

Review

From Babangida to Obasanjo: The State, rent-seeking behaviour and the realities of privatization in Nigeria

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In line with the orthodox thinking regarding economy development, privatisation of public enterprises hitherto have become critical component of Nigeria's economic reform programmes since the last decade and a half. This paper argues that privatisation a much touted program from the regime of Ibrahim Babangida (1985 to 1993) to the second coming of Olusegun Obasanjo (1999 to 2007) did not act as the much expected economic elixir but rather became as a process of transferring public wealth into the hands of opportunistic political and economic elites. In this case, while the popular expectation was initially that privatisation would usher in economic growth, provide jobs and raise general quality of life, the selfish pursuit of the elite class invariably undermine these expectations. Privatisation in Nigeria starting from then till now can be likened to 'economic terrorism' on the population by the elites. Moreover, given the nature of Nigeria's political elites as rent-seeking 'prebendalists', it may be better for the privatisation exercise to borrow a leaf from the Chinese example of 'patriotic economics' which recognises that there is no long term benefit in denationalising strategic sectors of the economy.

Key words: Nigeria, privatization, rent-seeking, elites, public enterprises.

INTRODUCTION

Unprecedented government revenues from oil and the perception by the public that the state is a major promoter of economic activities especially in the 1970s and early 1980s are two phenomena that analysts cite as major factors in the rise of public enterprises in Nigeria (Usman, 1998). These factors have been helped along by historical factors surrounding the emergence of Nigeria as a nation. At the time of independence it was necessary to nationalize crucial sectors of the economy that were in foreign hands. This ostensibly is seen as giving the state working through the emergent politicians the authority to maintain control over the commanding heights of the national economy and ensure equitable redistribution of resources for the indigenes. However, both expectations have proved untenable after decades of independence. Because of this, the dominant thinking in national, political and economic affairs since the mid 1980s favours a swing towards privatisation.

As a result, the economic manoeuvres of government in Nigeria have recently dovetailed into the unbridled need to privatise public enterprises. Before this time, various administrations in Nigeria have spent time and

energy in investigating the reasons for the non-performance of these enterprises and how this could be tackled. Thus, some form of enterprises reforms have been half-heartedly applied with predictably unimpressive results. Public enterprises by their nature are most times created for and called into being by the social or collective good and the imperatives of economic development, especially in developing economies (Olisa, 1985; Obasi, 1985). Such enterprises are meant to protect the generality of the masses particularly in areas where private sector involvement will probably call forth the 'twin evils' of reckless profit maximization and unproductive monopoly powers in the delivery of essential or quasi-essential goods and services. Public enterprises are also instruments for the protection of national interest and economy since the involvement of private citizens in some ventures may singularly dictate the pace of the national economy especially in a mono-economy like Nigeria.

By this token, public enterprises belong to all citizens of the concerned state or nation. As a result, the initiative to transfer such enterprises into private holdings has to be

clearly articulated, well timed to ensure that equity is maintained. Generally, the public enterprises in Nigeria are seen as conduit pipes of economic wastage mired in a culture of non-performance, mediocrity and stagnation (Mahmoud, 2005; Adoga, 2008).

These traits are presumably built on the alleged widespread corruption and ineptitude that characterize their managements, and these provide the primary excuse for their privatisation. Again, government has been mainly interested in how to ensure that these enterprises make handsome profit. But as can be ascertained by their nature and *raison d'etre*, these enterprises are not primarily profit-making organizations. In fact, scholars like Ezeani (1995) and others have warned against the tendency of evaluating public enterprises solely on the profit criterion. This simply entails that some public enterprises are set up by the state mainly to facilitate service delivery or infrastructural provision to tax payers. Actually in a lot of nations, public sector defence firms are not established for profit but to aid the ability of the military to ensure the defence of the territorial integrity of such nations.

Privatisation in a very simple sense entails the sale of public assets or public enterprises to private sector interests or individuals and groups. Privatisation is largely promoted as potent tool for realising efficiency in production and allocation of resources as well as achieving economic growth. In Africa, it has been promoted and 'enforced' by multi-lateral development aid agencies as the cure to economic recession and sure route to economic growth and the promotion of local capital markets (Obadan, 2000). Unfortunately, much of the expectations it generated has not come to fruition rather it has provided an avenue for money laundering by political elites, invasion of foreign capital and massive unemployment all of which has had predictable effects on poverty.

All the same, privatisation if organised properly and effectively implemented provides the citizens the opportunity of acquiring stakes in the economy of a nation. This is the case where the population has the economic power and institutional incentive to buy shares in privatised firms. But Nigeria has been going through a prolonged state of economic depression which has subjected the majority of its citizens to crushing poverty and hardship. In this case, such citizens rarely see the resources with which to eat on a daily basis. Thus, they lack the economic leverage to partake in the scheming game of privatisation even if the doors were kept wide open. However, the citizens are still interested in preserving their rights and recouping from the onslaught of negative economics foisted largely by corporate misadventure on the part of peripheral capitalists. Therefore, while Nigerian workers and masses may not have the utopian aspiration of enthroning an ideal classless

society, they are hopeful of legitimately ameliorating their positions in society. Hence, as Amin (1987: 27) argues "the working classes have abandoned the idea of a classless society and rallied to strategies for the amelioration of their position within society."

An important ideal tenet of a privatisation exercise is that citizens who are collective owners of the enterprises billed for privatisation be given a fair chance to participate in the exercise. This is reasonable when one takes cognisance of the heavy political and social contents of such enterprises. As Dieter (1989) succinctly put it, public enterprises are marked by a multitude of political determinants. In Nigeria for instance such factors as federal character, political patronage and ethnicity are critical determinants of where and what public enterprises are established and who controls them.

Thus, their privatisation and even fundamental reforms throws up political questions and may define citizens' rights as full-fledged members of the corporate state. Definitely, this participation particularly by way of shares acquisition can only be achieved in a situation of economic buoyancy. But citizens groaning under the weight of almost two decades of recession¹ resulting from leadership mismanagement and nearly four decades of brutal and senseless military rule are hardly in a position to engage in privatisation.

