

**EMPIRICAL ASSESSMENT OF THE IMPACT OF PRIVATIZATION PROGRAMME ON
NIGERIA ECONOMY SINCE 1999**

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Abstract

This paper was an outcome of empirical research conducted on the privatized public enterprises in Nigeria. Some of these enterprises were visited and people's reactions and opinion were sought and analyzed. In view of the terrible economic situations in some of the public enterprises, the Federal Government of Nigeria decided to introduce Privatization and Commercialization Programme in 1999 to save the economy of the nation. Some of the sectors and enterprises worst hit include: Power sub-sector – NEPA, Fertilizer – NAFCON , Automobile companies – Peugeot, Volkswagen, Mercedes, ANAMCO, Banks , Insurance Companies , Telecommunication- NITEL, Cement – Nigercem, Benue Cement etc. , Aviation – Nigerian airways , Refineries/Petroleum and so on . The programme had four major objectives to achieve and prominent among them were for higher allocative, and productive efficiency, leading to faster economic growth and development in Nigeria and strengthen the role of the private sector in the development process. This programme after seventeen years of existence was analyzed based on the present economic situation as well as reaction of Nigerians. The result of the findings showed that this programme is a colossal waste and did not achieve any of its stated objectives and gains, rather it helped in worsening, the economic situation of Nigeria. Based on this, some recommendations were made for the Federal Government of Nigeria in order to save this harsh economic condition.

Keywords; privatization, public Enterprises, commercialization, and Nigerian Economy

Introduction

There were about 590 public enterprises at the end of 2000, of which only about 160 were involved in economic activities, generating goods and services. Over 5,000 board appointments were made to man these enterprises, with enormous patronage power given to high level officials, such as their directors, managing directors and boards. About \$100 billion, US dollars, equivalent of #13.500trillion was spent by the federal government of Nigeria to establish these public enterprises, between 1973 to 1990. Unfortunately their rate of return was less than 0.5% while they employed just 420,000 workers out of the total population of the Nigeria labour force. These public enterprises on average consumed =N=405 billion (\$3 billion) annual in direct and indirect subsidies between 1992 to 1999 and posed major stumbling blocks for obtaining debt relief for Nigeria. These enterprises controlled funds worth over N1 trillion more than the annual federal budget. Poor and unsteady salaries, and unfair in salary structure, together with the absence of vested pension funds made their workers nervous especially when they see that some of their senior colleagues (pensioners) are not receiving their monthly payments. Some enterprises are not even able to pay wages and allowances to their current workers, let alone the retired ones and the salary debts ran into several months of arrears.

Other observable inefficiencies of these public enterprises and their negative consequences include

- a. The quality of services from the public enterprises like NITEL, NEPA, Steel and Nigeria Airways were extremely poor and undesirable
- b. These public enterprises operate below capacity and were among the most inefficient in the world
- c. These enterprises become the sources for political patronage, corruption, parasitism and rent seeking for the political elite to the harm of the nations long term economic growth.

- d. Rather than assisting the nation and the people in poverty alleviation, they were encouraging and stimulating poverty
- e. Funds that the federal government would have invested in areas of important like social sector and other economic ventures were engulfed and wasted by these enterprises, well over N 265 billion as at 1998.

Robin Hoods (1998) stated that privatization is the only way to remove these problems and promote efficiency, transparency, and corporate governance. The continued drain of public enterprises endangers Nigerian position in the global economy. This situation necessitated the adoption of the policy on privatization in 1999 to avoid where Nigeria will be left out of the moving train of liberalization and globalization.

Privatization policy was designed to bring positive change in these enterprises and also to remove government from business, and bring in proper business people to run them. There is a popular say that government is not a good manager of business. With this, government can now spend its time, energy and money taking care of Nigerians rather than few companies that constitute withdraw from the economy.

It was assumed that when the real business people, take over these enterprises, they will revive them, for creation of jobs, increased competition, decreased inequality of outputs and low prices for their output too. Experience from other countries of the world where privatization has been introduced showed that it had positive long term effect on their economies.

Privatisation And Commercialization Programme In Nigeria

Privatization programme involves the process of transferring public enterprises to private or corporate business organization through partial or outright acquisition. Public enterprises are the ones established and managed by government to provide commercial activities in order to generate revenue. They include enterprises directly controlled by government or in which government holds a majority of the shares directly or indirectly through federal and state government entities.

To actualize this programme, government set up an agency known as Bureau of public enterprises (BPE). This agency was charged with the responsibility of implementing the government privatization programme and was the secretariat of the national council on privatization (NCP). It evolved from the technical committee for privatization and commercialization (TCPC) which was established in 1988 to carry out the government privatization programme. This technical committee on privatization and commercialization was transformed into bureau of public enterprises in 1993 with a supervisory and technical board. Bureau of Public Enterprise (BPE) was created as an independent body in 1999 without a board but reports only to national committee on privatization.

