Most privatisation success stories come from high income and middle-income countries. Privatisation is easier to launch and more likely to produce positive results when the company operates in a competitive market and when the country has a market-friendly policy environment and a good capacity to regulate. The poorer the country, the longer the odds against privatisation producing its anticipated benefits, and the more difficult the process of preparing the terrain for sale.^{xiii}

From the above quotation, four conditions must be met for the success of any privatisation programme. First, the country should be either be in high or middle income bracket. In contrast, Nigeria, despite its vast human and natural resources is a poor country. The Human Development Index ranking placed Nigeria in 148 out of 173 countries in 2002. Nigeria hosts the third largest number of poor people after China and India. Statistics show that the incidence of poverty using the rate of US\$1 per day increased from 28.1 percent in 1980 to

46.3 percent in 1985 and then to 65.6 percent in 1996.^{xiv} The incidence increased to 69.2 percent in 1997.^{xv} If the rate of US\$2 per day is used to measure the poverty level, the percentage of those living below poverty line will jump to 90.8 percent.^{xvi}

The second condition is that the country should operate a competitive market. The third is that there should be a good policy environment, and finally, a good capacity to regulate it. Any keen observer of Nigeria's economic environment will know that these conditions are completely absent. A sincere privatisation programme will therefore begin by creating the necessary environment. This is why apologists of privatisation insist that any privatisation programme should be a part and parcel for a comprehensive public sector reform package. However, it has been argued that the Nigerian Privatisation exercise is not accompanied or preceded by an articulated and properly phased public sector reform and it will therefore not result in more efficient production of public goods, nor will it make any significant positive impact to fiscal balance^{xvii}

It is instructive to note that the World Bank gives eight key lessons on the experience of privatisation.

1. Privatisation works best when it is a part of a larger programme of reforms promoting efficiency
2. Regulation is critical to the success of monopolies.
3. Countries can benefit from privatising management without privatising the ownership of assets.
4. The sale of large enterprises requires considerable preparation.
5. Transparency is critical for economic and political success.
6. Government must pay special attention to developing a social safety net.
7. The formerly socialist economies should privatise in all possible ways that encourage competition, and they should experiment with all available methods that go beyond a case-by-case approach to privatisation.
8. In changing the public-private mix in any type of economy, privatisation will sometimes be less important than the emergence of new private business.

The study concludes that:

Privatisation is not a blanket solution for the problems of poorly performing state owned enterprises. It cannot in and of itself make up for a total lack of competition, for weak capital markets, or for the absence of an appropriate regulatory framework. But where the market is basically competitive, or when

a modicum of regulatory capacity is present, private ownership yields substantial benefits.^{xviii}

Civil society activists in Nigeria are concerned that the lessons above are not taken into consideration in the implementation of Nigeria's privatisation programme. As noted above, the privatisation programme is not a part of a comprehensive public sector reform agenda, and the question of providing an appropriate regulatory environment is not taken seriously. The implementers of the programme are in a hurry to sell off all state owned enterprises even without adequate preparation to take into consideration labour, gender and equity issues. Both the political leadership and the implementers of privatisation are carrying on as if privatisation is the only solution to poorly performing state owned enterprises, smuggling, and effective distribution of goods and services.

In addition, the standard procedures for privatisation are not followed as can be seen from the scandals that followed the aborted sale of Nigerian Airways to Airwing of the UK, which had neither a solid capital base, nor the required experience to merit taking over the national carrier.

Finally, people are concerned that there is no effective monitoring and evaluation of the privatisation programme in Nigeria. For instance, it has been documented that fifteen years after the initiation of privatisation programme in Nigeria, there has not been a comprehensive assessment of the post-privatisation performance of affected enterprises.^{xix}

CONCLUSION

The Nigerian State has been participating in public enterprises from the colonial era onward. This trend continued until 1988 when the privatisation programme was officially initiated. The initiation of the programme in Nigeria coincided with the trend toward the renewed ascendancy of capitalism and neo-liberalism. The policy of privatisation and its particular implementation in Nigeria has created some concerns for civil society. In particular, they are concerned about the philosophical basis which can only favour rich countries and individuals; the scant regard for the constitution and laws of the country; the widening gap between the rich and the poor and the possibility of reinforcing male dominance and gender inequity.

The initiation and implementation of privatisation in Nigeria places a lot of challenges on civil society organisations to among other things:

- Study the implications of privatisation for the economy, ordinary people and the future of the country.
- Expose all the deals, corruptible transactions and inconsistencies in the conceptualisation and implementation of the privatisation programme in Nigeria.
- Promote consumer rights
- Promote workers rights
- Advocate for pro-poor reforms instead of this pathological fixation on privatisation as the only solution to the country's economic problems.
- Join forces with democratic anti-globalisation and anti-privatisation forces to rescue our nation from a rapacious, parasitic and rascally ruling elite.

If civil society organisations in Nigeria can rise up to the above challenges, they would have made enormous contribution to the protection of the poor and the development of Nigeria.

ENDNOTES

ⁱ Itheme, E. (1997), *The Incubus: The Story of Public Enterprise in Nigeria*. Lagos, The Helmsman Associates.

ⁱⁱ Obasanjo, O. (1999), An Address delivered during the inauguration of the National Council on Privatisation at Presidential Villa, Abuja on 20 July 1999.

ⁱⁱⁱ Itheme, 1997, *ibid*.

^{iv} Starr, P. (1998), *The Meaning of Privatisation*. <http://www.paulstarr>.

^v Rodee, C. C. et al. (1983), *Introduction to Political Science*. Tokyo, McGraw-Hill International Book Company.

^{vi} Itheme, *ibid*.

^{vii} World Bank, 2003.

^{viii} McGrew, A. (2000), "Sustainable Globalisation? The Global Politics of Development and Exclusion in the New World Order" in Allen, T and Thomas, A. (eds.), *Poverty and Development into the 21st Century*. New York, Oxford University Press Inc.

^{ix} Egwu, S.G. (1998), *Structural Adjustment, Agrarian Change and Rural Ethnicity in Nigeria*. Research Report No. 103. Uppsala, Sweden, The Nordic Africa Institute.

^x Igbuzor, O. (1992), *Drug Revolving Fund as a Strategy to achieve Health for all Nigerians: A Case Study of University of Maiduguri Teaching Hospital*. An unpublished Masters of Public Administration thesis.

^{xi} World Development Indicators, 2002.

^{xii} Senior Staff Association of Statutory Corporations & Government Owned Companies, Nigeria Ports Authority Branch Open letter to the President. Vanguard September 15, 2000.

^{xiii} World Bank, 2003 *ibid*.

^{xiv} Federal Office of Statistics (FOS)(1996) *Poverty Profile in Nigeria 1980-1996*.

^{xv} Central Bank of Nigeria (1999) p.95.

^{xvi} World Development Indicators, 2002.

^{xvii} Amadi, S. (2003), "Privatisation without Reforming" A paper presented at Civil Society Policy Makers Public Forum organized by Socio economic Rights Initiative (SERI) at Airport Hotel, Lagos on Tuesday 22 July 2003

^{xviii} World Bank, 2003 *ibid*.

^{xix} Usman, S. (2002) "Privatisation: Progress, Prospects" in *The Post Express*. September 3, 2003.