This is in spite of the fact that Nigeria between 1960 and 1970 recorded a GDP growth of 3.1 percent annually; GDP growth of 6.2% between the oil boom era of 1970 and 1978; and despite negative GDP growth in the 1980s bounced back with GDP growth of 4.0% during the structural adjustment era between 1988 and 1997 (Omoh, 2011). In spite of these figures, Omoh goes on to demonstrate reflect economic growth rates resulting essentially from improvements in world oil prices with no matching improvement in domestic productive capacity or key economic development indicators.

Be that as it may, Jomo (1997) has argued that any serious effort to develop participatory democracy, as Nigeria is currently engaged in, must address the question of democratising the economy. Democratising the economy should be understood in three senses viz. (1) Enabling a level economic playing field for citizens, (2) making economic policies reflective of public preferences (3) and more crucially building in mechanisms for defending the socio-economic situations of those who cannot effectively participate in the economy especially as a result of poverty. Given the above realities, government's commitment to privatisation in Nigeria may derive from a scant appraisal of the real issues involved or the need to satisfy selfish and narrow group interests

¹ Since the days of the adoption of the Structural Adjustment Programme (SAP) in 1986, Nigeria's economy measured by its productive economic base and quality of life of citizens cannot be described even by the most optimistic as having fully come out of recession.

through a privatisation exercise backed by the Bretton Woods Institutions and the unpredictable logic that privatisation is a guaranteed route to economic development. Privatization should not be seen as inherently bad for a nation's economy but it should be pursued within a balanced policy portfolio that also pays attention to changes in the socio-political and economic spheres of the society concerned.

In order to understand that the idea of privatization as an economic panacea came before the Structural Adjustment Programme (SAP) in 1986 in Nigeria. As a matter of fact, "privatization was first broached in the 1984 budget speech of ousted President Shehu Shagari on December 27, 1983, subsequent regimes have held on tenaciously to the idea and the public had not allowed the matter any respite either" (The African Guardian, 1986: 21). This then means that privatization was clearly on the agenda two years before SAP. Thus, the 1980s generally marked a severe decline in the state owned enterprises due to declining state funding, corruption and general inefficiency which made imperative the need for a private sector driven market economy.

But while economic exigencies can push for privatization as a viable economic development option, there is hardly any gainsaying the fact that the success of privatisation² depends on the nature of the state in question and the character of its leadership. It is likely that in a case where the true interest of the citizens are contrary to that of the state as epitomised by the leadership, privatisation may be a guise to cement the link between consumptive peripheral capitalists and their international collaborators aimed at guaranteeing the prevailing mode of production and reproduction of capital.

From the foregoing, my proposition is that the state in Nigeria does not yet possess the objective criteria for a fruitful programme of privatisation and its relentless pursuit is fore grounded on a hegemonic elite imagery of the economy that is contradictory to that of the ordinary citizens. However, my concern in this paper is not with the economic rationality of privatisation, which is obvious, nor with the assessment of the economic success of the exercise but with the social implications of privatisation in a society characterised by mass pauperisation³. Therefore, the paper utilising documentary evidence and secondary sources of data examines the nature of the state in Nigeria and the character of its leadership from 1988 to 2007 (the privatization exercise can be seen as having two main phases in the period covered by this paper viz. 1988 to 1993 and 1999 to 2007) and how these impacted on privatisation as a viable socio-economic programme of transformation in the country.

2 Meaning strictly its ability to generate general economic growth and improve citizens' economic status and welfare or quality of life.

3 On current estimates, at least three-quarters of the country's inhabitants live on roughly \$1 per day (Lubeck et al., 2007)

THE CHARACTER OF THE NIGERIAN STATE

Paradigmatically, the state can be viewed from two contrasting perspectives. This divide that has analytical utility can be seen as existing between the competing perspectives on the real role of government in socio-economic development. The dichotomy is mainly between those who see the state as existing to further entrench or perpetuate particular social interests and those who see the state as beyond particular interests and as existing for the common good. Each of these paradigms is analytically relevant to the extent, the character, role, nature and functions of the state impact positively or negatively on the citizens and to the extent it facilitates the emergence and/or entrenchment of particular state elites.

Thus, the state can be seen as malevolent from the citizens' perspective if its primary role is the protection of class socio-economic privileges. In this case, from the citizens' view, the state becomes predatory and is regarded as a collection of self-interested individuals solely concerned with extracting rents in the form of economic resources (Jomo, 1997) or a bunch of self-seeking individuals using the state machinery (economic and coercive) for the real purpose of furthering their own personal interests while deluding and taunting the public on the relevance of the state. The malevolent view of the state is especially worth highlighting in the case of developing nations where development failures may have obscured the *raison d'être* for the existence of the state. It is equally germane against the background of backward economies of the leadership of these states that over the decades have not solved the perennial problems of development in them.

It is therefore, unsurprising that people like Kankwenda (1994) have seen the prolific trafficking in development of African states have not produced the needed results in the sense that a lot of these states are still mired in underdevelopment. It is in this regard that the state's role in championing, mediating and directing development and socio-economic transformation calls for more attention. In other words, has development eluded these states because of the malevolence which has marked the intervention of the state in socio-economic life? The malevolent state exists where the cumulative strength of powerful extensive state machineries will eventually result in the abuse of the public interest with the state exploiting its powers to extract more resources. In this case, public office holding becomes subject to abuse and personal interests and values supersede those of the public⁴. It becomes a case of state elites functioning to

4 The interesting analysis of Richard Joseph (1987) on the 'prebendal' nature of the Nigerian state, which has marred both democracy and general development. Even though Joseph's analysis is limited to Nigeria, the appropriation of public office for private gain is actually a general malaise of

protect and perpetuate their class interests.

On the other hand, the benevolent state paradigm, which has been the subject of severe criticisms, sees the state elites as a group of selfless, altruistic individuals harnessing the potentials of the state and its resources for the good of the greatest number. It is probable to expect arguments bordering on the ideal nature of this paradigm since states, are often seen by citizens as unfriendly, too powerful and impersonal. Moreover, citizens of developing countries ravaged by the realities of crushing poverty and want may witness a decline of the state in the area of social provisioning (Aina, 1996). Subsequently, pragmatic oriented social sciences would see the benevolent state ideal as that which states should strive towards. In spite of the aforementioned, one may conjure up the notion of the state that is neither malevolent nor benevolent in Africa though the evidence for this may be hard fetched.