The director general of the Bureau of public enterprises is also the member Secretary to the National Council on Privatization which is the policy agency charged by the President with over seeing the proper and effective implementation of privatization of the ill, and mismanaged enterprises. They have to be privatized because it become obvious that government will never recoup these investments. A sample of some sectors and their estimated values of federal government investment which cannot be recouped is summarized in the table below:

S/N	SECTOR	No of enterprises	FGN investment US (Dollars)
1.	Infrastructure/utilities	3	US \$ 28 billion
2.	Upstream petroleum	1	NA
3.	Downstream petroleum	6	\$ 17 bn
4.	Steel/aluminum/mining	9	\$14 bn
5.	Machine tools/mining	2	\$650 mn
6.	Fertilizer	2	\$ 850 mn
7.	Paper	3	\$ 1.4 bn
8.	Sugar	4	\$ 1.8 bn
9.	Vehicle assembly	6	\$ 1.7 bn
10.	Media	3	NA (not available)
11.	Insurance	2	NA
12.	Oil market	3	NA
13.	Cement	5	NA
14.	Transportation/aviation	3	\$ 1.9 bn
15.	Commercial/merchant banks	5	NA
16.	Agro-allied	5	NA

TOTAL	62	About \$ 170bn
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Source: federal ministry of finance, and other government records

From the above table, it is clear that the cumulative value of federal government investment by the way of equity, loans and other transfers to these 62 enterprises was estimated at nearly US \$70 billion, almost of third of Nigeria's total oil revenue since 1973. Prior to their privatization, the total liabilities of 39 public enterprises were in excess of ₦ 1.1 trillion with accumulated losses of ₦ 92.3 billion. It was evident that public enterprises have contributed immensely to our economic stagnation and poor national image. Other negative impacts of these public enterprises can be specifically stated thus:

- a. Created economic inefficiency
- b. Absorbed a disproportionate share of credits
- c. Contributed to financial deficits and imbalances
- d. Contributed to and entrenched parasitism and corruption
- e. Attracted rapacious military civilian elites to politics

All these necessitated the introduction of privatization and commercialization programme in Nigeria in 1999, with its stated objectives

Objectives Of Privatisation And Commercialization Programme In Nigeria

The conceptualization of privatization programme in Nigeria is with aims and objectives meant to be achieved, which are numerous and involve as a basic component the improvement of economic efficiency. Generally, the programme has four major objectives namely:

1. To achieve higher allocative and productive efficiency leading to faster economic growth and development
2. To strengthen the role of the private sector in the economy through job creation and economic development
3. To improve public sector's financial health by reducing the burden incurred by having to subsidize public enterprises
4. To free resources for use in sectors important to all Nigerians such as education, health, housing, transportation and other infrastructure development initiatives

The activities of the privatization programme which commenced in 1999 include the partial or total sale of shares owned by the federal government, its parastatals and other agencies in public enterprises either active or dominant in at least 13 key sectors. The amount transferred in this process was in excess of \$ 100 billion (US dollars).

Role Of The Government In Actualizing Privatisation Programme

Government devised sectorial policies that introduced competition and promoted private sector development. Specifically some of the key roles of the government include:

- a. Established and maintained strong regulatory frame work to ensure that fair business practices were adhered to in the process
- b. Maintained transparency in transitions and convinced investors that their investments are secured.
- c. Government negotiated, monitored and enforced contracts with the private suppliers of management and finances
- d. Government ensured or should ensure that resources from privatization sales are put to productive uses.
- e. Importantly, it managed the inevitable political and social tensions that arose and also ensured that enterprises reform were implemented with special reference to the issue of foreign ownership and labour lay off
- f. Government introduced privatization share purchase loan to enable low-income earning Nigerian citizen purchase shares in the advertised public enterprises

Expected Benefits Of The Privatisation Programme

The proponents of the privatization policy and programme in Nigeria saw it as a major tool for improving the efficient allocation of resources, mobilizing investment and stimulating private sector investment. This was the case in other developed countries like USA, Britain, Japan, China and so on where it was copied from. The expected benefit of this programme both in short run and in long run include the following

