PRIVATISATION POLICY AND NATIONAL DEVELOPMENT IN NIGERIA: A STUDY OF THE FOURTH REPUBLIC

Nchekwube O. Excellence-Oluye¹, Daniel Gberevbie² and Jide Ibietan³

¹Mrs. Covenant University, NIGERIA, cheks.excellence-oluye@covenantuniversity.edu.ng
²Professor, Covenant University, NIGERIA, daniel.gberevbie@covenantuniversity.edu.ng
³Associate Professor, Covenant University, NIGERIA, olajide.ibietan@covenantuniversity.edu.ng

Abstract

Development is a concept that has occupied the front burner of debates among scholars and governments around the world. In the pursuit of development of nation-states across the world, scholars have identified privatisation as a veritable tool for socio-economic transformation and advancement. While there are arguments that privatisation is not a magic wand for turning around decayed socio-economic structures, it is arguable that privatisation of public organisations is pivotal to the attainment of meaningful development in any nation. This is because, the private sector is viewed as being better equipped to manage and run businesses, leading to efficiency in the delivery of services, and therefore development across levels. It is also viewed that privatisation of public organisations enables the government to focus on other national issues, as the private sector relieves the government of the burden of running businesses. This study utilises secondary sources of data collection that was deployed to assess the role of privatisation policy in Nigeria's national development. The paper adopts the longitudinal research design, and found among others, that privatisation policy was implemented in Nigeria in order to bring about efficiency in the activities of public organisations and enterprises, which could translate to development at different levels. It also discovers that national development in Nigeria has been stalled by policy discontinuities and poor implementation strategies. It therefore recommends that the Nigerian government should take proactive steps/measures in monitoring the privatisation processes, as well as ensuring that the privatised organisations receive the needed support and environment to thrive. This would make the national development agenda attainable in Nigeria.

Keywords: Development, government, national development, Nigeria, policy, privatisation, privatisation policy.

1. INTRODUCTION

Development is a concept that has occupied the front burner of debates among scholars and governments around the world. These discussions have been on for decades, especially as it relates to the pursuit of development in the developing world.

Privatisation is not a new phenomenon in the world today. It has been confronted with different challenges in its application in various nations across the world. With regards to Nigeria, among such challenges is the
inability of privatisation policy to deliver according to the principles and purpose for which it was conceived. The gross inefficiency of the operations and activities of implementing agencies like the Bureau of Public Enterprises (BPE) and the National Council on Privatisation and the erosion of government’s responsibility in service provision to her citizens, are two sides of the coin that calls to question, the efficiency of institutional machineries in the policy implementation processes in Nigeria. Concerns raised here stem from the fact that despite the very promising outlook of the privatisation policy, it has not been able to deliver optimally.

2 LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1 Conceptual Clarifications

Privatisation

McLean and McMillan (2003) posits that privatisation is the sale or contracting out of public assets to the private sector by the public sector. This, according to them, was the case in the United Kingdom, when the Thatcher government sold out industries in telecommunication, gas and electricity in 1979.

According to Sharma, Sadana and Kaur (2012, p. 154), “privatisation is the transfer of ownership and management of country’s economic activities from public sector to private sector”. This implies that privatisation involves the private sector not only taking ownership of public sector organisations, but also being actively involved in its management and operations. They further view privatisation as a channel through which the public sector is reformed. Reformation here is drawn from the assumption that the public sector is grossly bedevilled by mismanagement, wastage of resources, excessive and unnecessary delays in completing projects, poor returns on investment, and general inability to maintain public organisations. This is further extended by Zahra, Ireland, Gutierrez and Hitt (2000, p. 511), in their definition of privatisation as “any action that transfers some or all of the ownership and/or control of state-owned enterprises to the private sector”. This brings to the fore, the various forms of privatisation. That is, complete transfer of ownership of public enterprises to private entities, part ownership of public enterprises, some level of control (partial or exclusive) of public enterprises by private individuals or organisations, which characterise the concept of privatisation.

