

## **PRIVATISATION OF PUBLIC ENTERPRISES IN NIGERIA: A THEMATIC EXPOSITION**

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### **Abstract**

Privatization has been the most controversial policy dominating the political agenda of many countries around the world. For instance, in the 1980s privatization were the policy choice and preferences as well as the new wave of conservative market reforms beginning in the west with the Thatcher government in the United Kingdom in 1979 and the Regan government in the United States the following year. In Africa it has remained a highly controversial, a subject of debate and politically risky. After her independence, Nigeria, engaged in the expansion of the public sector in the first, second and third development plans following the Keynesian paradigm. The present drive towards privatizations is the inability of the Keynesian paradigm to deal decisively with the worldwide economic crises and the various economic system adopted in Nigeria. Privatization of public enterprises in Nigeria is believed will bring about an end to Inefficiency, Balance of payment deficit, Low performance, Indiscipline, mismanagement of finance, attract Foreign and local Investment which will integrate the country in the globalization process and bring about competitive system, quality, and low price, better choice and satisfaction of goods and services. This paper seeks to discuss the major theoretical underpinning of the concept of privatization, its major ideas and proponents in a thematic form. The paper concludes by positing that from literatures on privatization three things are clear. First, for privatization to take place there must be in existence public enterprises, which need to convert into private enterprises. Secondly, there is the reasoning that private ownership or control or management would be better than public ownership. Finally, privatization is premised on the fact that there are problems with public ownership of enterprises and privatization is part and parcel of a reform agenda to turn around these enterprises so that they can deliver goods and services more efficiently and effectively. As we shall show later, this kind of reasoning is ideologically loaded and cannot be substantiated by the existential reality of Nigeria.

**Keywords:** Privatization, Public Enterprises, Economic, Political, Administrative, Leadership, Sociological and Ideological Theories, Inefficiency and Mal-administration and Mis-management.

### **Introduction**

Universally, government's motivation to go into business aims at serving public good. Equally, it is being accepted that the private sector, and not the public sector, should be the

engine of economic growth. For a large part of the twentieth century, there were countries in the world (Eastern bloc) that promoted state ownership of the means of production while others (Western bloc) promoted private ownership of the means of production. A good number of countries practiced what was termed a mixed economy i.e. a combination of public and private ownership of the means of production. However, at the end of the twentieth century with the end of cold war between the eastern and western blocs, private ownership of means of production took ascendancy. Today, the received wisdom is that the state should recede and that private ownership of the means of production is the only viable approach to efficient production of goods and services, economic growth and development. Consequently, there is a move all over the world to privatize erstwhile public enterprises. With what is happening today to champions of free market in Europe and the United States of America, and the relative wellbeing of a centrally-planned economy in China, the debate of what sector should drive the economy is obviously not yet over. The issue of privatization has been a subject of intense global debate in recent years in Africa. It has remained highly controversial and politically risky. Privatization in Nigeria has not been a popular reform programme even though some other schools of thoughts argue otherwise. It has received so much criticism from organized labour, academia, civil society and individuals. There have been numerous strikes against proposed sell-offs by unions fearing loss of jobs, while proponents of privatization see that aspect of economic reform as an instrument of efficient resource management for rapid economic development and poverty reduction, the critics argue that privatization inflicts damage on the poor through loss of employment, reduction in income, and reduced access to basic social services or increases in prices.

Ordinarily, privatisation and commercialisation of public enterprises is a policy meant to relief government of liabilities and waste. It was also aimed at ensuring efficiency in the running of enterprises. Those who hold this view believe that privatization would enlarge the scope for private sector to operate. The proponents of the privatisation also insists that it was an economic strategy aimed at reducing the role of government in economic activities believing that public enterprise have consumed a large proportion of national resources without people benefiting from the large investment.

It was also argued that state owned companies were better options for stimulating and accelerating national economic development than the private capital. The result was a proliferation of SOEs covering a broad spectrum of economic activities from steel plants, petrol-chemical, health boards, commissions, banks and hotels to mass transit and abattoirs. However, the performance of these enterprises was impressive in the early 70s and 80s until the beginning of 90s when their performance started to decline and failed to meet the aspirations of socio-economic development targeted (Musa, 2005; Omoleke and Adesepo, 2005). Consequently, some of them collapsed in Nigeria. Examples of such enterprises are National Bank, Allied bank, Castel Breweries, (NNSC) Nigerian National Supply Company and African Continental Bank just to mention a few (Omoleke, 2008). This assertion of declining performance and failure to meet their set objectives for which they were established lends credence to former President of Nigeria's remarks on the occasion of the inauguration of the National Council on privatization on Tuesday July, 20 1999.