1. To inject much resources and modernize technology in our industries after decades of mismanagement/impoverishment

2. To reduce the rate of corruption and parasitic attitude inherent in the management of these industries
3. To strengthen capital markets by increasing the number of companies traded there in
4. To promote efficiency, transparency, and better management, as well as reduce debt burden and fiscal deficits.
5. To dismantle monopolies, and remove arrogant nature of service, thereby increasing competition which will allow the forces of demand and supply to determine prices.
6. It broadens ownership base, and attracts foreign investment which will help to create positive image profile for Nigeria
7. To attract flight capital (money taken out of the country due to political and economic instability back to Nigeria) and internally generated fund for investment in the social sectors will be generated through corporate taxes.
8. To create more employment opportunities as a result of the expected expansion in the privatized industries. This impact of privatization is a widely recognized concern in the most countries

In general the implications of privatization programme from the larger perspective can be summarized as follows:

- a. Improve public sectors financial health leading to lower deficits and debt
- b. Reduces transfer of money to public enterprises in the aggregate. These transfers become positive if the government begins to collect taxes from these privatize firms, as and when due.
- c. It has a positive impact on the development of the financial sector where the new owners seek for additional capital to inject into the firms

For these benefits to be obtained government need to play vital roles in actualizing and perfection of the privatization programme. Some of these roles as stated by El-Rufai (2003) that government must devise sectorial polices that introduce competition and promote private sector development through:

- a. Establishment and maintenance a strong regulatory framework to remove monopolies, to ensure that fair business practices were adhered to keep prices down and generally oversee the particular sector.
- b. It must maintain transparency in transactions and convince investors that there investments are secured
- c. Government must negotiate, monitor and enforce contracts with private suppliers of management and finance
- d. It must ensure that resources from privatization sales are put to productive uses
- e. Most importantly, it must manage the inevitable political and social tensions that arise and ensure that the privatization and industrial reforms are implemented, with special attention to foreign ownership and labour pay off lay off.
- f. The privatization share purchase loan scheme was initiated by the national council on privatization to enable low income earning Nigerian citizens purchase shares in the public enterprises meant for privatization under favourable terms and conditions. This scheme was launched by the then vice president of Nigeria, Atiku Abubakar in March 2003.

Current Situation Of The Privatised Public Enterprises In Nigeria (Empirical Analysis)

During the first phase of this privatization programme in 2003, twelve (12) firms were completely privatized, and others subsequently before the exit of the administration that introduced it in 2007. For objectivity and proper understanding of the true situation in these enterprises, we sampled, analyzed some of them in line with the expected gains and people's responses about the programme thus:

1. Power Subsector - National Electric Power Authority (NEPA): This organization, or enterprises was among the first privatized firm in 2003 and its name changee to power holding company of Nigeria (PHCN). Over ten thousand workers of NEPA were laid off and some were paid their entitlements while some were not before disengagement. From 2003 to 2013, it become clear that what happened in this organization was mere change of name because the power holding company of Nigeria performed worse than the former NEPA in terms of services delivery, revenue generation, employment generation, and welfare of staff. Corruption and mismanagement was the order of the day, hence could not break even in business. In view of the strategic position of power in national development, this organization were estructured and now has three components namely: generation, transmission and distribution. Distribution was contracted to six private firms whose services are not better either. People's perception about this enterprises before privatization have not changed now, hence attracts lot of comments like power sector is sick, is a drainage pipe, is a linkage from the economy and need to be declared a state or emergency. These comments and reactions from the

citizenry is evidence that privatization has not lived up to its expectation in power sub sector of the economy

2. Automobile Plants in Nigeria: Peugeot Automobile Plant Kaduna, Volkswagen Plant Lagos, and Mercedes Assembling Plant, Emene Enugu (ANAMCO) and so on.

Prior to the privatization programme, these auto mobile firms provided employment, revenue and assembled some vehicles in Nigeria. The Nigerian assembled vehicles were selling at cheaper prices than the foreign counterpart and were not performing efficiently.

Current situation is these from are:

- i. The machines, tools and equipment for the assembling plants have been disposed off by their proprietors in pretence of to replace them with modern ones but never did. They indirectly recovered their fund.
- ii. Nigeria cannot boost of assembling any vehicle for now
- iii. They have never generated any employment rather disengaged the ones that were employed before and were pushed back into the labour market

Based on the afore mentioned facts, your assessment of the performance (s) of this programme in these firms can be as good as mine. There exists a general expression of regret for the programme.

3. Fertilizer plant: NAFCON Port-Harcourt. This industry prior to privatization, employed over fifteen thousand people, produced fertilizer of different brands for farmers use, generated revenue for both individuals and the government. But its problem was that of mismanagement. After the privatization, the industry became a ghost land with no activity going. Fertilizer have not been produced there since, unemployment created and no revenue generation. This is contrary to the expectation of the programme
4. Cement companies: (NIGERCEM, NKALAGU, and BENUE CEMENT Plc) etc. NIGERCEM Nkalagun is a typical example of a deliberate waste of asset of a nation. Whoever that knows NIGERCEM prior to so-called privatization, and visit there now must shed tears. Itt is in a sorry state, covered by bush, building dilapidated and being inhabited by reptiles and ghosts. Machines, vehicles and equipment for the cement production have completely been sold by the former proprietor before its resale to Ibeto Group of Companies. The company employed over six thousand personnel which were laid off without compensation after privatization. Most of them have died of hunger and frustration.

