Journal of Business and Organizational Development *Volume 3, December 2011*

PRIVATIZATION OF PUBLIC ENTERPRISES IN NIGERIA AND THE NEGLECT OF GOVERNMENT SOCIAL RESPONSIBILITY

Beetseh, Kwaghga
Library Department
Federal University of Agriculture Makurdi
beetsehkwaghga@yahoo.com

ABSTRACT

This paper examines privatization of public enterprise; in Nigeria as a neglect of government social responsibility. It also looks at privatization of public enterprises as a violation and abuse of section 16 subsections 2c and 3b of the 1999 constitution which is the fundamental principle of state objective which says the state can owned and control its resources for the benefit of its citizens. This perhaps becomes another thing as the state resources are been controlled by some political cabal known as private sectors. This creates hardship to the poor. Privatization of public enterprises is no longer friendly with the labour as it; introduction lead to mass retrenchment of workers in the public sector previously owned by the government. Privatization of public enterprises in Nigeria has brought poverty, unemployment and human misery to the lives of citizens. This research paper adopts Marxist theory of post colonial state for its analysis.

INTRODUCTION

The growing appeal for privatization of public enterprises the world over is not unconnected with ideology of neo-classical economist, who desire reduced government intervention in the economy and believe in the superior economy performance of the private sector (Kumssa, 2000). According to the neoclassical economists, a free market economy without state intervention will lead to economic prosperity that would likely' trickle down" to the poorest members of the society. Hence, government intervention in the economy is considered unnecessary and harmful to the economy, since it sees to acts as a brake on economy, since it sees to act as a brake on economic progress. It is within this framework, that privatization was developed by neoclassical economic theorists who advocated for liberalization of the economy and the circumscription of the state role n the economy. The history of privatization, as an economic policy can be traced back to over the past four decades. During this period, nations in various parts of world sporadically implemented privatization as an instrument of development strategy (Kumssa, 2000:367). In 1966, Ghana, under the influence of the World Bank, privatized a considerable number of its public enterprise (Young, 1991). The introduction of privatization on mass scale in Africa took the center stage in the early 1980s, through external pressure that African must privatize their public sector if it is to qualify for the stabilization and structural adjustment loans provided by the World Bank and the international monetary fund (IMF). Countries that refused to accept these prescriptions were denied finance all assistance by these powerful neo-colonial financial institutions. In the same vein, countries that yielded to this pressure had their economy badly battered. The Structural Adjustment Programme (SAP) which was the forerunner of privatization required the reduction of government deficit through austerity measure, which among others; include the reduction in public expenditure. The structural adjustment loan to Guinea in 1986 was contingent upon the privatization of its public enterprise. Similarly, privatization undertaken in Togo, Ghana, Uganda, Nigeria and other Sub-Saharan African countries were mainly due to pressure from the international financial institutions. Prior to the adoption of the privatization option, successive Nigerian governments have responded to the poor performance of public enterprises by giving prominence to sheer symbolism in the form of administrative reforms; or by instituting probes and enquires into the management an d performance of the enterprise (See Federal Republic of· Nigeria) 1962: FRS 1967 al FRN 1967b; FRN 1967c; FRN 1981, and FRN 1984). However, the failure of these reforms to turn the dwindling fortunes of public enterprises around compelled the government to resort to the privatization and commercialization of most public enterprises. It is pertinent to state that the deteriorating economic conditions of these enterprises are intricately tied to the socio-economic and political problems of Nigeria and indeed the global economic order. These problems intensified in the 1980s thereby necessitating the adoption of the Structural Adjustment Programmes (SAP) in 1986. this involved of massive devaluation, the removal of import quotas, significant reductions in tariffs, the introduction of positive real interest rates, the freezing of agricultural and energy prices, the privatization of public held assets and the establishment of a more favorable regime for foreign Direct investment etc. It was therefore expected that privatization would reduce government expenditure and subsequently stimulate the socio- economic and political development of Nigeria. T his was not to be in fact by October 1985, Sanda (1987: 176) reported that the federal government admitted giving a total of ₦11, 513,052,672, as subventions to the parastatals between 1980 and 1985. However, the dividends ·which accrued from these investments were disappointingly low since only about N67,959,935 was repaid from the loans and about ₦26,124,463 accrued as interest. In the 1999s, the economic fortunes of public enterprises worsened as many of them could not break even (Okolie 2000: 149).