President Obasanjo said: It is estimated that successful Nigerian Government have invested up to 800 billion Naira on public owned enterprises. Annual returns on this huge investment have been well below ten percent. These inefficiencies and in many cases, huge losses are charged against the public treasury. With declining revenues and exclaiming demands for effective and affordable social services, the general public has stepped up its yearnings for the SOEs to be more efficient. The president went further to assert that SOEs suffer from fundamental problems of defective capital structure, excessive bureaucratic control or/and intervention, inappropriate technology, gross incompetence, mismanagement, blatant corruption

and crippling complacency which monopoly engender. Invariably, these shortcomings, take a heavy toll on the national economy, he concluded.

Ostensibly, there are over-whelming facts and figures in support of the absolute necessity to realign Nigeria with the global trends. There are over 1000 SOEs in Nigeria. Many of these enterprises gulped billions of Naira as asserted by President Obasanjo without yielding more positive results in terms of customer's satisfaction. In the face of the widespread failure of many of the privatised companies, many are quick to say that the exercise had failed. One of such Nigerians is Senator Ahmad Lawan, former Chairman, and Senate Committee on Public Accounts who moved a motion on the floor of the Senate to draw attention to the activities of BPE in the last 12 years.

The thrust of this work is not geared towards for or against privatization of the public enterprises in Nigeria but to examine the theoretical explication of behind the privatization exercise despite the agitations and controversies it has generated. The work is divided in to five parts.

The first subheading defines the concept of privatization and theory. The next section examines the theories behind privatization of public enterprises in Nigeria and the final part makes recommendations and concludes the paper.

### **Theoretical Perspective Privatization**

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

Many countries of the world have embarked on privatization programmes at different times. Chile introduced privatization programme in 1974. The United Kingdom implemented a rigorous privatization programme during the regime of Margaret Thatcher in the 1980s. As (Iheme, 1997) has argued, the British decision to embark on privatization programme was largely informed by the need to cut back on public spending rather than the need to promote efficiency and competition. The 1990s witnessed the implementation of privatization programmes in many countries of the former eastern bloc like Russia, Romania, Czechoslovakia etc. It has been documented that more than 8,500 State owned enterprises in over 80 countries have been privatized in the past 12 years (World Bank, 2003).

There are civil society activists who are concerned about the philosophical basis of privatization. They argue that privatization is a neo-liberal approach to development, which is imposed by the Bretton Woods institution as part of globalization that can only favour rich countries and individuals. They argue that privatization is anti-labour and will always lead to unemployment. In addition, privatization is always anti – poor. It is clear that in most cases, privatization particularly of public utilities like road, electricity, water etc. will always lead to increase in prizes. Meanwhile, it has been documented that whenever user fees are introduced in the provision of social services, the utilizations by the rich increases while utilization by the poor decreases (Igbuzor, 1992). This is compounded by the fact that there is a lot of double talk and hypocrisy in the whole business of privatization. While Government is busy selling off public enterprises on the one hand, it is simultaneously investing in old/new public enterprises eg. Ajaokuta Steel Complex and Railways. There is also the concern for the disregard for the constitution and rule of law in the whole privatization process. The 1999 constitution not only provides that the state operate in a way to prevent the concentration of wealth or the means of production and exchange in the hands of few individuals or group but also that the state should operate and manage the major sectors of the economy (section 16). The privatization process in Nigeria is a fragment abuse of this provision of the constitution. In addition, privatization of public enterprises is being pursued with scant regard to the laws of the country. For instance, attempts were made to privatize NEPA when the law that sets it up prohibits private ownership of electric company in Nigeria.

