Political Economy of Privation and Its Attendant Features in Nigeria: 21st Century Challenges

Odufowokan B. Adesina
Head of Department of General Studies Education
Tai Solarin College of Education
Omu-Ijebu, Ogun-State, Nigeria

Abstract
Privatization and its attendant features to be relevant and effective should be implemented in the context of a challenging socio-economic environment. It is a fact that the environment in which privatization in Nigeria is being practiced was questionable but is just changing significantly in recent times. These changes are attributable to internal and external factors to the nation’s development. The changes require management of institutional policies to change the attitudes of people from the old traditional approach to a more responsive result oriented behavior. Privatization features involve structural reform process, globalization strategy, fostering economic growth, attaining macroeconomic stability and reducing public sector borrowing. Hence efficient and effective privatization contribute to developmental process that must be directed towards attracting, retaining, rewarding and developing the nation’s future.

Keywords: - Political, Economy, Privatization, Attendant, Features, Nigeria, Century, Challenges.

Introduction
Throughout the ages, there has been no human endeavor that is not confronted with one or more problems, majorly administrative, organizational and operational or personnel cutting across these actions are the last but not the least – personnel, Fasanmi (2000). Therefore it created constraints in the various sectors of the economy – education, mining, aviation, economic, electricity, drinkable water supply, telecommunication, trade and commerce, ICT and other important sectors in Nigeria.
Over the years, the aforementioned sectors had gulped Billions of Naira from government covers with little or nothing to show for these colossal yearly spending, this has thrown the government into huge unending debt as well as debt servicing and blackmail by the assisting developed countries, Odufowokan (2009)

Adoga (2009) recounted a plethora of discontentment’s on the privatization exercise which he said had reached a fever pitch and whose panoply include NITEL, MTEL, NEPA, NNPC, Power sector reforms, port reforms, sale of national steel companies such as Ajaokuta and Delta steel, Daily Times, AP, ALSCON, NAFCON, constant labor disputes, the concession of unity schools, concession of Trade Fair complex, the draconian sale of Federal Government properties in Lagos and Abuja est.

Privatization by economic scholars and jurists encompass a wide range of options for involvement of private capital and management in the running and operations of public enterprises. It may involve the total transfer of public ownership and assets structures to private companies or conversion of public enterprises to private entities or incorporation of new private entities in place of public enterprises or public-private participation in the running of public enterprises which can be by management transfers, leasing operational concessions development leaser, build and transfer (BOT) and so on. Odufowokan (2009) corroborated this assertion defined privatization as an attempt by the government to curb waste of funds and loss of man-hour. It is a state at which the various enterprises ceased to serve the buffer or shield purpose against the world economy, rather the state seeks materials gains from globalization, Cox (1987).

**Objectives of the study**

The study sets to:

(a) Indicate the level at which the state-own enterprises has become a key component of the structural reform process in Nigeria

(b) Highlight administrative constraints that hinder the implementation of economic growth.

(c) Point out the need for proper planning of macroeconomic stability attainment.

(d) Itemize the various loopholes and defects of massive public sector borrowing requirements arising from corruption, subsidies and subventions to unprofitable investments.

(e) Make useful recommendations and indicates the prospects of privatization in the 21st century.

**Research Questions**

To be able to achieve the objectives of the study, the following research questions are generated:

(1) Can the Federal Government continue to fund the various SOE’s with the present dwindling oil revenue and unstable market demand?
(2) Are there sufficient knowledgeable God-fearing personnel that can make the program workout successfully?

(3) Has the government created enough awareness for privatization in the citizenry?

(4) Has the provision been made for the necessary adjustments from traditional behavior to a responsive result oriented behavior?

(5) What other personnel, administrative and organizational problems that may hinder the successful implementation of privatization in Nigeria?

**Importance of the study**

Privatization has been embraced by most developing and transiting economies in the last two decades as a means of fostering economic growth. By the end of 1996, nearly all but five countries in Africa had divested some public enterprises within the framework of macroeconomic reform and liberation, White and Bhatia (1998).

Therefore, in order to avoid a stressful situation that will hamper the intended progress of implementation privatization, it is necessary to pin-point so that they can be nipped in the bud.

Apart from these, for privatization to be implemented successfully to achieve the stated objectives, it has to be monitored closely at every step of implementation. Theoretical predictions should be supported by empirical works done by developed countries for maximum efficiency gains.

Also, the almost total neglect and lip service by people outside and personnel involved in privatization exercise of African countries would be substituted with impressive level of activism in implementation to influence the pace and outcome of the program.