The Nigeria's federal government rationalized its privatization option on the allegation of inefficiency, poor management, corruption, poor return on investment lack of fund, political interference, lack of modern equipment, ethnicity, nepotism etc. Experienced by these public enterprises. However, we know, as Obasi (1987:1) observed, these enumerated problems are not fundamental enough to cause the privatization of these corporation, since other public institution in Nigeria experience similar problems. Meanwhile, it is the interest of this paper to examine the implications of masses in 2010 and beyond. As government neglect of social responsibility.

CONCEPTUAL ANALYSIS / DEFINITION

Privatization according to Oliver (1998) is the transfer of operational control of an enterprise from government to the private sector. Although operational control can be paced in private hands through leases, concession, or management contract, control is most often secured by majority townships. Privatization thus includes any transaction that resulted in a government leading ownership control by decreasing its equity. In a similar vein, Starr, (1998) defines privatization as a shift from the public to the private sectors, not shift within sectors. According to him, the conversion of a state agency into a autonomous public authority or state owned enterprise is not privatization neither is conversion of private non- profits organization into a profit making form. Privatization is the transfer of government-owned share holding in designated enterprise to private shareholders, comprising individuals and corporate bodies. Boarding defined, privatization is an umbrella term to describe a variety of policies which encourage competition and emphasize the role of market force in place of statutory restriction and monopoly powers (Ezeani, 1995). Laleye, (2002) defines public enterprise as organizations that are set up as a corporate body and as part of the government apparatus for an entrepreneurial or entrepreneurial -like objective. The essential feature of this definition is that public enterprise is created by government to undertake functions that are quasi- commercial in nature. Public enterprises are government or state owned business organizations, which are usually set up of legislation with the aim of maximizing public welfare (Anyanwuocha, 2000) these enterprise comprise establishments whose output or services are of utility of the generality of the populace (Ndekwu, 1987). Or as Ibie (1986) puts it, they include utility service industries, health, education, water- supply electricity, port management and sea transportation etc.

THEORETICAL FRAMEWORK

We shall anchor our analysis within some basic propositions emanating from the Marxist theory of postcolonial state. The theory basically arose in reaction to the western liberal theory of the state which, inter alia, contends that the sate is impractical and independent force; as well as a neutral umpire that caters for the main interest of every member of the society. They equally posit that the state emerged to protect lives and property; and hence rises above class interests in the process of production and distribution of social wealth. Meanwhile, the western liberal theory has been criticized by Marxian - oriented scholars for their inability to see otherwise similar "function" of state as definite historical and qualitative circumscribe'; natures' according to the social modes where they are operative. The basic attributes of the state as a adumbrated by the Marxist oriented scholars are: the states as an instrument of class domination; the centrality of the state and it apparatuses as the main instruments of primitive accumulation especially by the dominant class and their collaborators (Alavi, 1973: 146). The classical Marxist theory of the state has been further developed to take into consideration the peculiarity of the neo- colonial states. However, the unique attributes of the neo- colonial state can be traced to the colonial era. In order to secure their economic interests, the colonial governments discouraged the emergence of a strong indigenous capital class. Worse still, the new indigenous bourgeoisie that inherited control over the neo- colonial state apparatuses had a weak economic base, and hence relied on this control for its own capital accumulation and self reproduction. Consequently, the state and its apparatuses and institutions have become the main instruments for perpetuation of class interest and for willful alienation, appropriation and self reproduction of the dominant class.