Supporting the above theses, Marx showed in *Das Kapital* how "money is changed into capital" and "how capital generates surplus-value" forming more capital. But in doing so, he had already assumed that there exists a mass of Capital available for investment, and there already exists exploitable Labor power. He had shown how capitalist production could itself reproduce the conditions of its own existence on an ever broader scale. But, as he says, "the whole movement seems to turn into a vicious circle." Capital is money that makes more money: value in search of Surplus value. In other words, it is money that gets reinvested. It originates in the activity of buying goods in order to resell them at a profit, and first emerges in commercial trade connecting different economic communities, whose production is not yet capitalist. The existence of usury capital, bank capital, rentier capital and merchant capital historically *precedes* capitalist industry. To explain how the capitalist mode of production comes into being in the first place, Marx had to study history to locate an *original* accumulation that facilitated capitalist relations. Adam Smith had called this "previous accumulation" – an accumulation which did not *result* from capitalist production, but formed an *external* starting point to it. According to Marx, the whole purpose of primitive accumulation is to *privatize* the means of production, so that the exploiting owners can make money from the surplus labour of those who, lacking other means, must work for them. Marx says that primitive accumulation means the expropriation of the direct producers, and more specifically Primitive accumulation of capital "the dissolution of private property based on the labor of its owner... Self-earned private property, that is based, so to say, on the fusing together of the isolated, independent laboring-individual with the conditions of his labor, is supplanted by capitalistic private property, which rests on *exploitation of the nominally free labor of others*, i.e., on wage-labor."

The Government policy to privatize is generally anti-worker and at best to further impoverishes the teeming masses of this country. As a result of these factors the labour has the right to reject out rightly any policy, law and regulation that are repressive to the workers. This explains the position of the National Union of Electricity Employees' on the intended privatization of NEPA. The Union's position is not informed only by the fear of job losses that have usually accompanied such exercises in the past but because of the following amongst others. It is the responsibility of the government to electrify the entire country. Today, Nigeria is only 30% electrified, if eventually the allows the government to execute its obnoxious privatization agenda, will Private Company(ies) electrify the remaining 70% that is currently not covered by the National Grid? The answer is definitely NO. The sensitivity of the electricity industry is another major factor.

In Nigeria, the state is a key factor in the political economy; it determines the direction of production, distribution and allocation of resources. The fragile production base and the resultant social forces of production have not been able to support any socio-political transformation that would engineer collective mass action of an active society. And the state has been a factor that not only helping in preserving the private bourgeois structures by this act but perhaps also help in modifying them (Vajda,1981:73). This indicates that the social contract with the Nigerian state has failed because, it works and entrench the interest of elite class. As Marx pointed out, "the state is but the management of the common affairs of the bourgeoisie". As state institutions are parts of the super-structure determined by the interests of the dominant class. The state then becomes an instrument of the ruling class as defined in terms of control over the means of production. In Nigeria, according to John Campbell, a former American Ambassador to Nigeria (1998-2000), those that holds power do not want it to change they wants to hold on to it to impoverish the people so as to determine and define the waves and directions of politics, since they do not have jobs, factory or industry, its only politics the job they can do best. In view of the above theses, Ihome (1997:) defines privatizations as:

Any of a variety of measures adopted by government to expose a public enterprise to competition or to bring in private ownership or control or management into a public enterprise and accordingly to reduce the usual weight

of public ownership or control or management. However, in a strict sense, privatization means the transfer of the ownership (and all the incidence of ownership, including management) of a public enterprise to private investors. The later meaning has the advantage of helping one to draw a line between privatization and other varieties of public enterprise reform. It is also the sense in which the term has been statutorily defined in Nigeria.

In a similar vein, Starr (1998) defines privatization as a shift from the public to the private sector, not shifts within sectors. According to him, the conversion of a state agency into an autonomous public authority or state owned enterprise is not privatization neither is conversion of a private non-profit organisation into a profit making form.

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

According to Igbuzor (2003:3), from the definitions above, three things are clear. First, for privatization to take place there must be in existence public enterprises, which need to convert into private enterprises. Secondly, there is the reasoning that private ownership or control or management would be better than public ownership. Finally, privatization is premised on the fact that there are problems with public ownership of enterprises and privatization is part and parcel of a reform agenda to turn around these enterprises so that they can deliver goods and services more efficiently and effectively. As we shall show later, this kind of reasoning is ideologically loaded and cannot be substantiated by the existential reality of Nigeria.

Solanke (2012) defines it as involving the sale of operation, granting vouchers to serve recipient, or contracting out which ever ways it is defined the main idea is the changing of business status service, industry from government or state or public to private ownership or control. It could be full or partial. Full or complete privatization would mean the complete transfer of ownership and control of a government enterprise or assets to the private sector. However, we adopt the definition by Ezeani [2006] as our operational definition. According to him, Privatization is a deliberate government policy of stimulating economic growth and efficiency by reducing state interference and broadening the scope of private sector activity through one or all of the following strategies ; transfer of state owned asset to private ownership, through sale of share, control or management of state owned asset, encouraging private sector involvement in public activity and shifting decision making to agents operating in accordance with the market condition . Methods or techniques of privatization can be through the sale of shares, sale of assets, management or employee buy out, equity dilution, joint ventures, liquidation, management contract, lease or transfer. Choice of sale is influenced by the capital market political and firm factors. Theory on the other hand is a mental construct an abstraction used to put fourth to explain a phenomena or observable fact. Theories have meaning only with the level of reference. It is an imaginative discourse.