**Theoretical Framework**


Conversely, current researches are yet to provide useful insight into the peculiar circumstances of Africa and in particular Nigeria, such as the presence of embryonic financial markets and weak regulatory institutions and also the manner in which they influence the pace and outcome of privatization, Adam and Jerome (1999), World Bank Report (1995), and Jerome (1997).
In addition, most objective observers agree that the high expectation of the 1980’s about the ‘magic power’ of privatization should bailout Nigeria from her quagmire, still remain unrealized, Adam (1992), World Bank Report (1995), Ariyo and Jerome (1999), and Jerome (2005).

Nigeria was not left out of the developing countries whose growing involvement in economic activities increased. The state-owned enterprises (SOES) turned into diverse economic activities with a view of fostering rapid economic growth and development. This view was reinforced by massive foreign exchange earnings from crude oil, which fuelled Federal Government of Nigeria investment in Public enterprises but unfortunately most of the enterprises were poorly conceived and economically insufficient. In the process, they accumulate huge financial loses and absorbed a disproportionate share of domestic credit.

By 1986, Nigeria introduced and adopted the structural Adjustment Program with privatization of public enterprise emanated as a forefront to major component to Nigeria’s economic reform process as prescribed by the World Bank and other international organizations and consequent upon these a Technical Committee on Privatization and Commercialization (TCPC) was inaugurated in 1988. This is to oversee the program and in the course of implementation had Fifty-five (55) enterprises privatized. Since then, sufficient time has elapsed thereby allowing an initial assessment of the extent to which privatization has realized its intended economic and financial benefits especially with the second phase of the program. The revealed interesting features that alter earlier notions as to the most appropriate way to implement privatization programs were important and noted, Nelly (1999).

Highlighting the extensive adoption of privatization, Jerome (2008) asserted that its adoption from the onset had been highly controversial and politically charged. He emphasized that the said adoption relates to the agency and credibility problems that are unleashed by the exercise as well as its income distribution implications. In managing state owned enterprises, politicians and bureaucrats enjoy rents and also able to exercise political patronage, for example, creation of jobs for their supporters as well as targeting credit and other benefits to them. In turn they are assured of re-election or the means of retaining power.

Indisputably, Laffont and Meleu (1999) in their application of the model on sub-Sahara Africa, concluded that the speed of privatization was directly related to the shares that politicians or their relatives could fetch in the privatized firms to compensate themselves for the loss of the rents previously enjoyed under state ownership. Similarly, interest groups or constituencies, depending on the amount of political influence they wield can also affect the speed and sequence of privatization as shown in following table.

**Interest Groups, Threats and Benefits in the Privatization Process**

<table>
<thead>
<tr>
<th>Interest Groups</th>
<th>Potential threats / Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Government leaders and their representatives on board of state owned</td>
<td>Threats include possible loss of political patronage and income. On the other hand,</td>
</tr>
<tr>
<td>companies, as well as bureaucratic in the line ministries.</td>
<td>privatization reduces the burden and sends positive signals to the donor community.</td>
</tr>
<tr>
<td>--------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>2. Parastatal managers and employees</td>
<td>Risk of loss of employment and income during privatization and post privatization re-structuring.</td>
</tr>
<tr>
<td>3. Influential domestic groups including political parties, religious groups, labor unions, parliamentarians, academics etc.</td>
<td>The unequal distribution of privatization benefits as well as <code>foreignization</code> are seen as threats by a large number of this group ex ante. Still an expanding private sector soon begets its own support group and views change rapidly ex post.</td>
</tr>
<tr>
<td>4. Donors and multilateral agencies</td>
<td>On the whole, donors and the multilateral agencies see no threats in privatization, only benefits to them. To them, privatization signal commitment on the part of national policy makers to economic reform and to efficiency in government.</td>
</tr>
</tbody>
</table>

Source : Adopted from Kayizzi-Mugewa (2002)

On the international scene, former Soviet Union and Czech Republic witness globalization concerns and failed privatization were recorded and the area of disappointment was in privatization of infrastructures. These generated new critiques on privatization, Shirley and Walsh (2000). Essentially, Bishop and Kay (1988), Vickers and Yarrow (1988), related that several theoretical and survey articles propose alternative reform measures other than privatization. They argued that competition and deregulation were more important than privatization, putting ownership at the lower rung of the hierarchy of policy prescriptions while others according to Vining and Boardman (1992), Boycko (1996), World Bank (1995), Shirley and Walsh (2000) decisively stood in favor of privatization. Equally important is a comprehensive survey of ownership and firm efficiency. Vicker and Yarrow (1998) highlighted an example to conclude that private ownership was superior to public ownership only in firms where healthy competition existed. Conclusively, in markets where there are no competitive forces, the introduction of competition through the elimination of statutory monopolies or regulatory measures that mimicked competitive forces provided higher efficiency gains than could be expected from the transfer of ownership to the private sector is essentially compulsory.