Wang and Liu (2017) opine that the need to attain coherence, flexibility and productivity, drives governments to adopt the privatisation strategies. They contend further that privatisation reforms, like outsourcing of public services, liquidation and outright sales of public enterprises to private individuals, have been adopted by governments in different countries of the world since the late 1970s. This is a recognition of the impact privatisation has on enterprises, by galvanizing performance. When there is presence of competition in the market environment (as privatisation is said to promote), the application of market mechanisms to put competitive pressure on service providers is perceived as spurring these service providers to not only lower their prices, but also improve the quality of public service they produce and deliver (Andrews and Entwistle, 2015). This enhances cost efficiency, quality of production and delivery and overall satisfaction of the end users – who are the citizens. This position is corroborated by Donald (2018) that privatisation is geared towards attracting foreign and local investments, job creation, bringing about competitiveness in local products, ensuring technological and skill transfer, as well as stimulating other sectors of the economy.

Development/National Development

The concept of development is all-encompassing and encapsulates wide sphere of issues and dimensions. There is difficulty in ascertaining what exactly makes for development, as it is relative. While a nation, for instance, may be identified as developed in one or more metrics, it may be found to be developing or underdeveloped in other parameters. The concept of development gained wide usage in the period just after the World War II when there was a need for reconstruction of war-torn Europe and this took the form of industrialisation (Rapley, 2007). Some scholars view development as economic growth, other see it from the viewpoint of the family structures, political and technological advancement, freedom from poverty and degradation, and so on (Szirmai, 2005). However, there exists various parameters for determining what is developed or otherwise. As a multi-dimensional process, it should be seen to include economic, social, political, and administrative development (Ibietan, 2014). McLean and McMillan (2003, p. 148) define development as “a normative concept referring to a multidimensional process”, which is commonly regarded as amelioration in certain social indicators and indicators of tangible quality of life, such as life expectancy. The low standard of living of the mass of the population in developing countries is singled out as the key issue in development.

Soares and Quintella (2008, p. 107) cited a seminal work by Rostow (1971) who utilised Social Darwinism to
define development as a “process of evolutilional succession in stages, where human societies leave a rudimentary model until they arrive at a western industrialized civilization consumption model, which is considered unique and universal”. This definition likens development to the patterns of westernisation. In other words, western modernism becomes the ideal realism in attaining the goals of development by the underdeveloped/Third world countries.

Having an extended view and as cited in Soares and Quintella (2008, p. 107), Ribeiro’s view of development as “a state, process, well-being, progress, economic and human growth or ecological balance”, is closely linked to the definition of The South Commission (SUD) (1990, p. 10) on the term as, “a maturing and development process of self that frees the population from fear and exploitation”. Aspects of socio-cultural development are underscored in these definitions. “When referring to a society or to a socioeconomic system, “development” usually means improvement, either in the general situation of the system, or in some of its constituent elements. Development may occur due to some deliberate action by single agents or some authority pre-ordered to achieve improvement, to favourable circumstances in both. Development policies and private investment, in all their forms, are examples of such actions” (Bellù, 2011, p. 2).

Naomi (1995), “believes that development is usually taken to involve not only economic growth, but also, some notions of equitable distribution, provision of health care, education, housing and other essential services, all with a view to improving the individual and collective quality of life” (cited in Lawal and Abe, 2011, p. 238). Chrisman (1984), views development as the process of advancement of the society, whereby the wellbeing of the people is improved through strong partnerships with different sectors, corporate bodies and various groups in the society (cited in Lawal and Abe, 2011, p. 238). This view looks at the interplay between formal and informal settings, where coordinated relationships harmonise towards advancement of the society. Development transcends economic issues to every other sphere of life, ranging from politics to religion to the environment, administration and socio-cultural affiliations.

Additionally, Rashid (nd) states that the objectives of development are “1. increases in availability and improvements in the distribution of food, shelter, education, health, protection, etc. through relevant growth processes 2. improvements in levels of living, including income, jobs, education, by creating conditions conducive to the growth through the establishment of social, political and economic systems and institutions which promote human dignity and respect 3. expansions in the range of economic and social choices available to individuals and nations e.g. varieties of goods and services”.

The term national development is used to refer to a state of advancement that characterises a nation-state and emanates from the interaction of modern economic, political and social forces and processes which transform diverse people, shaping a common geographical area, from acceptance and allegiance to and participation in a transitional policy to the acceptance and creations of and participation in a modern nation-state. It involves the use of governmental machinery capable of keeping order, commanding loyalty, eliciting legitimacy, permitting mass participation, fostering integration, and satisfying popular expectations and wants (Lukpata, 2013, p. 64). In this regard, the government machinery is the public bureaucracy.