#### **Privatization of Public Enterprises: Theoretical Explications**

There are many theories that have been put forward to explain privatization and which have been driving the privatization exercise in Nigeria. The economic theory is the dominant and easily alluded to. Theories discussed or explained in this paper are:

- (1) Economic Theory
- (2) Political Theory
- (3) Administrative Theory
- (4) Leadership Theory
- (5) Sociological theory
- (6) Ideational and ideological Theories

### **Economic Theory**

The privatization policy in Nigeria is anchored on efficiency. Government claimed that privatization is an instrument of efficiency allocation and management. It would reduce poverty by improving the economic indices of the country and overtime lead to less corruption and red tape strengthen role of private sector in the economy thus guaranteeing employment, improved quality of life and leads to higher utilization of capacities. According to Evoh (2002) privatization “is a system that is grounded in the basic principles of the science of economics. It is within the large framework of economic efficiency that the principle of privatization falls.

Economic efficiency refers to the use of resources so as to maximize the production of goods and services. An economic system is said to be more efficient than another in relative terms; if it can provide more goods and services for the society without using more resources. A situation can be called economically efficient if no one can be made better off without making someone else worse off, no additional out-put can be obtained without increasing the amount of input and production proceeds at the lowest cost.

In Nigeria, the main drive of privatization is that it is an instrument of efficient resource allocation and management is based on the argument that under public ownership enterprises are often used to pursue non-commercial objectives of government, including employment maximization and uneconomic investment choices. These activities are very often inconsistent with efficient and financially viable performance and lead to poor managerial supervision and economic woes in Nigeria. According to Ikechukwu (2013) the major argument for privatization is in terms of efficiency is the switch from public to private ownership resulting in the adoption of more precise and measurable objectives on the part of the owners of which creates the environment and incentive to monitor and control management effectively. Additionally under private ownership firms will only remain in existence as long as they are viable should they cease to be viable their resources will be reallocated by the market to other uses.

Evoh (2002) corroborated that “Given the country’s economic woes privatization of the inefficient state owned enterprises is now the most hallowed economic policy of all times. According to the economic theory, privatization policy will not only attract much needed foreign investment which will integrate the country in the globalization process, but also ensure the advantages of a more competitive system, quality, price, choice and satisfaction of goods and services. Competition in no doubt is desirable as it ensures efficiency. But we do not know as well that the fundamental responsibility of the government is not only to promote and regulate competition but also to ensure social equity by providing for the less privileged in the society. Unfortunately, privatization policy analysis is always focused on efficiency, dealing with dead weight loss of subsidizing state owned enterprises the redundancy of labour’.

Economic efficiency is among the benefit of economic liberal ideas sold to the Nigerian government by the IMF and World Bank and conditions for further financial and other aid. However, it should be noted that the efficiency advantage of privatization is contingent on transparent and committed leadership.

Another economic theory driving privatization in Nigeria is the theory of laissez faire individualism and free market economics that promises greater efficiency, a smaller government and more individual choice if only we expand the domain of property rights and market forces. In this theory privatization allows individuals to reap the advantages of the market system and competition through efficient service delivery. According to Etieyibo (2011). “The core idea embedded in the laissez faire and purely individualistic model is simple and is this; property is better tended when it is privately owned. That is to say, the more rights or ownership an individual has over a particular property and the more he or she stands to gain or loss from tending to that property, the better it will be tended; and conversely the less right he or she has over a particular property, the less motivated that individual will be to care for it”. This is an instance of what Hardin (2003) in Etieyibo (2011) calls “the tragedy of the commons”. This is to say that when people behave out if rational self

interest or do what is best for themselves, they tend to abuse and destroy the commons, which ultimately makes everyone worse-off stated differently common property will always be destroyed because the gain that the individual make over exploiting it will outweigh the loss they suffer as a result of its over exploitation.

The argument that public sector ownership is an instance of the tragedy of the commons and that when people individually own they tend to care for it better goes as follows: When an enterprise is privately operated and owned, market forces provides the gauged for its efficiency and needed drive for performance. If profits from an enterprise are relatively low or if its running at a loss, shareholders will sell their stock. If they sell, the price of stock will be depressed and value of the enterprise will decrease. If the price of stock and value of the enterprise go down, potential shareholders and outsiders may either stay away from investing in it or, in an extreme acquire it at an incredibly low value. If it is acquired by outsiders, the managers may lose their jobs. Given that the managers would not want to lose their jobs, they will perform as best as they can to ensure that the enterprise is viable and maximizes profit.

