

Theoretical and Empirical Issues in Privatisation: A Comparative Study of the British and Nigerian Experience

Adelaja Odutola Odukoya

Department of Political Science, University of Lagos, Akoka, Yaba, Lagos, Nigeria

Telephone: 2348023233219, 234855854945

E-mail: lajaodukoya@yahoo.com, researchit2004@yahoo.com

KEYWORDS State-owned enterprises; power; efficiency; transparency; development

ABSTRACT The paper undertakes a comparative critique of two privatisation programmes: Britain and Nigeria. It argues that privatisation entails the appropriation and expropriation of the national surplus created by labour, and represented in the social wealth of the public enterprises being put up for sale. Consequently, central to the problematic of privatisation the paper posits are the issues of power, the authoritative allocation of resources, and the decentralization of the role of the state in development. To this end, the paper avers that privatisation goes beyond the “transfer” or “change of ownership” of SOEs, it entails the redefinition of class boundaries, sharpens class contradictions and antagonism by skewing resources and power in favour of private capitalist claimants, as well as the ascendancy of neo-liberal ideology. The paper further opines that market based corporate governance which privatisation enforces has the propensity to weaken both the trade and labour unions, as well as impoverish the citizenry. And since they constitute the leading lights of the civil society, then, the civil society in turn stands the risk of being emasculated, and democracy threatened.

INTRODUCTION

That privatisation is the new developmental orthodoxy, is saying the obvious. Its pre-eminence has benefited immensely from the ideological reversal in the Soviet Union and other Eastern European socialist countries. Under the ideological banner of globalisation, America has made neo-liberalism and its policy of liberalization, deregulation and privatisation a must developmental capsule on a global scale. Every nation seems to be hooked on privatisation in one form, degree or the other. In this paper, we shall interrogate the theoretical and empirical issues, which underscored the privatisation policy in both Britain and Nigeria. The question which naturally arises is, why Britain and Nigeria? The choice of Britain and Nigeria is informed by a number of theoretical and empirical issues concerning the implementation of the privatisation programme in these respective countries, coupled with the contrasts and similarities between them conditioned by their historical and developmental trajectory.

We are interested in providing answers to the following problematic: the ideological orientation which informs the privatisation programme; reasons for privatisation; the goals of privatisation programme and how far the goals have been achieved; the adopted modalities for

exercise; the problems and constraints confront the respective privatisation programmes; what lessons can we learn from the exercises; what is the situation concerning post-privatisation efficiency; Is there any truth in the assertion that State-owned Enterprises (SOEs) cannot be run efficiently and that private sectors enterprises are *prima facie* efficient?

CONCEPTUAL FRAMEWORK

For Soyebó et al. (2001) privatisation “...is the change of ownership of former state owned business to private ownership and control”. On the other hand, Scheider and Jager (2001: 6) see privatisation first as a transformation of property rights regimes, and secondly, as the reduction of public control. Consequently, privatisation entails “a transformation of the property right regime in the sense that rights of control are reallocated. Rights of control, which more or less have been dispersed in the public decision-making structure, now become concentrated on a single private person, private organization or a collective of shareholders partially controlling such a private organization.” (Scheider and Jager, *Ibid*: 7).

When looked at from the above perspectives some important questions necessarily throw up. One, what is inherent in the transfer or control?

Two, what are the implications and effects of the change of ownership and sales of SOEs for capitalist buyers and the public respectively? Put differently, how is the power configuration in the state impacted upon by the imperatives of privatisation? These are issues that go beyond mere economics to the realm of political economy.

Commons (1968), Coleman (1990), Schlager and Ostrom (1996), Ostrom (2000), provide us with a further explication of what property rights regime implies. According to the scholars, property rights is conceptualised as enforceable authority to undertake particular actions in a specific domain. It defines possible actions that individuals can take in relation to other individuals regarding some “thing” or “good”. It is a specific combination or “bundle of rights” to deal with regard to a given object. These rights to deal includes the right of use, right of consumption, right of disposal, right of access, rights of withdrawal, management rights, rights of exclusion, and rights of alienation. (C.f. Scheider and Jager, Ibid).