Lawal and Abe (2011) describe national development as the total development or an advancement in the socio-economic, political and religious sectors of a nation. According to Igboho (2015, p. 4), national development is about the improvement of quality in the different sectors of the country, such as the socio-psychological, socio-economical, ethical, political, and economic spheres of Nigeria’s existence. Such improvements, when put together, translate also into the assurance of the improvement in the lives of the citizens of that country. It further adds that national development is the progressive change in the administrative, political, economic socio-cultural and industrial conditions required to promote advancement in humanity. The key component here is the direct and indirect involvement of the citizens in driving development by harnessing natural and human capacities.

This definition highlights the involvement of the citizenry in bringing about national development. It portrays a state of total improvement in national life. National development can therefore be defined as the all-inclusive, sustainable and irreversible advancement in the various sectors that constitutes a nation, as occasioned by the collective efforts of an organised and pragmatic citizenry.

3 RESEARCH METHOD

This paper utilises a combination of longitudinal research design and descriptive approach to secondary data retrieved. Data used for this study are sourced from scholarly works and publications that online and in prints, academic journal articles, newspaper publications, textbooks and periodicals. Furthermore, while carrying out this study, data gathered were analysed textually and presented thematically.
4 PRIVATISATION POLICY AND NATIONAL DEVELOPMENT IN NIGERIA’S FOURTH REPUBLIC

In Nigeria, though government owned enterprises predate independence – where the colonial master saw to industrialization and control of economic resources – the oil boom of the 1970s gave rise to the setting up of several government-owned enterprises to cater for the various needs of the populace, but these had to be abandoned in the 1980s as recession set in (Igbuzor, 2003). Privatisation policy in Nigeria emanated from the Federal Government’s attempt at economic reforms and was geared towards promoting efficiency in service delivery, while reducing the burden of service provision by the government (Orukpo and Ejeh, 2014). This also resulted from the Presidential Commission on Parastatals Report of 1982 (Onosode report) which, according to Ibiyetan (2013, p. 59), “suggested the privatisation and commercialisation of the non-performing public enterprises”. Ogohi (2014) avers that political interference, political instability, government controls, over-protection by the government, poor attitude to work and financial mismanagements have been the undoing of public enterprises in Nigeria. Overtime, the government has shown its inability to properly manage or operate public enterprises and infrastructures, and by extension, failed in meeting the basic needs of the people. This made it very imperative for the private sector to take over some of these public sector organisations through the privatisation policy of government (Gberevbie, 2006).

In fact, the level of inefficiency, massive financial losses and debts, grossly neglected public enterprises, failed public service delivery system to the Nigerian citizenry and a battered economy occasioned by public sector failure, necessitated action and urgent steps located in private sector interventions (Okonjo-Iweala, 2012). Furthermore, it added that an attempt to find solutions to the Nigerian public sector dysfunctions and development deficits led to the commissioning of different reform panels, which include the Adebo Commission of 1969, the Udoji Commission of 1973, the Onosode Commission of 1982, the Al-Hakim Commission of 1984, which resulted in the birthing of the Privatisation and Commercialisation Decree No. 25 in 1988; and the Act NO. 28 of 1999.

Gberevbie, Oni, Oyeyemi and Abasilim (2015), justify the need for privatisation in Nigeria, citing the arguments by Eminue (2009), that the need for privatisation arose because of the corruption, high handedness, wastefulness, inefficiency, overstaffing and debauchery of the staff and management of public enterprises in Nigeria. This also includes the fact (according to the study) that these enterprises have not performed well enough to provide any rationale for their continuous existence as public enterprises. Citing Dr. Hamza Zayyad, who was the Chairman of TCPC, Oduniyi (1993) stated that about nine (9) enterprises were termed unprivatisable, despite the huge equity that the government had in it, due to poor performance of the enterprises.

The Bureau of Public Enterprises and National Council on Privatisation were therefore established as the main bodies for the implementation of the policy on privatisation and commercialisation. This led to the sale and transfer of ownership of many public enterprises to private handlers (Omoleke and Adesopo, 2005; Ibiyetan, 2013).