**Research Method**

Questionnaire forms was use to collect data. This was corroborated with information gathered from interviews. Questions asked requested for information about personnel, the extent and pattern of privatization, results derivable from privatization in Nigeria, improved enterprises
performance as anticipated and what policy lessons are to be learned from privatization experience so far.

Those randomly sampled to answer the questionnaire drawn in responsive form of “Agree”, “Not Agree” and “Unaware” form was used and distributed to the various chief executive officers of the state-owned enterprises, financial analysts, market analysts and supervisors as well as educationists and knowledgeable citizens of the community. Equally, self developed instruments tagged “Privatization Attendant Features” and “Challenges Questionnaire (PAFECQ)”, were also utilized in determining stakeholders’ awareness of privatization and items 3 and 4 of the instrument states “Government advertisements towards the sale of state owned enterprises is properly done before they are sold off”. Many benefits accrued from privatization of state owned enterprise.

Equally, highly intelligent chief executive officers and others were randomly sampled to answer the questionnaire. This selection was done in such a way that the total sample included both sexes from old and young establishment and enterprises. All the enterprises are located in the south western part of Nigeria. The questionnaire was personally distributed by the researcher and some assistants. Questionnaire that were badly filled were rejected until two hundred appropriately filled ones were selected.

Only twenty people were interviewed. These were highly educated and enlightened men from Daily Times, NITEL, MTEL, NNPC, NEPA AND National steel company and the two state-owned universities in Ogun-State – Olabisi Onabanjo University, Ago-iwoye, and Tai Solarin University of Education, Ijagun. This collection of well-meaning and distinguished interviewees provided more flesh and flavor to the data.

The collected data was analyzed using frequencies and percentages. These were in some cases tabulated to present a clear picture of the issues under discussion.

Analysis of Data and Discussion of Findings

Precisely two hundred subjects were sampled for this study to respond to questionnaires and twenty well meaning Nigerians were also interviewed on issues related to the implementation of the privatization policy. The information gathered is thus presented.

Personnel

Respondents were asked to indicate if there were sufficient knowledgeable God-fearing personnel who can watch and implement the privatization policy. These included chief executives of SOE’s, financial institutions executives, Bank managers and accountants, market analysts, supervisors, educationists from tertiary institutions, etc. The table below shows the responses.

| Table: 1 Adequacy of Personnel for Privatization |
The figures reveal that 75%, 84% and 69% of the respondents indicated that there were sufficient executive officers, engineers and technicians respectively. The highest indication of staff adequacy is for management executives with low figure of 12% against, while 13%, 6% and 5% were negative answers of staff adequacy for engineers and technicians respectively. It is clear that there are sufficient personnel that can prosecute the privatization program. The management executive, financial executives, market analysts, engineers and technicians are in abundant requirement and quantity. Respondents interviewed were of the same opinion with those who responded to the questionnaire.

**Awareness of the Citizenry on Privatization Implementation**

The subjects were asked to indicate if the citizenry was aware of privatization policy of the government. Those concerned were the chief SOES Management executives, chief executives of financial institutions, Bank managers, Accountants, Account clerks, Market analysts, supervisors and educationists. Their responses are shown below.

**Table 2: Awareness of the Citizenry on privatization Implementation**

<table>
<thead>
<tr>
<th>State owned Enterprises Executive officers are aware of the implementation of Privatization.</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>U</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>158</td>
<td>79</td>
<td>33</td>
<td>16.5</td>
<td>9</td>
<td>4.5</td>
<td></td>
</tr>
<tr>
<td>Financial institutions like Banks, Insurance Companies, Mortgage and discount houses Chief Executives</td>
<td>149</td>
<td>74.5</td>
<td>41</td>
<td>20.5</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Market Analysts, Supervisors and Educationists</td>
<td>166</td>
<td>83</td>
<td>22</td>
<td>11</td>
<td>12</td>
<td>6</td>
</tr>
<tr>
<td>Engineers, Students and Civil Servants know about the Privatization Implementation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>-</td>
<td>81.4</td>
<td>-</td>
<td>13.9</td>
<td>-</td>
<td>4.8</td>
</tr>
</tbody>
</table>
The average percentage of awareness is 4.8. It is the awareness of SOES chief executives and that of the financial institutions with 79% and 74.5% respectively that were far above average, while those of the market analysts, supervisors and educationists with that of the engineers, students and civil servants topped the awareness list with 83% and 89% respectively. This is because they are the youths of the country; students are the ones at the receiving end of the policy.