The third economic theory driving privatization in Nigeria is the liberalization theory. This also has political or ideological undertone as we shall see later. Economic liberalization according to wikipedia "is a very broad term that usually refers to fewer government regulation and restriction in the economy in exchange for greater participation of the private entities" the argument for economic liberalization includes greater efficiency and effectiveness that would translate to "bigger pie for everybody". This liberalization in short refers to the removal of control to encourage economic development.

In developing countries economic liberalization refers to further opening up their respective economics to foreign capital and investment. British Prime Minister Tony Blair is quoted to have written that "Success will go to those companies and countries which are swift to adapt, slow to complain, open and willing to change." (Wikipedia) This was the idea was sold to Nigeria during the down turn in socio-economic development in Nigeria due to the global economic recession and the collapse of the oil market by the world lending bodies particularly IMF and World Bank, to divest their Public Enterprises as one of the condition for economic assistance with the intensified push for economic liberalization, Nigeria was told that privatization as an economic reform would help cut public sector inefficiency and waste, provide greater scope to private sector, attract more investment, bring new technologies and hence revive economic growth

Thus Nigeria, embarked on privatization and other market oriented reforms to pull them out the structural imbalances.

According to Nwoye ( 2011 ) "It is against this background that the Structural Adjustment Programs (SAP) proposed a kind of reform that would affect the goals, administration, and management of most of the public enterprises for purpose of efficiency.

### **Political Theory**

Most scholars argue that privatization is a mostly economic issue. However, no matter how sophisticated economic analyses may be, they have been unable to explain why for most of the 1970s and 80s privatization, While making perfect economic sense in many countries failed to occur. This is because the problem is from another source. Financial institutions, practitioners and economist agree that probably the one of the most important issues is the political one. Carlos Montoya in Hughes (2002), the architect of the Peruvian state divestiture program, said that 'privatization was essentially a political issue, which require political plan and a strong presidential leadership". The decision to privatize rests ultimately upon political calculations, as politicians are the ultimate decision makers and so factors other than economic efficiency, most important of these being politics determine the nature, pace and extent of state owned enterprises reform.

The political theory that explains privatization in Nigeria is the policy choice theory. According to this theory state own enterprise is seen as a paradise of corruption, primitive accumulation and political patronage by both bureaucrats and political office holders.

Sheifer and Vishny (1994) in Odukoya (2007) “argue that politicians use state own enterprise (SOES) to pursue their own political objectives for instance by giving redundant jobs at SOES to their supporters. They gave two condition for privatization under this circumstance one, when a politician who benefit from subsidizing supporters. Two, when conservative governments, favored by tax payers, replace the leftist governments favoured by employees. The fear of collusion between politicians and civil servants to appropriate public goods through SOES is also very popular.

In a further elaboration of the policy choice theory, the World Bank (1995) in Odukoya (2007:30) equally found a correlation between economic crisis and privatization. Economic crises they said which worsen the fiscal situation in government might also alter the cost and benefits of privatization, making it more difficult for politicians of all types, to subsidize loss making state-owned enterprises. Bureaucrats typically perform poorly in business not because they are incompetent but because they face contradictory goals and perverse incentives that can distract and discourage even very able and dedicated public servants”. Multiplicity of goals by government. The argument goes also tends to predispose government to inefficiency in the management of SOES and make profitability impossible is another justification for privatization.

Another political approach or political perspective sees privatization in Nigeria as serving the interest of the more powerful members of the society. According to this school of thought power and resources are unevenly distributed across the society and that competition in itself prevent the concentration of power within the segment of the society. And so privatization is seen as or associated with power which the sales or transfer of SOES gives to buyer and denies the seller. Since politics is who gets what, when and how of society’s limited resources privatization to this view is an economic policy for the redistribution of a country’s economic resources and political power in favour of private capitalist interest through ownership transfer of public enterprises to private capitalist interest through the instrument of state power. And so the forms welfarist pretension has given way for the institutionalization of the regime of Marketization and profiteering. This helps us to see and understand why privatization policies are adopted by government even where rational economic theory suggest. It is not always the best financial or economic solution, why privatization is used even when the proceeds of a sale may not cover more than a few years of dividend from the public enterprises. Why is used even the new private firms demand a costly indemnity against previously incurred risk and why it is used where the cost of regulating the new company clearly outweighs tax revenues returned to government. Instead power is unevenly and unequally distributed and despite the democratic process of government, well organized groups are able to influence public policy according to their interest. This they Collyer (2003:4) stated when used is able to reveal the multitude of interest groups which shape public policy process.