Flowing from the above, the disposal of public enterprises to private business people in whatever form constitutes an erosion of the economic power of the state. It reduces what the people consumes, their right of access, disposal, management, withdrawal, and implies their exclusion and alienation from what was the products of their many years of past labour. In essence, privatisation is the transfer of the economic power and resource base of the people to private capitalist interests. This scenario necessarily whittles down the economic and political power of the citizenry in favour of capitalist interest who for all we know may be absentee owners and foreign speculators, who have become popular and powerful with the advent of globalisation induced “casino capitalism”.

Consequently, what is important for us in the conceptualisation of privatisation is the associated *power* which the sales or transfer of public enterprises gives to the buyers and denies the sellers. This informs our submission that the control people have over economic resources is an important determinant of their power. Politics is who gets what, when and, how of society’s limited resources. And as Lenin puts it, ‘economics is concentrated politics’. For all we care, the control of economic resources between the public and private sectors reflect the balance of power

between the two spheres and this has consequence on the character of governance and the ability of the people and corporate personalities to influence government especially in a poverty stricken country like Nigeria. To this end, privatisation goes beyond the “transfer” or “change of ownership” of State-owned Enterprises (SOEs). As we shall see later in this work, privatisation redefines the class boundaries, sharpens class contradictions and antagonism by skewing resources and power in favour of private capitalist claimants.

It is against the above elucidation that we define privatisation as 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 using the instrumentality of state power. The possibility of this in most instances is a function of the fact of the dominance and control of the power of private capital in the area of ideological propaganda through the mass media and public policy formulations. Privatisation typifies the ruling idea of the ruling class much more than a science of development. Beckman (1985: 91) rightly notes in case of Nigeria that the state in Nigeria has been a vehicle for the penetration of international capital and the emancipation of the domestic bourgeoisie. This latter view is representative of the logic of the privatisation exercise.

As we shall see with the privatisation policies in both Britain and Nigeria, the state has cast away its toga of ‘autonomy’ to become an instrument for private property accumulation. The state consequently, on a globally scale has become a means of production, a situation hitherto limited to the perverted states in the third world countries. The hitherto welfarist pretensions of the capitalist state has given way for the institutionalisation of the regime of marketization and profiteering.

THE FACES OF PRIVATISATION

Privatisation has many faces. Narain (2003: 297- 304) identifies three forms of privatisation. First, is privatisation through operational measures without loss of ownership. The second is privatisation through organisation measures and the last method is, privatisation through ownership measures.

1. Privatisation Through Operational Methods: This is a form of management privatisation. It entails the reduction of government control on the activities of public enterprises, so as to engender efficiency.

2. Privatisation Through Organisation Measures: This privatisation method has four variants, these are:

(a) *Introduction of Competition:* This involved the introduction of competition by deliberately breaking the monopolistic hold, which the public enterprises hitherto enjoyed in their area of operations. This is a form of deregulation and liberalisation.

(b) *Unbundling:* This is a process of breaking down of public enterprises into functional units as basis for commercial operations. This is specifically applied for the privatisation of utilities that often operate in a condition of monopoly.

(c) *Corporatisation:* This is a transformation of the mandate of the public enterprises into a public joint - stock company for the purpose of operating as a commercial concern and motivated by market imperatives and profitability of operations.

(d) *Leasing:* Government under this arrangement hold on to the ownership of the public enterprises, thus instituting a regime of operational privatisation. Only, the facilities of the enterprises are leased for private sector operators to operate. This according to Narain (2003: 299) is a compromise between total privatisation and complete government ownership. Private management initiatives are in this way brought to bear on the management and operations of the public enterprises.

3. Privatisation by Ownership Measures: This involves the ownership transfer from the public to private ownership. This is perhaps the most popular modality of privatisation adopted all over the world. Under this method is divided into two:

(A) *Full Divestiture:* Government under this arrangement sells the totality of its interest in public enterprises to private interest. This could be through a public offer on the capital market or through auction sales to strategic or core investors.

(B) *Partial Divestiture:* Two variants of this exist. First, we have a situation in which the government continues to have majority shareholding despite relinquishing part of the shares to private interest. In the second case, the majority shareholding is in the hand of the private investors with the government holding

minority holdings of the stock of the privatised enterprises.