While corroborating the above, Odejidi (1987) (1986: 12) remarked that in the periphery of capitalism, such as Nigeria, factors which have to do with the level of development of the productive forces make the state through its several institutions and apparatuses, a direct Instrument of accumulation for the dominant class of its agencies. Thus, the state in the peripheral social-formations has remained largely 'the source of economic powers well as an instrument of it, the state is a major means of production" (Martins, 1993). Indeed, given the low level of autonomy of the state occasioned largely by low level of development of productive forces, the ruling class, use their economic advantages, social networks and political clouts often determine the course of political and economic processes. Using this theory to explain the privatization of public enterprises in Nigeria, it is obvious that the problems of inefficiency , poor management, corruption, poor return on investment, political interference, lack of equipment, etc. which, ostensibly led to the privatization of public enterprise in Nigeria, cannot be substantiated. The truth is that the state in Nigerian lacks autonomy and in the process, becomes an instrument for primitive accumulation by the dominant class. The purchasers of these enterprises are wealthy Nigerians who have at one time or the other served or sapped Nigeria with all their strength. With the ill-gotten wealth, they become empowered to inherit these public enterprises via privatization and in the process translated public monopolies into private monopolies and thus enhance social inequality. Moreover, the privatization of public enterprise in Nigeria an international Monetary Fund (IMF) and World Bank induced economic policy option. The twin international financial institutions, have never hidden their insistence that countries wanting to benefits from their credit facilities, should embark on structural economic measures like drastic reduction in government expenditure on certain social services such as education, health etc. they also strongly favour privatization of certain parastatals, as well as the removal of subsidies on petroleum products, electricity, water and certain food items,. The privatization of public enterprise in Nigeria is not unconnected with the stance of these two' foreign financial institutions and in fact, in partial fulfillment of the conditionality of the IMF. By this economic package, the Nigerian economy would become weaker and more dependent on foreign capital

FORMS OF PRIVATIZATION IN NIGERIA

Privatization and have two forms which government may adopt depending on which one best suit her. We have two forms of privatization namely full or whole and partial. Privatization as a policy which is aim at restructuring the economics system of the nation, it is important for government to adopt the most suitable form which will help in restructuring the economic system of the nation. Whole or full privatization are those which already incorporated and which produce goods and those which are more 'private' (consumptive) than 'public' (essential) in nature. Such enterprise must show strong evidence of historical or future profits. Enterprises to be fully privatized would own 100% percent by the private sectors i.e by institutional, individual or core group's investors, or combination of such. Management decisions affecting the enterprises would have derived from policy decisions reached by the boards constituted by the new owners. Government, having divested it entire equity holding, would have no hands in running of the enterprise r in the decision making effecting the enterprise except in the provision of the general infrastructural and legal frame work and the maintained of political and economic environment conducive to the operation of business. The fully wholly privatized enterprise would be expected to source their funds from capital market, from additional equity contributions or from reserves. Above all, they would be expected to pay reasonable dividends to the shareholders (FRN 1999). According to Bajomo, (1988) partial privatizations are those which the government considered strategic because of the greater' public' nature of their goods. Government still exercise some influence over those industries to the extent of its representation on the board. It is hope that under the· new regime of privatization managers would be made accountable to the boards, even where government had substantial interest ministerial control, as well as the case in the past, would be chased out, as board would be expected to operate autonomously. It also means divestment by the federal government of part of its ordinary shareholding in the designate enterprise.