### **Administrative Theory**

Administrative Theory explained privatization in Nigeria as the emergence of the use of the new managerial approach. It is a philosophy or doctrine on how public services should be provided or managed. It is referred to as the new public management theory. This New Public Management is a revolutionary paradigm shift from the traditional public Administration. The new public management lays emphasis on result rather than process for which traditional public Administration is known for. According to Solanke (2012:1), the new public management emerged in the 1980s “as a response to inadequacies of the traditional model of Public Administration”. Jones (2007) in Solanke (2012) “Linked the recent emphasis upon new public management to a number of factors including the perceived poor performance, inefficiency and ineffectiveness of traditional government bureaucracy due to lack of market discipline and proper political and organizational accountability manifesting in over meaning waste, inefficiency, and poor service provision; the rigidity, excessive rule domination and hierarchical constraint which results in goal displacement and lack of innovation and initiative, corruption in bureaucracy etc. in Nigeria. Solanke (Ibid) noted that “she emphasis on and preoccupation of process by the traditional Public Administration.

Usually does not enhance the desired and result of effectiveness, efficiency and economy demanded in a rapidly globalizing world confronted by the challenges, scarcity efficacy of resource mobilization and allocation, competition and diversity of consumer needs.

Jones (2008) in Solanke (2012) further highlighted such limiting features as including bogus bureaucratic organizations, high degree of centralization and hierarchical control extensive framework of rules and regulations, official procedures, creating bottlenecks and the red tape syndrome stifling initiatives. The assurance of long tenure for public servants working within the traditional public administration framework, ironically is fraught with an interest tendency complacent to render them complacent”

These deficiencies or dysfunctions of traditional public administration makes the quest for new approach to public sector management a necessity. The new public management aims at inculcating public sector organization with the best practices and techniques of private sector in order to bring the inherent discipline and efficiency of the market place to state activity. According to Nutley and Osbrne (1994) the key elements of new public management are:

- (1) the introduction of cash limits and a concern to demonstrate that resources have been well used (value for money);
- (2) decentralization of service delivery, coupled with devolved responsibility and accountability;
- (3) identification of explicit standard and measures of performance;
- (4) an increasing focus on quality and the rights of consumers to have quality public services;
- (5) greater competition;
- (6) appointing visible manager who will be free to manage;
- (7) introduction of internal trading;
- (8) the rights of public service users to have quality public services;
- (9) a stress on private sector style.

New Public Management has three catalyst in Nigeria and the third world generally namely:

- (1) The necessity to reducing public expenditure.
- (2) Balancing and avoiding fiscal deficits
- (3) The need to reduce state bureaucracy and state regulation and the realization of creating maximum scope for private sector and maximizing resources at its disposal. To achieve all these privatization is the new public management policy tool.

### **Leadership Theory**

The leadership theories explaining privatization in Nigeria is the transactional and transformational leadership. These theories came about as the result of the works of two scholars Burns and Bass (1978), and (1985). These theories help explain the radical shift towards privatization in Nigeria.

According to Ya-Ling (2009) “A transactional will try within the present system, (while opposing and attempting and attempting to make changes) to satisfy subordinate’s current needs, focus on exchange of condition emphasize exchange and contingent reward behavior, pay more attention to subordinates irregularity , deviation and errors and correct these demeanors”.

The transformational leader on the other hand tries to arouse the motive needs of the subordinates and then create dramatic transformations in the relations between the subordinates, the group and organization.

The union of the transactional/transformational leader can provide a stable and differentiated leadership style. This means that he does not maintain the status quo. He tries to be revolutionary though not through violent means. According to Timothy (2011), the Transactional/transformational leadership is referred to as “full range leadership model. Bass (1990) in Timothy (2011) “Proposed four behaviors or components of a transformational leader to include: Charisma, Inspirational Motivation, Intellectual stimulation and individual considerations ... while transactional leader displays corrective and constructive behavior which entails contingent and reward, and corrective

dimension imbibes management by exception. Active management by exception means the leader setting standard for compliance as well as what constitute effective performances.