The Logic of Public Enterprises and the Ascendancy of Privatisation Option

The manifestation of public sector at the level of the state is ideological. Within this ideological spectrum there exists two main tendencies which I call the minimalist and maximalist tendencies. Under the capitalist system, where the market forces are believed to be the most efficient method for the allocation of resources state involvement in the economic sphere is expectedly and essentially minimal and limited to the creation of the enabling environment for capitalism to thrive. However, under the socialist or planned economic system, with the means of production publicly owned, public sector involvement in the economy is total and all embracing, thus representing the maximalist tendency.

The prevailing circumstances of market failure and the urgent need for the reconstruction of many damaged economies in the post- second World War years tilted the scale and made most capitalist countries approach a maximalist public sector orientation as reflected in the development of the welfare state following the end of the Second World War without jettisoning capitalism. The welfare state humanising of capitalism and the fact of the reconstruction of the European economies both based on Keynesian economic theory are profound testimonies to the utility of the public sector as important developmental engine and not a natural and congenial developmental liability as it is presently being portrayed. The public sector before the changed drumbeats was a useful tool for the capitalist system to cover the grave it has dug for itself and hence prolong its life.

While Britain's public sector could be said to be a product of the post-war years' economic crises and the reconstruction imperatives associated with it, a contrary pull of abundance, which manifested in the oil boom of the 1970s through the 1980s was at the root of the phenomena growth of the Nigerian public sector. The history, of the Nigerian public sector is the history of British colonial rule in Nigeria. It is apposite to recall here that certain other logic apart from those mentioned above equally informed the development of the public sector in the capitalist economies. First, were the welfare

implications of resource allocation. The social management profile of the market is highly problematic, its efficiency notwithstanding. Market efficiency if not tempered by social welfare considerations has a potential destabilising effect on society's overall development and stability. This underscores the imperative of the state's production of public goods which are germane to the welfare of the majority.

The existence of market imperfection, which is likely to impel allocative efficiency, is another defining logic for the public sector. State-owned Enterprises (SOEs), serves as a mechanism for the correction of distortions created by the market. In cases where the required capital and technology required are beyond the scope of private individual entrepreneurs, the state, because of its strategic position and custodian of the commonwealth has to invest in such ventures for the benefit of society. The security nexus to the production and consumption of certain products, like, telecommunication, minting, air transportation, defence, energy, etc, has necessitated government investments in such lines of business. Not the least, is what in Nigerian constitutional lexicon, is known as the commanding height thesis. This underscores the need for the government to invest in the strategic areas of the nation's economic life, such as oil, power, telecommunication, banking, railway, etc.

Reasons and Motives Behind Privatisation

Empirical fact has shown that the reasons, drives and pressures that inform privatisation as a policy option goes beyond the economic efficiency thesis of the market. Rather, political, ideological, regime survival and myriads of other reasons often lurked behind the farce of the economic justifications for the adoption of privatisation. Wright (1994: 14), Rees (1994: 51), Robinson (1997), Vickers and Yarrow (1988), proposed the desire for widening share ownership as one other reason for the choice of privatisation. This according to the scholars is to ensure the creation of what has been described as "popular capitalism" or "property owning democracy". The truth however is that privatization widens the gap between the rich and the poor and, by so doing sharpens class contradictions and antagonism in the privatized state.

Scholars such as, Wright (1994: 17) Vickers and Yarrow (1988), Robinson (1997) surmises that the

need to raise government revenue has equally been advanced. This has to do with the desire to ensure the efficiency of public enterprises, which hitherto has become serious drains on dwindling government resources. Closely linked with this, is the need for depoliticisation of decisions in industries. (Vickers and Yarrow: 1988) This is against the background that government involvement in the activities of public enterprises and the intrusion of political calculations to the decision-making process of what should otherwise be a business concern is a major problem constraining the efficient performance of state-owned enterprises.