Under the column for “No” responses, the financial institutions like Bank, Insurance, Mortgage companies top the list with 41 respondents going against privatization this is because they are directly involved and they know the severe implication of privatization. This was followed by those of SOES chief executive officers, Market analysts, supervisors and lastly engineers, students and civil servants. The unawareness of the Market analysts and engineers, students and civil servants were below average awareness of 81.4% of the implementation program.

The highest awareness of the engineers, students and civil servants and that of the market analysts, supervisors and educationists is much expected. This is because the students, educationists and other youths might have heard, attend conferences, seminars in the educational institutions they attend.

One outstanding observation from the table is that SOES executives’ awareness is higher than that of the financial institutions executives. One would wonder and expected something contrary. The SOE’s chief executives are probably more aware than the financial executives.

**Adjustment on behavior from Old Tradition to Responsive Result Oriented Behavior on Privatization Implementation**

Respondents while attending to this section were required to indicate that they know about the old tradition of behavior that “government’s property is nobody’s property” and that this behavior needs to be changed to a more responsive result oriented behavior of accepting and considering “government property as everybody’s property”. This concerns the imagination of the implementation committee, training and retraining of personnel, time of take-off of the program, knowledge of the objectives of the program and the benefits accruable to privatization.

The responses are shown in table 3 below:

**Table 3: Awareness of Change in Old Behavior to More Responsive Result Oriented Plan**

<table>
<thead>
<tr>
<th>Do you know of the Privatization Implementation Program?</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>U</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do you know of the Privatization Implementation Program?</td>
<td>186</td>
<td>93</td>
<td>9</td>
<td>4.5</td>
<td>5</td>
<td>4.5</td>
</tr>
<tr>
<td>Are you Aware of the Plan to train And retrain personnel?</td>
<td>170</td>
<td>85</td>
<td>19</td>
<td>8.5</td>
<td>11</td>
<td>5.5</td>
</tr>
<tr>
<td>Are you aware of the take-off time?</td>
<td>193</td>
<td>96.5</td>
<td>4</td>
<td>2</td>
<td>3</td>
<td>1.5</td>
</tr>
</tbody>
</table>
The table reveals that the highest percentages from the respondents are positive. As high as 96.5% of the responses indicate that respondents were aware about implementing take-off time and 93% were also aware about implementation. The plan to train and retrain personnel had 85% of the respondents that were aware.

The responses from those sampled for the interview greatly support the data from the questionnaire. Majority of the respondents were fully aware of the implementation of the privatization program.

The respondents to the interview were of the opinion that when the implementation starts, tertiary institutions would be helpful in training and retraining of personnel that would make sustainability of the program viable.

Some of the respondents who were interviewed opined that one of the problems that may confront the implementation program is reducing waste of materials and man-hour time. Onjefu (2004) was of the same opinion while Ariyo and Jerome (2005) supported the view that privatization implementation should be backed up with financial strength and concomitant managerial and technical know-how.

**Summary of Findings**

Rather than being categorical, it is better to say that the government has not provided sufficient fund and facilities to really implement the privatization policy while the personnel to implement policy were yet to be available in required quantity.

The citizenry in general and those who were directly involved like significant stakeholders are resisting the reforms. These include the SOES managers and chief executives, the employees of the enterprises, senior government officials and civil servants in sectorial ministries who perceived that their power status and perquisites might be reduced as the privatization program is implemented.

The worst is our representative at the National Assembly, a range of these set of politicians view privatization as a threat to national sovereignty and an unwarranted reduction in role of the state; then lastly the labor unions, in the utilities sectors.
The strongest opposition to privatization program was due to emotion that is further complicated by the deep-seated ethnic regional differences in Nigerian society. This complicated the implementation process in general and has in particular affected the sale of some public enterprises that have been perceived as being bought by non-indigenes of beneficial locations, Ariyo (1999).

**Recommendations**

Based on the findings made thus far, the following recommendations are made so that Nigerians can benefit maximally from privatization in the next millennium.

The first major point is financial support on the issue of privatization, enough provision should be made by the indigenes or at worst larger percentage bought by indigenes so as to ensure that foreigners do not take away what belong to us - the public enterprises, otherwise, it will amount to returning to the dependency days.

Prudent financial management should be practiced to the latter. This will ensure good returns on the investment made, reduce waste of man-hour and duplication of duties, and remove bureaucratic bottlenecks of file pushing and pulling etc.