PRIVATIZATION OF PUBLIC ENTERPRISE AND THE NEGLECT OF GOVERNMENT SOCIAL RESPONSIBILITY

As noted above, the concept of privatization and commercialization is heavily loaded with ideology. According to Rodee et al, (1988), ideology refers to ideas that are logically related and identify those principles or values that lend legitimacy to political institutions or behaviour. Ideology may be used to justify the status quo or to justify attempts. (Violent or non- violent) to change it for major· part the twentieth century there were two opposing ideologies on how society should be governed and developed. Capital vs. socialism or ideologies of the right vs. ideologies of the left capitalist ideology typified by neo- liberalism insist that a self -regulated system of market will bring about spontaneous process of development on the other hand, the socialist and may 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 (Otive 2003). There are civil society actives who are concerned about the philosophical basis of privatization and commercialization. They argue that privatization and commercialization is neo- liberal approach to development which is imposed by the Brettons woods institutions as part of globalization that can only favour rich countries and individuals. They argue that privatization and commercialization 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, and 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 increase while utilization by the poor decreases. This is compounded by the fact that there is a lot of doubt talk and hypocrisy in the whole business of privatization and there is al so concern for the disregard for the constitution and rule of law in the whole privatization process. The 1999 constitution not only provided 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 sub-section 2c and 3c). The privatization process in Nigeria is only a fragment of the abuse experienced by this provision of the constitution and undermining provisions of the constitution of the Federal Republic of Nigeria (FRN, 1999).

CONCLUSION

It is clear by section 16 subsection 2c and 3c of the 1999 constitution of the Federal Republic of Nigeria that government have neglect its social responsibility to its citizen. These have cause serious problems such as unemployment; poverty .Privatization of public enterprises is a disregard for the constitution and rule. It implementation has succided to favoring the rich and disfavor the poor as the fee change for usage of facilities are most paid by the rich than poor. The plan retrenchment of 60,000 workforces in Power Holding Company of Nigeria (PHCN) is anti-labour and not friendly with the labour.

REFERENCES

Bajomo, F.K. (1988). "*The Rational for Privatization and Commercialization*" in the Bullion Publications of the CBN Vol. 12 No. 3.

Oliver, C. W. and Anita, B. (1998). *Privatization in Africa:* Washington D.C. International Bank for Reconstruction and Development/World Bank.

Otive, I. (2003). "*Privatization in Nigeria Critical issues of Concern to Civic Society."* A paper presented at a Power Mapping Ground table discussion on the Privatization Programme in Nigeria.

Starr, P. (1983). *The Meaning of Privatization.*

Kumssa, A. (2000). "*The Political Economy of Privatization in sub-Saharan Africa"*. In: S. Mukandala (ed) African Public Administration. Reader Harare APS Books.

Okolie, A. M. N. (2000). *"The Political Economy of Privatization of Public Enterprises in Nigeria.* A study of Niger Gas Company Limited. Enugu in Anugwom (ed).

Alavi, H. (1972). "*The state in Post-colonial Societies*: Pakistan and Bangladesh." New Left review. No. 74.

Ezeani, E. O. (1995). "*Publics Enterprises and Privatization Option in Nigeria."* In: J.I. Onuoha and J.O.C. Ozioko (eds). Contemporary Issues in Social Sciences. Enugu: Acena Publishers.

Martin, B. (1993). *In the Public Interest. Privatization and Public Sector Reform*. London: Zed Books.

Obasi, I. N. (1989). "*Three Decades of Management of Public Utility Corporation in*

Nigeria: A critique from a Political Economy Framework." A paper read at the National Conference on Three Decades of Public Administration in Nigeria, University of Jos.

Odejidi, A.F. (1987). "*A framework for Evaluating the Performance of the Nigerian Public Enterprises: Implications for privatization.*" Quarterly Journal of Administration, Vol. xxi, No. 324.

Young, B. (1991). "*Privatization in Africa."* Review of African Political Economy. 51 (July).

Sanda, A. O. (1987). *"Justification and Strategies for the Selective Privatization of State-owned Enterprises"* Quarterly Journal of Administration Vol. xi, No. 324.

Federal Republic of Nigeria (1999). *"The Constitution of the Federal Republic of Nigeria.*

Lakeye, (2002). *"Public Enterprises in Ladi Po Adamocekum Public Administration in African"* Ibadan Spectrum.

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