4.1 Challenges to the Privatisation Policy in Nigeria

As with any public policy in Nigeria, various challenges have been identified in the process of the implementation of privatisation in Nigeria. According to Nwamu (1999), the major issues of privatisation in Africa, and Nigeria in particular, are challenges of transparency, politics, joint-venture opportunities, managing the sale, social impact of privatisation, unemployment and labour unions. It is said that the programme was not properly thought-through, thus, flawed from its conception to execution stage, having only political cronies as beneficiaries (Clement-Ogbuanu, 2007; Gberevbie, Ibiyetan, Abasilim and Excellence- Oluye 2015). With frequent political interferences and interests in the privatised enterprises, the programme has not been able to fully attain the expected objective for its formulation.

Power: The Nigerian Electric Power Authority (NEPA) was responsible for the generation, transmission and distribution of electricity in Nigeria and yet “delivered one of the lowest levels of average per capita electricity production in the world” (Okonjo-Iweala, 2012, p. 37). In a bid to achieve higher outputs in power, licences were issued to 34 Independent Power Producers (IPP), with expectations of their being able to add 100,000 megawatts to the national grid but this goal was not attained (Kolawole, 2011). Most of these potential licensed operators, who have not been able to live to their billings, adduced reasons to include the inability to secure loans locally or otherwise, which has led to threats of withdrawal of operating licenses by the Nigerian Electricity Regulatory Commission (NERC).

Donald (2018) highlights that power was sold by the government to themselves and their cronies, which has
grossly undermined the efficiency of that sector in ensuring availability and affordability of power to the citizenry. He further states that it is near impossible to withdraw the privatisation agreements from the non-performing distribution companies (Discos) because of a controversial power privatisation agreement of 2013, which needs to be reviewed.

**Ports:** The Nigerian Ports Authority was in charge of manning, administering and maintaining the sea ports in Nigeria. Gross service failure, ports congestions, restrictive labour union practices, high scale inefficiencies and service overcharge, among other things, characterised the ports authority which necessitated a call for privatisation. This call was to salvage what was left of service delivery in the port and ensure optimal functioning (Eniola, Njoku, Oluwatosin and Okoko, 2014; NPA, 2018). Since it was privatised, the maladies that informed the concession of the ports are yet to abate.

**Other Challenges**

**Poor Communication:** There is poor communication channel with the citizenry (Akingbolu, 2018), and the need to ensure participation of the citizens and elicit their cooperation and support in the privatisation process cannot be overemphasised. When the citizens, who are the consumers and customers of privatised enterprises, are not carried along or appropriately informed about the details and mode of operations of newly privatised enterprises, this becomes an exercise in futility.

**Job Losses:** Privatisation of public enterprises have led to the downsizing of employees in many of these enterprises by the profit-driven private sector (Igbuzor, 2003). This has created more unemployment and increased suffering for the Nigerian people. As in the case with NITEL, the former employees of NITEL (before it was privatised) were retired with a backlog of unpaid salaries (Amaefule, 2006).

### 4.2 Development Prospects in Nigeria via Privatisation Policy

The National Council on Privatisation (2004) submits that the position of Nigeria in Africa and her vast resource deposits, led to the need to ensure and promote efficiency in government, to restructure the public sector towards effectiveness and also advance the interconnectivity between the government and the service-oriented private sector. So, pursuant to the advice and recommendations by the world donor and lending agencies, World Bank and United States Agency for International Development (USAID), Nigeria embarked on the privatisation of State-Owned Enterprises (SOEs). Furthermore, according to this document, the government looks forward to divestments in over 1,000 State Owned Enterprises across different areas of the economy – that is, agriculture, mining, aviation, manufacturing, hospitality, banking and insurance, media, oil and gas, transportation, real estate, media and prints, postal services and other forms of service – to both local and foreign private sector operators. This is also aimed at complying with global best practices, while also ensuring that the environment is conducive for these sectors to thrive (Altenburg and Drachenfels, 2008).