The activity of Benue cement plc acquired by Dangote cement plc is different because Dangote is a businessman and has business mind. Live is there, and their products are every where in the market. It has lived up to the expectation of Nigerians.

5. Tele communication: NITEE its privatization which necessitated the introduction of GSM in Nigeria is a welcome one. Privatization has performed creditably well here because there services are perfect, employment and revenue are being generated. Apart from benue cement and telecommunication industries, privatization programme has failed in Nigeria. This is in line with the view of Sam Aluko in 2014, when he faulted the programme. Instead of the objectives of this programme to be achieved, the following (disadvanges) were achieved
 1. Unemployment: onwe (2002) stated that the major fear of people about privatization is unemployment. This eventually happened because those who were in these enterprises were laid off without replacement, structural and frictional unemployment were created.
 2. Increase in prices of products: these enterprises were established as a means of import substitution. Based on the fact that they are out of production, importation of the products produced before privatized at high prices is the only means of survival. The burden of this high price and other levies attached fall on the final consumers. Odike (2002) was of the opinion that private sectors have the intention to maximize profit and will therefore achieve this by charging high prices on their products
 3. It has been a threat to the economy of Nigeria because the economic activities are controlled by private businessmen both foreign and domestic ones who dictate to the government on policies to pursue.
 4. It has created in equality/inequitable wealth distribution because few people gained control and concentration of the nation's wealth (those capitalists). Nigerians view, opinion and perceptions are that privatization programme is a total failure in Nigeria.

The situation in the other privatized public enterprises both in phase one and other phases are not different from the sampled ones. One can now look at the objectives and the expected gains of the programme as was the case in the countries of the world that adopted the measure and match it with what is on the ground in Nigeria for effective and reliable conclusion to be drawn.

Causes Of The Failure Of The Programme In Nigeria

Every progressive Nigerian should be boarded by this question – why is it that policies and programmes that performed well in other countries even developing ones do not perform in Nigeria?

The answer to this question is the same as to what causes the failure of privatization programme in Nigeria and some of them include:

1. Policy and programme formulation are always separated from their implementation. In the course of implementation, the original plans are usually tampered or adjusted to suit the desire and interest of administrators.
2. Corruption and selfish tendencies. This was noticable in terms of management and application of fund.
3. Political consideration. The public enterprises were sold to the politicians who were not in any way businessmen. It was used to settle the political associates by the then administration in Nigeria. The genuine business people in Nigeria did not acquire these enterprises but were subletted or resold to them by the politicians after selling all the machines and equipment for production in those enterprises. At this point, they became helpless and do not have enough resources to reactivate and the best option left for them was to abandon as was the case with most of them.
4. Lack of modern technology in resourcitating and re-establishing these enterprises for effective performance.

Recommendation

From our discussion so far, one can see in honest of purpose that privatization programme did not achieve its stated objective(s) in Nigeria since 1999. Based on this, the following suggestions and recommendations are put forward for success of the programmer and other programmes in Nigeria:

- a. The present administration in Nigeria should invite those who bought these enterprises for dialogue on the way forward. The result of which will either make the government to re-acquire these enterprises for re-privatization to the able and willing businessmen or to assist them to reactivate them.
- b. Law should be enforced on those whose actions and intention is to perpetrate poverty and hardship to this country.
- c. Those who formulated and packaged the programme should be given the first hand opportunity to implement them especially in future phases, and in other programmes in Nigeria.
- d. The federal government should move into resolve some of the crises and legal tuissules in these privatized enterprises. Example of such is the one that exist between Ibeto Group of Companies, and Ebonyi State Government over the ownership of Nigercem Nkalagu.
- e. Government should always embark on constant monitoring and supervision of these privatized enterprises for optimum performance.

Conclusion

Public enterprises so privatized in Nigeria contributed to economics stagnation and poor national image. The continued drain of public, endangered nationals position in the world economy, and privatization and commercialization was seen as the only way of moving out of these problems and promote efficiency, transparency and corporate governance. In pursuance of this privatization programme, a Bureau to do that was established in 1999 by the federal government of Nigeria. The Bureau conducted the activities in phases with effect from 2003, when twelve enterprises were privatized. The unfortunate aspect of this programme is not only that it failed to achieve its stated objectives but contributed in the waste of national resources. He Bureau was unable to monitor the activities of these enterprises after privatization.

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