Ya-Ling (Ibid) noted that the transformational leader brings about organizational change which is an approach of change and development to improve structure and process (like interpretational relations, roles, personnel (like styles and skills) and technique (like challenges). Organizational development brought about by such leaders systematically modifies outdated organic structures and work relations in pursuit of survival and positive development in order to accommodate the process or activity of new affairs. This is what the privatization policy is trying to achieve including the seven point agenda of the present administration. According to Henryik (2009) "given our structural constraint, a transactional leadership would struggle to make a meaningful impact on Nigeria's development. According to him a transactional leader is one in which the leader has a give and take relationship with the people in other words their people wait for the leader to do something for them. In contrast transformational leadership brings about positive change in the people by motivating the citizenry to take greater responsibility for its fate. Though his vision he brings positive change in the people, eventually tuning them to leaders. The privatization policy vigorously pursued by the Nigerian government illustrate the determination of the present administration to inculcate discipline, result oriented mentality, innovative, economy, efficiency and effectiveness in the administration of the public enterprises through privatization. This will help to inculcate in the SOES the best techniques of the private sector in other to bring about sanity, customer driven profit oriented, business like innovatively strategy. This making the public enterprises in Nigeria dynamic instead of static.

### **Sociological Theory**

Two Sociological theories are discoursed here –structural functionalism and network/class analysis.

#### **Structural Functionalism:**

This theory states that where there is a structure erected or instituted there is a function assignment to it to perform in the society. This theory is intended to explain the basis of maintaining order in the society. This theory originated in biological and medical sciences and was adopted as a mode of analysis in sociology. Structure refers to the arrangement within the system which performs the functions. It is also the way in which the parts are connected. The basic assumption of structural framework is that all systems have structures which can be identified and these structures performs function within the necessary for its persistence.

In using this theory to explain privatization in Nigeria. It talks about privatizing the public enterprises because of its inability to fulfill the functions it was set up to fulfill. The Nigerian government found it increasingly difficult to continue their support for an extensive welfare state and a large public sector and were thus driven to privatization and other market oriented reforms, a means for reducing government outlays and is thus the best policy option in time of scarcity and cost efficient means to provide essential services.

Network/class analysis would reveal the characteristics of and relationships between constituents of the network showing their degree of autonomy or interdependence, highlights the asymmetry in the relationships of power between capital and labour showing how privatization shifted the balanced to favour employees, the effects of class system on the network itself on the alliances formed to place pressure on government and the operation of the network itself on how it functions to channel public funds to the private sector.

So the privatization of public enterprises and other pro- market policy comes not as a policy fashion but as a structural process within which actors agitate for removal of all government restriction, for the creation of new opportunities and for further privatization. Thus, the process of privatization itself assists with the building of new powerful alliance demanding greater reform and this drives further privatization. This theory is used to explain the pressure given to Nigeria by IMF and World Bank.

Ideational theory of change: This theory was of the view that privatization comes as a result of intellectual disillusionment from the Keynesian approach. The rise of the doctrines of economic rationalism and new classical economic that is the privatization policy came as a result of change in ideas, values and beliefs. According to Adeoti “the Keynesian development paradigm recommends that government even though through deficit financing should stimulate demand and the use of idle resources to reduce unemployment. It emphasized the need for public sector to play a leading role in preventing market failures and accepting the responsibility for producing wide range of goods and services. And so in Nigeria prior to the 1970s, the business of governance was restricted to good governance and provision of social and basic amenities. The scope of government was widened with the availability of oil money and government disposition to the Keynesian framework. Hence the establishment of public enterprises. But by the late 1970s and early (1980) the enormity of Nigeria’s social economic crisis of stagnation, low capacity utilization, food crisis, balance of payment deficit and the inefficiency that characterizes the performance of the Nigerian enterprises has made privatization option to appear on the state public agenda. Evoh (2002) buttressed this point by saying that the privatization policy has been influenced partly by the dismal failure of the various economic system adopted in the country – from import substitution to mixed economy following independence.

### **Neoliberal Ideology/Philosophy**

This school of thought claimed that government has no business regulating the economy not to talk of owing business itself. That this function should be left into market forces more so that government itself so that government is most effective when it is lean. And when they have dispensed sound social spending, and eliminated budgetary deficit third world countries should liberalize and open their economies to foreign trade and investment and allow limitless repatriation of profits, so that they can encourage foreign direct investment. Coyller (2003) noted that this ideology of liberalism or neoliberal thought come as a result of change or new discourse in ideologies concerning the fundamental role of the state and the relative merits of the private and public sector. The simple assumption is that as state cannot be as efficient as a private entity in the production of the same output”

According to Bagu (2003), liberalism came in the mid 20<sup>th</sup> century as a result of campaign against state chartered monopoly by the dominant business groups in America. In response to this new form of monopoly in the mid 20<sup>th</sup> century, a moment arose to fight over what it considered big business strangulation of free competition championed by new generation capitalist. Whose source of wealth financial manipulation rather than manufacture. Key to this ideology of liberalism particularly its new form is the heavy reliance on market forces, which its advocate claim to be the most efficient mechanism for allocation of scarce resources.