However, apart from the state as an apparatus and machinery impacting on socio-economic development and growth, the principal actors of the state or state elites bring their characters and nature to bear on the process of social development and dictate the nature of state intervention. Corresponding to the dichotomy of the state are two main scenarios of the state's elites viz. the 'statist' bourgeoisie and the state bourgeoisie (Jomo, 1997). The statist or petty bourgeoisie use the state for ultimately private wealth accumulation and can use policy formulation and policy changes including privatisation and commercialisation to further its own advantages and preserve the narrow interests of the group. In other words, the statist is driven solely by the desire to accumulate state resources and make them personal while impoverishing the masses. On the other hand, the state bourgeoisie identify with the fate of the public sector and puts prestige and continuous relevance of the state in front of all other considerations. In other words, this group is made up of real technocrats who see the continuous functioning of the state as imperative to the survival of society and are motivated by promotions, prestige and the social perks of political offices.

Against the foregoing, the issue of privatisation deserves to be viewed viz. - a -viz. the predominant brand of state elites in any society. Privatisation given Nigeria's institutional character as a predatory state has meant the up-scaling of the accumulative sphere of the political elites whose acquisition of private enterprises through fences is now legitimised in the guise of privatisation. A predatory state characterised by weak and captured institutions, low social cohesion, low autonomy in relation to foreign interests, proclivity towards social fragmentation and factional conflicts and

expansive patron-client networks (Evans, 1995a, 1995b, 1997) cannot effect a privatisation exercise anchored on achieving the good of the society or that of the majority of citizens. Simply put privatization given the increase in what Gore and Pratten (2003: 211) label 'politics of plunder' in Nigeria's fourth republic democracy since 1999, is nothing but a euphemism for selling the commanding heights of the economy to the parasitic elites in power. Thus, in the case of Nigeria where real technocrats, especially since the mid 1980s, have been distanced from crucial policy - making and formulation, privatisation may be used either by commission or omission to serve the narrow selfish interests of 'statists' and their collaborators.

Incidentally, privatisation has thrived on the perceived inefficiency of public enterprises. Public enterprises have been stereotyped as generally showing a glaring inefficient service delivery, corruption and nepotism. Obviously quite a lot has been written on the pathology of public enterprises in Nigeria (Obadan, 2000). Actually Mahmoud (2005) puts things in perspective by contending that these enterprises ate up a lot of resources from the government leading to huge transfers of US\$3 billion, \$0.8 billion, US\$1.4 billion and US\$44 billion in 1988, 1999, 2000 and 2001 respectively, while over 50% of all non-performing sector debts in Nigeria over the same period were generated by these public enterprises. However the point needs also to be made that in the case of Nigeria, the inefficiency of the public enterprises has been consistent with the overall malaise in the political and economic systems (Ayub and Hegstad, 1987; Adoga, 2008).

In fact, public enterprises have been used as dumping grounds for political cronies and relations of those in power while their business orientation has been undermined by extensive client-patron network in Nigeria's patrimonial state. Kikeri et al. (1994) have underlined some of the undue practices of government that initially gave the public enterprises an eventually ruinous edge over private enterprises. These practices which at the same time becloud the performances of these enterprises and were prompted by the need to oil the client-patron networks and social club of accumulators which these enterprises represented for political elites include conferment of monopoly status, favourable legislations and credit guarantees.

Privatisation in Nigeria had earlier elicited the worries of the people about the impact of the exercise on the general population. One segment of the population seen as likely recipient of the adverse consequences of privatisation especially in terms of loss of jobs and increased charges for social services has been workers. Actually as early as 1986, the likely plight of workers in the exercise was recognised as one crucial issue to be tackled decisively before forging ahead with the

exercise⁵. Incidentally this concern has subsequently received only cosmetic treatment typified in the inclusion of the central labour union in the privatisation committee but without veto powers of any kind.

THE RENTIER STATE AND LEADERSHIP BEHAVIOUR IN NIGERIA

The concept of rent in political economy discourse implies the sharing of a produce or natural wealth without contributing to it (Beblawi and Luciani, 1987). In other words, it is unearned income especially from natural resources or wealth. Beblawi (1987) has traced its re-emergence as a notion in contemporary scholarship to the emergence of oil states in the 1970s and their prominence in world trade and finance. Generally rent-seeking behaviour in social development and political economy dialogue implies the predatory penchant of leaders and elites to amass national wealth from natural resources to the detriment of their people. Rentier behaviour thus refers to attitudes geared towards achieving, sustaining and enlarging this practice. Therefore, the notion of rentier economy and leadership rent-seeking is appropriate in the case of Nigeria since over eighty percent of its wealth or earnings come from natural resources - oil; and the leadership in Nigeria has shown a remarkable penchant for cornering or misappropriating this wealth, hence the deplorable level of development in the country in spite of huge revenues from oil (Achebe, 1983; Anugwom, 2003).

It is in view of the aforementioned notions that privatisation in Nigeria, despite economic logic, may be viewed as one more manifestation of rent-seeking behaviour of leaders and indigenous elites. After all, one of the main reasons for privatisation is to reward political allies (Sawas, 1991). The importance attached to this motive depends on the level of development of the political class and state elites in any society. In areas like Nigeria where the political class is mired in primitive accumulation and self-serving interests, privatisation may be driven by the need of this group to perpetuate their vested interests with scant regard to the welfare of the entire citizenry.

As Kuru (2002) makes clear, a rentier state is one dependent on externally generated revenues or rents

derived from extractive industry like oil, in the case of Nigeria rather than on a productive domestic economy. The rentier state logically produces rentier elites. The rentier elites are those who are the prime beneficiaries of the rents in the state and as a result, have a stake in maintaining and perpetuating the rentier framework. In other words, they are the hegemonic social and political (equally economic in the context of privatisation) forces whose institutional roles and more crucially economic interests are coterminous with the system of extraction and distribution of rents from it. It is this self-serving class that have now acquired massive 'legitimate' economic base as a result of privatisation. Moreover, privatisation is partially an economic contradiction in a state in which revenues are mainly externally generated with a poorly developed economic and productive structure⁶. In such an economy, privatisation simply entails exacting a heavy burden from the domestic population.