Emphasis must be placed on staff training and retraining with privatization, ICT gadgets must be put to use to fast track implementation practice for responsive result oriented gains.

Findings reveal that a lot of offices were over staffed with many of them contributing virtually nothing to the enterprises growth. When ICT was founded, much loitering of staff and customers waited within and outside the building. The number of personnel will be reduced; same is true for space and buildings. This is of course the reason for labor unions refusal to accede to privatization for it will surely reduce waste of time, money and employees (workers).

Furthermore, extreme positions as agitated by labor unions should be discarded off. Alternative option for achieving the desired goals was to ensure accelerated growth, wealth creation and sustainable development and affective poverty alleviation.

Finally, to ensure proper implementation and sustainable policy program, there should be definite government policy paper on privatization that outlines the objectives and prospects of the implementation program. Issues such as fiscal institutional and management reforms, would have short-time and long-time impact on the entire citizenry.

**Criteria for Selecting Good Implementation Policy**

For any country to have a successful privatization of her public enterprises, the privatization policy deserves special focus on her socio-economic implementation for her welfare of the poor in Nigeria. The political economy of privatization should entail the objectives of privatization program.
Enough personnel that is fully equipped and trained to actually have or ensure a hitch-free implementation and sustenance of the program over-time. The entire citizenry should be educated and aware of the program. The program should be popular with the citizens. The program should restructure and rationalize the public sector in order to lessen the preponderance of unproductive investment.

It should also re-orientate the enterprises towards a new horizon of performance improvement viability and over-all efficiency.

It should also ensure positive returns on investments in commercialized public enterprises.

It should check absolute dependence of commercially oriented parastatals on the treasury and encourage their patronage.

Finally, it should initiate the process gradual cessation of public enterprises that can be managed by the private sector.

**Prospects for the Next Millennium**

It is glaring that if the recommendations in this study are giving due consideration, privatization implementation will be very easy. A number of jurists and writers have expressed their optimum on privatization. Relevant studies on this assertion include: Bala (1994), Jerome (2002), Emanuga (1997) and Obadan (1998). These studies focused on the rational for privatization in Nigeria.

Jerome (2004) and Beck (2005) had a discussion on privatization to include what was sold, to whom it was sold, by what method and for how much.

Micro-economic theory on privatization predicts that incentives and contracting problems create inefficiencies steaming from public ownership, hoping that public enterprises managers pursue objectives that differ from those of private organizations.

Callagby and Walson (1988) estimated that $2 billion USD annual net outflow would be a thing of the past if privatization is implemented properly. They affirm that non-performing PE’s would have changed status and start to perform. Some of them that are currently mothballed like the fertilizer, aluminum smelting, pulp and paper, sugar and steel industries would be effectively impeded by potentially more efficient private sectors.

Lastly, Ariyo (1991) asserted that the quality of the various past debates on privatization be accepted as nothing near positive impact would be recorded in Nigeria, if the citizenry do not shun myopic considerations, self-interest on employment laws, extreme agitation position and adopt privatization policies emblock.

**Conclusion**
The privatization of public enterprises has brought significant progress most especially in the de-
monopolization of the communication sector amongst other advantages. As the world Bank
(2001, 22) notes that while Obasanjo’s administration is strongly committed to an accelerated
privatization program, significant stakeholder groups are resisting the reforms. These include the
Public Enterprise (PE) managers and employees, senior government officials and civil servants.

From the above, it has been made clear that the resistance faced by privatization by the Nigerian
citizenry was due to emotion and self-interest. Privatization has numerous, unparalleled
potentials with astonishing advantages which Nigerians can benefit from, Odufowokan (1998). The
government should assist the citizens by educating them on the benefits of waste
management and conversion. This can be achieved, if the recommendations made in this paper
are given proper attention.

To this end, the organization and administration of privatization implementation will pave way
for financial astronomical strength and concomitant managerial and technical know-how in the
pursuit of sustainable development in the 21st millennium.

References

Developing Countries, James Curry, London.

Adekanye, F., 1982, “Banks Profitability vs Liquidity vis-a-vis New Economic & Monetary
Measures”, presented at the 17th Annual Banking Seminar, University of Lagos Conference
Centre, November.

27(1): 201–13

Privatization and Equity, Routledge, NY.


Firms: Evidence from developing countries”. The Journal of Finance, LIII (3): 1081–110

Vernon, ed., The Policy of Privatization: A Challenge for U.S. Foreign Policy. New York:
Council on Foreign Relations.


Empirical analysis of profitability, leverage, and labor intensity”. American Economic