According to King (1988, p. 5), national development thrives with a “skilled citizenry which exercises its capacity to create a highly industrial society and manipulates its environment to obtain a high quality of life for the generality of the population” (as cited in Lukpata, 2013). The infusion and synergy of the professionalism and the skill set of Nigeria’s population in both the public and private sectors are vital in ensuring the actualisation of development in the different sectors of Nigeria. It is important that the bureaucrats are also not completely overlooked in the drive towards privatisation. This is because, according to Chukwuemeka, (2008, p. 329) “most often, development plans and programmes could not be formulated without a serious backup by the bureaucrats”. These bureaucrats are a body of skilled professionals whose expertise and experiences go a long way in proffering the required targeted input for effective service provision. Basu (2004, p. 368) opines that “the government formulates policies and depends on the public administration for their implementation” – public administration here is referring to the public sector institutions. While the government formulates policies geared towards development, the onus is on the public bureaucracy to drive the implementation of those policies towards the attainment of developmental goals. Public administration is a critical factor in economic and social development, and it controls and directs the success of any plan for development, while still also being vulnerable to targeted social control and change (Rodman, 1968). If the privatisation policy is not properly implemented by the bureaucrats, it would be set for a fall right from its inception, no matter how well meaning the policy content is.

Privatisation of several hundreds of public enterprises, deregulation and liberalization of telecommunication, downstream petroleum and the power sectors were major targets by the government to reduce the strain on public funds (Ibietan, Abasilim and Olobio, 2018; Okonjo-Iweala, 2012). It is also a means for eliminating leakages and wasteful spending and minimising budget deficits that characterise the running of public
enterprises (Eminue, 2009). The strain on fund was as a result of having to spend on providing services and running/maintaining businesses that could have been managed by the private sector. The privatisation programme ought to make it possible for government to save funds and generate more revenue that can be used to solve other national issues. Generation of funds results from the full or partial sales of the public enterprise or from the sales and public offers of government shares and equity of public enterprises. Economically, the Federal Government made ₦3.3billion from the sales of 1.5billion shares in about 90 enterprises, raking in 10% above the forecast estimation of ₦3billion by 1993 (Odunyi, 1993, p. 19).

By opening up the public enterprises to private local and foreign investors, there is the opportunity for technological transfer, as these investors bring in skilled technocrats with technological capacities which would enhance production efficiency (Madu, 1989; Piva, 2004). Technological transfer can be a fundamental approach towards progress and development in Africa, and indeed Nigeria. This influx of innovation would be of utmost benefit to development in Nigeria.

According to Sharma, Sadana and Kaur (2012), privatisation may not be a full package for the growth and development of economies but could even lead to growth displacement if not properly monitored, as governments have also had to necessarily intervene in ailing privatised industries. This also has implications on the welfare of the citizens (Starr, 1988). Privatisation, as it were, may not be a one-size-fits-all as promoted by several scholars, and its severe challenges enumerated above, give room for questioning the extent to which the privatisation policy can deliver effective results, especially in a country like Nigeria with predatory elites and sundry dysfunctions in the public domain.

5 RECOMMENDATIONS AND CONCLUSION

From the discussions in this paper anchored on the submissions of a galaxy of scholars, it is discernable that there are ways by which the government can ensure privatisation is efficiently carried out, while also managing public–private partnerships: goals and objectives for such partnerships must be clearly identified and stated in binding codified laws and terms of operation. To corroborate, Abdullahi and Usman (2013) posit that the strategic plans by which the privatisation shall run for the parties involved must be developed; the procedure for privatisation and partnerships must be clear and transparent; there should be appropriate methods for assessing and evaluating the entire process; the right and appropriate structures for funding private sector participation must be put in place; there should also exist a system of government monitoring, supervision and regulation that would be very efficient; the management capacity of the private sector should be considered and strengthened; and very crucial of all is the measure that must be put in place to ensure there is job protection for all government employees in privatised enterprise.

There is a need for the Nigerian government to ensure that there is a favourable environment for privatised enterprises to thrive. This includes the provision of financial and credit facilities that can be easily accessed by the private sector to strengthen the provision of services to the citizens. Also, bureaucratic bottlenecks and undue redtape that slows down processes of accessibility to government/stakeholders and approvals should be totally eliminated when relating with the privatised organisations. The usual policy somersaults and policy adjustments on agreements made with private sector investors in the privatisation process should be jettisoned, in order to make. This brings about distractions to the private sector operatives and hinders meaningful progress towards development. There is need for a continuous review of privatisation agreements with non-performing privatised enterprises. This will ensure that private sector operators live up to expectation mandate of effectively managing these enterprises for improved performance, with the ultimate goal of galvanising national development.

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REFERENCE LIST