Rent seeking especially at the level of the state has come to be used in characterising the behaviour of power elites in nation states. The rent-seeking tendency can be seen as the manipulation of state resources, machinery and materials for the satisfaction of personal and group interests bordering on greed. Rent seeking can be seen as a variant of the economic notion of Directly Unproductive Profit-seeking (DUP) that largely entails the pursuit of opportunities and chances for profit without enhancing the productive base or forces of the economy. In developing countries, rent - seeking behaviour involves the running down as well as cornering of the lucrative sectors of the economy by power elites or authority figures using the instruments of the state. One dimension of this behaviour in the developing states might be seen in the unbridled bid to privatise public enterprises even against the backdrop of crushing poverty among the citizenry. Poverty that has rendered the mass of the citizens economically impotent, deprived and marginalized. Rent seeking with regards to privatisation denotes the extraction of unusual rent or profit through the disengagement of the state from enterprises' control and management.

Equally revealing is that rent seeking is usually a dominant feature of the predatory state that goes through the mills of intervention, disengagement and privatisation in order to satisfy the selfish motives of the power elites. This sort of state negates any attempt at meaningful involvement of the state in economic development and social transformation. In fact, Jomo (1997) sees the predatory state as mired in 'short-termism' in resource extraction with the obvious implications of this for resource conservation and ecological balance⁷.

5 The then chief executive of the Benue Cement Company was reported as having warned on the harsh conditions that the privatization exercise would visit on workers in terms of hike in service charges and employment dislocation, and suggested that privatization makes it mandatory for the private sector to provide more social services like housing, electricity and water to the work force as compensation for the hardships associated with it (The African Guardian, 1986: 21). Incidentally, after over ten years of making this suggestion at an official government sponsored roundtable on privatization nothing really significant has been done to guard the rank and file workers from privatization induced privation.

6 The Manufacturing Association of Nigeria (MAN) 2006 Report on the decline of the manufacturing sector in Nigeria; with a capacity utilization at a low 48.8% (The Guardian, 2006)

7 Perhaps this partly explains why oil exploration and exploitation have meant

In Nigeria, rent seeking behaviour or the rentier economy framework may be seen as marking both the involvement of the state in and disengagement from the economy. Prebendal politics which has been identified by Joseph (1987) as the bane of the development of sustainable democracy in Nigeria can be seen as having its motivating roots in this rent seeking psychology which sees state resources and machinery as possible objects of appropriation by the power wielders and their primordial blocs. In other words, state elites (politicians and technocrats) see the state as the object of pillage and bargains for the support of their people, especially ethnic groups, in the acquisition of pillage power over the state in the guise of democracy. The military is equally not above this mundane orientation towards the state. After all, Saro-Wiwa (1994) has seen the military as the principal actor and collaborators in the massive filtering away and individualization of the national wealth. Supporting this viewpoint, Soremekun (1995) has argued that the appropriation and misappropriation of the huge oil wealth in Nigeria by the military remains the key to the prevailing underdevelopment of the country.

To cap it all, authors like Achebe (1983) and Anugwom (1998) have argued that the primacy of corruption as a leadership vice in Nigeria has undermined the meaningful economic and socio-political development of the country. The scenario that emerges from the above is that the leadership in Nigeria can be viewed as a self-perpetuating interest class, which is not averse to manipulating the state and its machinery in furthering its parochial interest. Therefore, privatisation of public enterprises especially in a recessed economy may serve the function of entrenching the control of the commanding heights of the Nigerian economy in the hands of a select few. This is realistic taking cognisance of the sensitive and fundamental nature of some of the public enterprises slated for privatisation.

However, on what may be labelled an objective assessment, Collier and Gunning (1999) argue that African governments have behaved in ways damaging to the long term interests of the majority of their populations because they served narrow constituencies. From a purely sociological perspective, governments in Africa, Nigeria inclusive, have not existed to fulfil the group imperative nor strengthen solidarity but have furthered the class-like atomisation of the society. In this exercise, the government and government perks are seen as tools for serving and perpetuating narrow class or group interests to the detriment of the society at large. Thus, Nigerian leaders in the past few decades have displayed

an atavistic instinct for primitive capitalist accumulation that may cast them as basically rent-seeking. It was this sort of behaviour and mentality that moved corruption to the forefront of national public life. It is thus easy to see that by destroying the group's solidarity and collective resolve or weakening of social capital, selfish interests become paramount.

The worrying orthodoxy on privatisation is the thinking that it should aim at improving the private sector (Obadan, 2000; Mukandala, 1998; The African Guardian, 1986). This almost obsessive focus on the private sector as beneficiary even though conceived as in the general interest of the economy often breeds a negation of the interest of the populace and encourages a pursuit of ruthless privatisation exercise that unquestionably places rational economic concerns above public interest. In Nigeria's rentier economy where the economy has been abused and plundered by a pathological political class, privatisation has equally been used in oiling the winner-takes-all political machine to the detriment of ordinary citizens.

PRIVATIZATION AS ECONOMIC DEVELOPMENT

Privatization as an economic tool of growth has gathered popularity especially through the works of scholars like Sawas (1979), Poole (1976) and Fisk et al. (1978) who have promoted the case for privatisation as a tool of economic management by the government. Also, the International Monetary Fund (IMF) and the World Bank actively support and endorse privatisation as a facet of economic restructuring. They see it as capable of reducing government expenditure and ensuring efficient utilization of resources. Although privatisation is a very old issue in economics, it has often been the source of heated arguments, controversies and political rhetoric in the development efforts of so many countries across the globe. This situation can be seen as generated by the socio-political implications of privatisation and the fact that privatisation is not a totally guaranteed economic miracle, especially in developing nations where other factors in the environment may mar the prudent use of resources in spite of the sector involved.

As a matter of fact, economic literature shows that either private investment *per se* has not been very successful in Africa or that it has been too low. This then impacts negatively on general economic growth in the continent. It is however interesting to note that researchers as Sachs and Warner (1999) and Collier and Gunning (1997) have located the problem of economic growth in Africa on such factors as ethnic fractionalisation and weak social capital and not really on the volume of investment in the public viz.- a viz. the private sector. This has led authors as Devarajan et al. (1999) to conclude that public and private investments are not

environmental degradation in Nigeria, most prominently through oil spills and gas flaring. Actually as recent as 2004, oil firms were still flaring over 40% of gas into the environment from their oil wells (This Day, June 6, 2005). Also, the Human Rights Watch (HRW) (1999: 59) reports that more than 10.7million barrels of oil were spilled between 1960 and 1997 in Nigeria.

correlated with economic growth in Africa. However, proponents of the privatisation theory in Nigeria often argue that such developed nations as the United States, Britain and most other countries in Europe have a large section of their economy in private hands. While this may be so, the fact remains that these economies are developed and the citizens have the economic buoyancy to play in the privatisation league unlike Nigeria where the economy is still developing and poverty is widespread. In this kind of scenario, the question of what to privatise, how, when and for whom becomes crucial.