This ideology of liberalism was transported to the 3<sup>rd</sup> worlds through the United Nations agencies especially the IMF and World Bank. Hence from 1960s onward the third worlds were subjected to social shocks to force them to engage in what is called defensive adaptation. It was for this reasons that the IFLs led the 3<sup>rd</sup> world through so called industrial take off in the 1960s, import substitution of 1970s and structural adjustment programs in 1980s. Washington consensus imposed the so called IMF conditionalities for debt forgiveness among which are fiscal austerity, privatization and market liberalization.

Those countries that refuse to accept these conditioning were placed under extreme stress and in most cases overthrown. Those that accepted it were forced to swallow the bitter pills of liberalization, privatization withdrawal from social services. Whether the particular form of privatization program is ill suited to the economic problems of a particular country was not taken into account.

The above was one of the major drives for privatization of public enterprises in Nigeria. According to Nwoye (2011) “Nigeria and other African countries were strongly adjusted by the world lending agencies particularly IMF and world bank to divest their public enterprises as one of the conditions for economic assistance with intensified and push for economic liberalization Nigeria and

other African leaders were of the view that privatization as an economic reform would help cut public sector inefficiency, and waste, provide greater scope to private sector, attract more investment, bring new technologies and help to revive the economy. Thus many countries including Nigeria embarked on privatization of her public enterprises.

It is against this background that the IBB administration (1985-1993) proposed the Structural Adjustment Program (SAP) as a kind of reform which would affect the goals, administration, and management of the public sector enterprises for purposes of efficiency. One of the main objectives of SAP was to pursue deregulation and privatization leading to removal of subsidies, reduction in wage, expenses and retrenchment in the public sector ostensibly to trim the state down to size.

Odukoya (2007) and Solanke (2007) were of the view that the reason for privatization was agitation for reform of public finance involving the overhaul of public enterprises to satisfy international obligations and aspirations and that realization that private sector investment and opening up of the political space were preconditions for market economies growth and development”.

### **Recommendations**

Although privatization is one of the main planks of the economic policy reforms in NIGERIA, the Yar’ Adua administration cancelled some of the privatization transactions carried out between 2004 and 2007 including: Kaduna and Port Harcourt refineries, sale of SAT 3, take-over of NICON Insurance and sale of NITEL to TRANSCOP and some concession agreements. Although the federal government has gone into partnerships with various companies to provide infrastructure and social services, the cancellations of such agreements and legal frameworks have constituted the major problems to public-private partnership in Nigeria. For the example the government recently cancelled her agreement with Virgin Nigeria and Bi-Courtney. Considering the reported gains from the 100 or so privatizations that took place between 1999 and 2007 (the telecommunication sector yielded the most visible gains), the policy reversals send wrong signals to both domestic and foreign investors. The alternative to adhoc policy reversals could have been a comprehensive review of government’s privatization policy with a view to making it work better for Nigerians through, among other measures, greater attention to transparency and the strengthening of regulatory administration and enforcement capacity to ensure fair competition and protection for consumers. This is a task that is yet to be tackled.

Government must balance political and economic considerations at home with external pressures placed upon them to by International Agencies and Institution which may attach new loans to commitment to privatize. Nigeria should apply limited and cautious privatization policies as opposed to absolute and fraudulent policies in their effort to accomplish economic efficiency.

### **Conclusion**

This paper has made attempt to explain the theories guiding privatization of public enterprises in Nigeria. Economic, Administrative and political theories are among the ones discussed. Empirical studies have shown that privatization is not necessarily a guarantee that ailing corporation will be economically revamped. There are no hard and fast rules about how rapidly privatization programme should take. However there is a consensus that it should not be so fast that firms are not restructure prior sale, nor should it be so slow that potential investors perceive the government as indecisive and decide simply to invest elsewhere. There are three broad categories that are separate yet intertwine that define why a government might privatize SOE or not. These factors are political, macro economics and micro economics circumstances that each country must take into account to achieve the right privatization goal they would need.

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