Furthermore, both Wright (1994: 16), Robinson (1997) sees market liberalization as another justification behind the desire to privatize. This evidences the ascendancy of the neo-liberalism and the promotion of global marketization paradigm as the ordering economic logic after the fall of the end of the cold war. For Vincent Wright (1994: 14) ideological pressure to shift the boundary between the public and the private in favour of the latter and the belief that public industries and services limit the choice of consumers because of monopolistic positions is an important reason for the embarking on the privatisation voyage.

The global advancement in technology, which has made the natural monopoly argument irrelevant, and the consequent reduction in the establishment cost, coupled with spatial dispersal of production, which characterised the globalisation regime, had equally been propounded as a major impetus for privatisation. According to Wright (1994: 3) "...technological changes have transformed erstwhile strategic industries into industrial dinosaurs."

Vickers and Yarrow (1988) Wright (1994: 17), Rees (1994: 51), argues persuasively with regard to Britain, that the desire to gain political currency by the creation of right-wing conservative voters and to undermine the unions and deprive the left of one of its traditional bastions of support comes to play in the decision to privatise in Britain. As Clarke (1994: 207) similarly argues: "Privatisation was pursued for political reasons related to the government troubled attempt to manage the economy and stay in power, rather than to the economic pursuit of efficiency in the industries concerned."

A final reason put forward by Rees (1994: 52), Vickers and Yarrow (1988) has to do with the need

to reduce Public Sector Borrowing Requirement (PSBR). The capitalist crises and its attendant inflationary spiral imposed a regime whereby government expenditure exceeded the taxable capacity of citizens. Consequently, most governmental business was on deficit financing. Borrowing as an option was aggravating states debt profiles just as it compounds developmental goals. The privatisation option, which requires no additional taxation and external borrowing; howbeit temporarily, became a fascinating political objective for political managers. With privatisation, government subsidies and budgetary allocation to the former SOEs will not only cease, the revenue from the sale of SOEs goes to boost government revenue base and reduce the need for government borrowing. However, the contention that privatisation help in reducing Public Sector Borrowing Requirement (PSBR) has been seriously debunked. Rees (1994: 52) argues that:

The proceeds of privatisation are classified in effect as government revenues (negative expenditures) with the result that the measured PSBR is reduced accordingly. This is in fact nonsense: asset sales are a means of financing a given deficit of expenditure over revenue, rather than a real reduction in that deficit.

With special emphasis to Nigeria and other developing countries, privatisation was informed by the insistence by World Bank and the International Monetary Funds (IMF), as part of the conditionality for debt restructuring and granting of financial aid to the distressed economics of these countries. The British privatisation exercise was similarly informed by serious economic crisis, which makes it difficult for the continuation of the state's welfare policies.

THEORETICAL AND EMPIRICAL CONCERN

Three main theoretical tendencies have continued to define the framework of the privatisation programme namely; *the residual claimant or property right theory; the dispersed knowledge theory; and the public choice theory.*

The Residual Claimant or Property Right Theory

Alchian and Demsetz (1972), Laffort and Tirole

(1993), Barzel (1998) and Vickers and Yarrow (1988) are theorists of the residual claimant school. The assumption, which informs this theoretical tradition, is the Abraham Maslow's Theory X and Y on motivation. This theory assumes that workers are basically Theory X people i.e. lazy, indolent, lack initiatives, indiscipline, not willing to work etc, consequently they need serious monitoring, policing and iron hand in order to achieve organisational goals. Managers, according to the theory must be motivated to be disposed to monitoring those working under them. Only when, those charged with monitoring other have a residual claim on the surplus created in the workplace can monitoring be effective. (Alchian and Demsetz, 1972) This then involves the need for incentives as a basis of facilitating monitoring by managers. It is the absence of monitoring incentives, like profit in the case of the private business owners, for public enterprises managers that account for the inferiority on the efficiency scale of public enterprises when compared with private sectors businesses. Viewed critically, the residual claimant theory is more of a justification of owner-managed firm than modern joint-stock companies where ownership is separated from control.