Interestingly, the major plank of the argument for privatisation even in the inglorious SAP days has been doubted by well informed and highly placed Nigerians who have seen the difference in performance between the two sectors in Nigeria as really not explainable by efficiency wand in the private sector but rather government's deliberate policy of not patronising public sector corporations⁸. Perhaps the lure of acquiring these corporations either made the parasitic political elites in power impervious to the need for serious reforms in these corporations or more likely; they aided and abetted their decline in order to justify the need to sell them off.

In addition to the social implications of privatisation, there is the related issue of cream skinning in the case of Nigeria. Cream skinning as an economic expression implies the fact that only the most profitable and best activities will be taken over by the private investors leaving the most unprofitable and cost-intensive to the public sector or government. Thus, the determined efforts of the leadership in Nigeria to privatise sensitive giant public enterprises may be seen as smacking of a form of cream skinning which will certainly do more harm than good to the national socio-economic life. As a matter of fact the role of the so-called Trans-National Corporation of Nigeria (TRANSCORP) purportedly owned by former President Olusegun Obasanjo in dubiously acquiring lucrative public ventures in the name of privatisation and the shady manner in which some public enterprises were hastily sold to private concerns⁹ are all good cases of cream skinning.

Even though privatisations is mainly projected internally as a means of rejuvenating the private sector and improving service delivery, its major propelling force has come externally from multi-lateral development agencies and donors. As White and Bhahia (1998: 29) observe, "without donor pressure and support, it is doubtful that privatisation would have progressed so far as it has in

Africa. Donors have put pressure on governments to divest". In Nigeria, the above pressure has come from the Bretton Woods institutions. As a matter of fact, the two Breton Woods institutions have over two decades seen privatisation as a key economic reform agendum in Sub-Saharan Africa¹⁰ and have actually made it a precondition for credit provision. Incidentally, the domestic pressure exerted by these agencies ironically did not fathom the fact that the economy is only one component of society. In other words, for economic reform of any type to work, there must be a considerable consonance between the economy and other key sectors like the political and social institutions. Thus, in promoting privatization in Nigeria crucial questions regarding the structure and nature of the domestic society, its elites composition and attitude to society's resources (instrumental/ rational versus selfish/ accumulative tendencies), impact of privatisation on social services (social provisioning), and poverty (impact on service charges, unemployment and labour) should be asked. These questions were glossed over or cosmetically addressed in Nigeria, since the adverse effects of the adjustment on social life engendered a massive civil society revolt in 1989¹¹.

Perhaps, the issue worth teasing out from the above is that privatisation supporters in government should have done enough homework to realise that given the social structure of the society, there is need for a massive improvement and institutionalization of key social provisioning; radical elite transformation; and workable social insurance for workers in addition to regulating a level playing field before embarking on privatisation. Moreover, cursory observation and even scant knowledge of Nigeria would reveal that it is a country saddled with opportunistic parasitic elites driven by selfish and crude accumulative tendencies. Given the fact that these elites control the state, a rudimentary analysis would have shown that privatisation would simply be a

10 The World Bank Privatization Database shows that between 1994 and 1995 there has occurred a total 3387 privatization transaction in various parts of Africa (White, 2000).

11 The 1989 anti-SAP riots during the era of military dictator, Ibrahim Babangida (who incidentally begun the privatization exercise) spread to all major urban and university towns in Nigeria. It was one of the most successful civil society coalition in the history of modern Nigeria as it involved such diverse civil society formations as the students' unions; market women associations; road transport workers; human rights groups and labour in a massive riot that spanned over three days in spite of the repressive and coercive might of the military junta in power in resistance to the harsh conditions unleashed on the population by the SAP (Adejumobi, 1994 for a detailed account of civil society resistance to SAP). This civil society revolt led to the government coming out with the so-called SAP relief measures which were economic palliatives aimed at tackling massive unemployment, spiraling prices of consumer goods, social services etc. The palliatives were as ineffective as they were short-lived. In the case of labour, government provided paltry concessions in the form of miserly wage increase and donation of buses to ease workers' transport problems. These palliatives were instructively dismissed by the then Secretary-General of the Nigerian Labour Congress, Lasisi Osunde as "a little too small, a little too late" (Tell Magazine, August, 31 1992:18).

8 Lt. Colonel Abubakar Umar, then military governor of the powerful Northern Nigeria state, Kaduna in Ibrahim Babangida's regime typifies this stand. For him the view that the private sector is more efficient and productive is certainly fallacious, what is true is that the private sector enjoys more patronage from the government itself than the public sector (The African Guardian, 1986: 21).

9 Some of these sales like those of the petroleum refineries have been revoked by the current Umaru Yar'dua's government.

Table 1. Summary of performance results of 44 government owned companies (in four major sectors) in Nigeria, 1975 to 1979.

Sector	Aggregate sales/ Income (Million)	Aggregate expenses (Million)	Aggregate profit/ loss (Million)	Performance result (%)
Agro-Business	43.85	65.00	- 21.15	- 48.2
Finance/ Investment	209.02	181.61	+27.40	+13.1
Manufacturing	67.44	69.40	-1.96	-2.9
Service	300.82	657.36	+143.46	+17.8

Source: Fubara, 1982.

façade for divesting the government and investing elites to the detriment of other members of the society. This has actually been the case.

Equally crucial is that privatisation discourse has been dominated by elite's imagery and orientations while the subaltern perspective which in this case means the popular imagery has been neglected. Privatisation, given the economic might involved in it is largely an elite domain, thus only careful planning ensures that both the perspective and interests of ordinary people are taken on board. In other words, the privatisation exercise so far is hardly representative of the subaltern economic discourse or interests. Essentially, privatisation counters the economic imagery of the less privileged who crave really for improved employment opportunities, slum rehabilitation, improved and cheaper social services among others. Privatisation in Nigeria, given its key lapses remains an elite hegemonic project, which is nothing but a counter-narrative of the economy from the point of view of those outside the elites' sphere.

While privatisation may easily win converts as an efficient mode of managing resources and delivering service, there is a tendency to over-paper its own inadequacies in a developing country like Nigeria where cut-throat competition and neglect of social responsibility may engender environmental conflict¹². But more crucial here is that the unbounded effort to promote privatisation has led to holistic condemnation of all public enterprises. All forms of public enterprises are hurriedly consigned to the waste lot of inefficiency, corruption, bad management, nepotism etc. However, a careful rethink would show that quite a good number of them were performing admirably well especially in the 1970s before the advent

of massive corruption of the 1980s and beyond demonic eras of military junta and self-serving democracy, where even when the public enterprises make profits they end up in elites pockets and unreported. Interestingly, the following data show the true picture of private enterprises in Nigeria before the wild 1980s and 90s (Table 1).

Now without being led astray by the aggregate summation of the four sectors, one can easily see that undoubtedly within the five years covered by the study, public enterprises in the finance/ investment and service sectors actually made good profits. The deficits come from agro business and manufacturing. While the manufacturing sector has hardly thrived in Nigeria¹³ whether in the private or public sector, the agricultural sector has always been bogged down by the policy driven needs to provide subsidies and extension services to both rural and smallholder farmers. Such policy requirements are not exactly consistent with profit motive.

At the last count a total number of 400 firms have been privatised in Nigeria though only about 10% of them are seen by the Bureau for Public Enterprises (BPE) as properly functioning (Adoga, 2008). The problems which have generally mitigated the privatization exercise according to Adoga (2008) range from inchoate or lopsided asset acquisition and share purchase agreements, non-enforceable clauses and breach of agreements, asset stripping, lack of capacity of the acquiring private firm to unnecessary retrenchments of public officers by the acquiring firm and favouritism in the selection of core investors.

THE STATE AND THE REALITIES OF PRIVATIZATION IN NIGERIA

The foregoing discourse predisposes us to perceive the Nigerian state largely as a predatory state in which the power elites are a self-serving group of 'statists'. Thus, this social group is marked by the imperatives of rent seeking and aspire to manipulate the machinery of state in a bid to fulfil egocentric class and group interests. However, it should be noted that privatisation *per se* is a

12 Neglect of social responsibility is obviously one of the key factors in the recurrent conflict in Nigeria's oil rich Niger Delta region where civil society groups have seen the Transnational Oil corporations (TNOCs) as not doing enough for the environment in which they are located. In a passionate article entitled "Why we Agitate: the socio-economic effects of oil and gas exploration and exploitation on local communities" a Niger Delta activist listed the numerous environmental, socio-cultural and traditional upheavals of oil exploration on indigenous communities. These oil related atrocities range from desecration of sacred places, destruction of valuable property, killing sacred animals, violating totems, wrongful acquisition of land, inadequate compensation to assault on people's wives (Akegwure, 1995)

13 MAN 2006 report for epileptic nature of Nigeria's manufacturing sector.

useful economic tool for re-energising ailing firms and economies. But the application of privatisation demands some caution. As Usman (1987) has argued, in spite of the fact that privatisation is used to restructure public enterprises in a bid to achieve greater efficiency and reduce government's burden, its misapplication can create further distortions that will leave matters worse.

Sawas (1991) has shown that one principal argument against privatisation is that it weakens the local political order and accelerates the decline of citizenship and community. This means that privatisation weakens the social solidarity and cohesion of society and impinges upon citizens' rights. Certain forms of collectivism are needed to uphold societal cohesion and impact positively on social transformation and progress. It is equally expedient to see privatisation beyond its economic and political dimensions as most writers have done. Privatisation has a large social content especially in developing countries where the citizens' socio-economic rights are often impaired by lack of development. Also, the achievement of social progress, equity in resource allocation and use of collective resources may depend on the extent to which certain concerns, goods or services are provided by collectively owned establishments.

In spite of this, privatisation has long been an issue in the economic and political life of Nigeria. Starting from the 1968 Ani Committee to the Onosode Panel of 1982, privatisation has hovered on the front stage of Nigeria's economic programmes. However, the urge to privatise took a real concrete form with the eventual collapse of the Nigerian economy in the early 80s. Actually, the IMF and World Bank backed Structural Adjustment Programme (SAP) had commercialisation and privatisation of public enterprises as key thrusts. It was the Babangida government (1984 to 1993) that officially announced privatisation intention in the 1986 budget speech. This announcement may be seen as a reflection of the precarious state of public enterprises then in the country. According to Usman (1987), at the beginning of 1986 there were around 500 companies and parastatals in which the Federal Government had invested over 36 billion Naira as equity, loans and subventions all of which bring in less than 500 million Naira annually. The government was also unhappy that its budget supported a plethora of public enterprises whose services were often costly, management inefficient and subject to political manipulations.

Public enterprises especially those in the essential services sector like Nigerian Telecommunications (NITEL) and National Electric Power Authority (NEPA) or what is now known as Power Holding Company of Nigeria (PHCN) have a perennial history of epileptic performance that attracts social outcry, indignation and frustration all through the time. In addition these enterprises have been characterized by financial

mismanagement, drain on government expenditure, mediocrity and petty internal politicking. Actually, one can argue that the excessive politicisation of these enterprises has made them conduit pipes of financial waste, political patronage and settlement. In such a case, management and staff are often recruited and evaluated on primordial principles and political considerations. Moreover, privatisation has been made all the more desirable or important in the interest of global capitalism with its emphasis on breaking down borders, barriers and obstacles to its ascendancy.

Despite these, a look through the fortunes of the privatisation exercise, in terms of already completed ones, does show much success (Adoga, 2008). So there is still some level of uncertainty on whether the exercise so far has been effective. This certainly is contrary to what obtains in mature socio-political societies like the U.S. where privatisation has improved the over-all standing and performance of hitherto public firms (David, 1988; Sawas, 1991, 1987).

Thus the transfer of public holdings to private hands calls for a more cautious introspection beyond the mere economics of it all. In this case, apart from the fear of a hijack of vital sectors of the economy by the state power elites and the denial of citizens' rights as defined by collectivism in vital concerns of the state, there is the equally crucial issue of how privatisation affects services delivery and costing principles as well as how this impacts on the ordinary citizens. This is quite important when we recognize as Wilson (1988) does that privatisation affects material interests and shifts power among local government officials, businessmen and multinational corporations.

It was the British example in privatisation that stimulated many industrializing and developing countries into the exercise (Ramanadham, 1988; Candoy-Seske, 1988). But while the British exercise was largely successful, the attempts by the developing countries have been trailed by partial success and often massive failures including the concentration of national wealth in the hands of a few self-centred elites constituting or allied to the leadership of these countries. Nigeria provides a classical example in this case. Apparently, the privatisation programme has created the highly sought opportunity for massive collaboration and connivance between business and political elites who have used the exercise to recompose and reconstitute their economic dominance. For the political elites, it has created a chance for the laundering of accumulated state resources in economic ventures thereby creating a smokescreen of legitimacy for plunder. Evidently, the political elites either using middlemen or fences¹⁴ have used the exercise to

14 Evidence of such middlemen and fences and how they function as conduit pipes for siphoning and laundering stolen state money by the political elites

entrench themselves in the economic sector with the loot stolen from the coffers of the state. In this way, privatisation in Nigeria's rentier economy has provided a comfort zone for reinvesting the proceeds of primitive accumulation by the political elites. This is not really surprising against the cognition of the socio-political immaturity of the country and the fact that privatisation was like a twin of the SAP foisted on developing countries by Western donor agencies and international capitalism.

Be that as it may, there is a split of opinions among scholars on the real impact of sectoral investment on growth in Africa. Therefore, while Easterly and Rebelo (1993) posit a positive relationship between public infrastructure investment and growth, Devarajan et al. (1999) argues that public capital expenditure is associated with negative growth in the long run. The point then is that privatization *per se* is not the cure it all elixir for a declining economy. But more crucial is that a robust public sector or at least infrastructure is necessary for private sector growth. As a result, other factors in the environment may be more germane to economic growth in Nigeria than whether parastatals are privatised or not. Hence, for Devarajan et al. (1999) low capacity utilization and absorptive constraints in skill acquisition are the critical factors. Also, it has been shown that the problem of public enterprises Africa in general may be related to the uneconomic and sectarian uses of these enterprises. Thus, the public sector has been used to create employment rather than deliver services because of the rapid educational expansion of the continent (Gelb et al. 1989) and as a source of wages and employment as rewards to kin groups and not on basis of skills (Collier and Gunning, 1999). What these mean is that public enterprises in Africa have not really been tested since so many factors impede their growth in the continent. In the case of Nigeria, leadership corruption and patronage have turned public enterprises into dumping grounds for rewarding military or party loyalists and for achieving ethnic aspirations.

The privatisation exercise, in effect has meant the granting of a chance for opportunistic political elites and foreign capital to seize the economy. Even the private sector operators or businesses in Nigeria seen as the probable key beneficiaries of the exercise in the beginning have been made to either play catch-up or act

as fronts for foreign capital and political elites with unlimited proceeds of accumulation from state resources. Undoubtedly, the private sector has found it difficult to muster the finance to purchase the huge stocks involved in the divestment of hitherto big public enterprises given that years of economic recession starting from the early 1980s has left many private sector firms on mere break even point¹⁵. In this circumstance, many Nigerian businessmen have merely acted as fronts for foreign concerns as earlier predicted¹⁶.

Incidentally privatisation has not worked as the economic elixir it was promoted as in Nigeria. Having gone through two rounds of privatisation economic recovery and real economic development is still a far hope. The simple logic is that privatisation *per se* can achieve little without other accompanying structural changes in the society's socio-political and economic spheres. The previous sentiments have been captured more poignantly thus: Privatisation is not an all-purpose antidote to bad macro-economic policies. Recent experiences with the fate of Nigerian enterprises (both public and private) under Structural Adjustment Programme (SAP) are pointers to the fact of the limitations of privatisation as an economic revival strategy...the form of ownership of the productive sectors of an economy is not all that is required to achieve desired economic transformation (Ejiofor, 1989: 53)

In view of the aforementioned, the avowed statement of the Obasanjo administration to embark on privatisation as the only panacea to Nigeria's comatose economy¹⁷ is indeed the outcome of lack of foresight and obvious stampede towards the parasitic advantages the leadership can gain through privatisation. The vigour with which the administration has pursued the exercise since 1999 in spite of the not all encouraging outcome of previous attempts (Ejiofor, 1989) smacks of a hidden agenda.

Perhaps the hidden agenda has been made open with the shady dealings surrounding the sale of NITEL. The firm was one of the public enterprises seen as recovering well in the first Technical Committee on Privatisation and Commercialization (TCPC) Report (1993), having gained solvency and operating surpluses, however this enterprise has been sold recently to the amorphous Transcorp Group at a cost of \$750million which is far less than its value (Daily Independent, July 13, 2006: A1 and

was clearly established by the shameful accusations and counter-accusations between the President, Olusegun Obasanjo and his deputy reported widely in the media in Nigeria in September, 2006. In one such reports entitled, 'Atiku Drops More Bombs: exposes over 16 cheques from Fasawe to OBJ', it was revealed that the President and his Deputy have been involved in underhand dealing of enriching themselves and plundering the nation's wealth using fences (Saturday Sun, Sept. 16 2006:1, 8-10 and 49). In the same paper, the radical Lagos lawyer, Gani Fawehmi expressing shock at such brazen corruption in high places urged for the impeachment of both the President and his deputy, who he likened to 'political Lucifers' (Adegoroye, 2006: 8-9).

15 The MAN report in 2006 illustrates vividly the comatose position of the organized private sector in Nigeria, which incidentally has been worsened by the era of democracy (The Guardian, June 1 2006:1). For instance, capacity utilization is at a low 48.8%; while on the average, 30 percent of the manufacturing firms in Nigeria has closed shop; 60% are comatose and 10% are in full operation.

16 The report of The African Guardian (1986: 21) for the fears of participants at the conference on privatization sponsored by the federal government

17 Alex Okoh (2002) quoting Nigeria's President, Olusegun Obasanjo in his piece entitled, 'The Beauty of Privatization'.

A2). The sale of NITEL has attracted public outcry¹⁸ and even the condemnation of the government's staunchest ally in the privatisation exercise¹⁹. Equally amazing and yet unexplained is why, as reported in the same Daily the core investor share in the case of NITEL jumped to 75% instead of the normal 51% which allows other people the room to also acquire shares in the firm being privatised. Predictably the government of Umaru Yar'Adua who took over from Obasanjo in 2007 has revoked some of the controversial privatisation sell including that of the NITEL, two refineries, and has tried unmasking the apparently nebulous Transcorp. However, the aforementioned has been like little drops of water against the background of the massive sell-out of enterprises carried out by the Obasanjo Government (1999 to 2007).

Perhaps a judgement of the privatisation exercise under the Obasanjo regime is captured aptly in the following sentiments, "the final balkanization and contamination of the exercise was cemented by key players in the entire privatization process of the last civilian administration. By the twilight of the last administration in Nigeria, a plethora of discontentment on the exercise had reached fever pitch...draconian sale of federal Government properties in Lagos and Abuja considered by patriotic civil servants to be the greatest economic heist of the 21st century in Africa, the revocation of 18 private refineries licences, the proposed and ill advised privatization of Unity Schools, the sale of the Trade Fair Complex, the controversial auction of African Petroleum, the sale of Stallion House, the hastened and obscurantist sale of national refineries at the twilight of the last administration etc" (Adoga, 2008: 2).

CONCLUSION

Usman (1987) has drawn a very insightful distinction between privatisation that entails a substitution of public provision with private provision by profit seeking and maximising unregulated market operators and privatisation marked by the same or another public enterprise which now operates under a different, more commercial environment or under a less regulated, more competitive environment. He further calls attention to the need to bear this in mind in privatisation exercises in Nigeria. Usman's scheme is very interesting since privatisation efforts in Nigeria has been mostly of the first order which shows little regard for the consequences of the exercise

18 Governor Ahmed Tinubu of Lagos state has actually urged Nigerians to fight against the sale as NITEL was sold below its value, and more specifically queried the "rationale behind Transcorp emerging as the preferred buyer on negotiated sale" (Daily Independent, July 13, 2006: A2)

19 The World Bank even though in support of the sale of NITEL has reportedly expressed discomfort with the manner of the sale which was through negotiated sale rather than competitive bid.

on public or citizens' interest.

Moreover, privatisation exercises in Nigeria so far, despite the voluminous work of the former Technical Committee on Privatisation and Commercialisation (TCPC) and now the Bureau for Public Enterprises (BPE) and the National Council on Privatization (NCP), have shown a tendency towards the hijacking of the firms by powerful individuals, state power elites and their cohorts who have enough money to play in the big privatisation league in the midst of severe and widespread poverty. Thus, the exercise in the era of globalisation in Nigeria has invariably opened up the economy for acquisition and dominance of foreign capital. In the globalisation context, finance in terms of investment capital has been the most mobile component of the process of creating unbarred global business. Thus as evidence shows the privatisation exercise has 'benefited' from this global free movement of capital and this is manifested in the fact that many of the viable public enterprises privatised has actually been acquired either by undisguised foreign capital or disguised foreign capital in the form of technical partnerships. Actually concern over possible take over of the economy by foreign capital was expressed quite early in the country's drive towards privatisation²⁰.

Be that as it may, the privatisation exercise may be seen, against the background of the unimpressive performance of some of the already privatised enterprises²¹, as engendered by the rent-seeking behaviour of the state power elites who see the economic imperatives of denationalization as a good guise for the perpetuation of class interests. Possibly, the costly irony, which the privatisation programme as presently structured entails in the nation's development, has been robustly captured in cynical popular discourse²².

The cries of the masses, about the impact of privatisation on service charges have not been mere crying wolf. Actually, in most of the enterprises slated for privatisation service charges hike was a first step towards privatisation²³. Also, the verbal commitment of the

20 A former Chief Executive of Jebba Paper Mills (now privatized) expressed this view in 1986 at a federal government sponsored privatization conference op. cit.

21 A good example in this regard is the Nigeria Telecommunications (NITEL) privatized over two years now but still to become operative or functioning.

22 In a well-informed essay which represents what may be seen as the subaltern imagery of privatization, Azuka Iheabunike contends, 'in the name of reforms all our commonwealth are being auctioned. The seaports have been sold off and thousands of our country men and women are being thrown into unemployment in a society without any form of social security system and we are expected to applaud. Civil servants are not just being thrown out of their jobs but their houses all in the name of economic reform programmes. All government owned corporations have either been sold, liquidated or privatized sometimes, obviously without thinking about the effects such would have on the entire workforce and their dependants' (Daily Independent, June 27, 2006: B5).

23 The octopus Trans National Corporation (TRANSCORP) in which the leadership is suspected of having large shares has recently been notable in acquiring mega public enterprises in the country. The group has taken over the

government to deal with the problem of selling the economy to a privileged few has not really manifested in concrete and effective action or regulation on this. Hence, the much-publicised Privatisation Share Purchase Loan Scheme has been nothing but a mirage. This is because the scheme, which gets to only about 1% of those interested, provides the individual with a miserly sum to buy shares in mega-millions enterprises. In fact, the scheme has been nothing but a well-orchestrated window dressing since the shares really bought by ordinary Nigerians in these firms amount to infinitesimal percentage. The controlling shares have always been acquired by the so-called core-investors. Thus, a few privileged individuals hold the controlling shares in these firms and other members of society are left with something intangible. Apart from the aforementioned, the government has pursued privatisation as if there is no longer any need for private sector involvement in the economy. This is dangerous for a developing economy like Nigeria.

There is obviously no gainsaying the fact that, "the consensus among several stakeholders is that Nigerian privatization program requires several fundamental restructuring and improvements to augment and maximize its impact on Nigerians" (Adoga, 2008: 3). Against the foregoing perspectives it is important to bear in mind that as has been argued by Wilson (1988: 24), "all healthy political economies walk on two legs, a strong public sector and a strong private one." Thus, both public and private sectors' vibrancy is a pre-requisite for economic progress. It is not a case of abandoning one for the other but to restructure sectoral investments taking cognisance of the social implications of privatisation and the fact that as has been shown by scholars such as environmental factors as ethnicity, low social capital, corruption and political instability as well as state meddling in the affairs of parastatals may be more crucial than sectoral origin.

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Abuja Hilton Hotel (now renamed Transcorp Hilton), the best five star hotel in the country (and was obviously not ailing or operating inefficiently) and NITEL (the telecommunications giant) without public bidding and at a cost less than fifty per cent of its real value among other high profile acquisitions. Incidentally some of these hasty acquisitions including that of NITEL has been reversed by the post 2007 Yar'Adua government in Nigeria.

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