Rowthorn and Chang (1993: 55-56) criticized the theory on three grounds: One, shareholders in joint stock companies unlike the owner-manager are not involved in the production process. Consequently, the manager that they are supposed to monitor has far more superior information than they have about the venture. Two, for individual shareholders of big joint-stock companies, there exist no incentive to devote time and resource to monitoring managers as nothing extra comes to them for their monitoring roles. Nothing accrues to any shareholder that desires to act as a corporate watchdog. The possibility of the stock market to achieve this monitoring goal through the existing mechanism is equally suspect. Three, the monitoring incentives of the theory is premised on purely materialistic self-interest. As Rowthorn and Chang (opt. cit) further avers, "Paradoxically, the existence of quite different motivations may actually be necessary for the residual theory to hold. In the absence of a well-established and efficiently enforced property rights system, the residual claimant would not have the incentive to monitor his 'team mates', because his claim could not be enforced."

The Dispersed Knowledge Theory

This theory maintains that the complexity of codification and transfer of knowledge makes centralisation difficult. For this reason, private individual businessperson is believed to have more knowledge than the state regarding his own business. It is thus argued that, efficiency would be achieved if business decisions were left with private operators. (Hakey, 1949; Lavoie, 1985). The theory has been critiqued by Rowthorn and Chang (1993: 57) on a number of grounds. First, the issue of the complexity of dispersed knowledge is not peculiar to business under state control; even big private businesses are not immune to this same problem, yet they perform well. For them “the real question is what is the ideal mix of decentralized and centralized forms of knowledge utilization – that is between spontaneous interaction among independent units through the market and hierarchical interaction within one organization. And, this is primarily a matter of optimum size rather than the ownership.

Two, while the authors concur with the argument of the theorists that competition plays an important role in the generation of information necessary for effective coordination (Lavoie 1985, Tomlinson 1990), they argue that this is “strictly speaking, not an argument for private ownership per se.” Product market competition, if effective, they submit, “will generate the same information regardless of who owns the enterprise concerned”.

The Policy Choice Theory

The third theoretical current is the policy choice theory. (Shleifer and Vishney, 1994; Clarke and Cull, 1997; Birch, 2000; World Bank, 1995) The theory sees SOEs as the paradise of corruption, primitive accumulation and political patronage by both bureaucrats and political officeholders. Shleifer and Vishny (1994) argue that politicians used SOEs to pursue their own political objectives for instance by giving redundant jobs at SOEs to their supporters. They gave two conditions for privatisation under this circumstance: one, when politicians who benefit from low taxes win over those who benefit from subsidizing supporters. Two, when conservative governments, favoured by taxpayers, replace leftist governments, favoured by public

employees. The fear of collusion between politicians and civil servants to appropriate public goods through SOEs is also very popular.

In their work, Clarke and Cull (1997) pursues the position that political incentives affect the likelihood to privatise. Studying the bank privatisation in Argentina, they came to the conclusion that (a) provinces with governors who belonged to the fiscally conservative Partido Justicialista were more likely to privatise; (b) that fiscal and economic crises increased the likelihood of privatisation; and (c) that poorly performing banks were more likely to be privatised. Also, using the example of Lopez-de-Silanes et al. (1997) they argued that state clean government laws and state laws restricting public spending encourage privatisation at the country level in the United States. They are of the view that this was due to the increased cost of political patronage.

In a further elaboration of the policy choice theory, the World Bank (1995) equally found a correlation between economic crisis and privatisation. According to the World Bank “economic crises, which worsen the fiscal situation of government, might also alter the costs and benefits of privatisation, making it more difficult for politicians, of all types, to subsidize loss-making state-owned enterprises. The World Bank further observes that, “Bureaucrats typically perform poorly in business not because they are incompetent (they aren’t), but because they face contradictory goals and perverse incentives that can distract and discourage even very able and dedicated public servants” (World Bank, 1995: 3). Multiplicities of goals by government the argument goes also tend to predispose government to inefficiency in the management of SOEs and thus makes profitability impossible is another justification for privatisation.

The British Privatisation Programme: Showing the Way

In 1977, the British Labour Party government undertook a privatisation programme with the sales of share in British Petroleum (BP). However, it was the Margaret Thatcher government that had the credit for the massive privatisation of the British economy. The United Kingdom was the forerunner of the global privatisation drive. Interestingly, despite its euphoric success the

British privatisation programme was not a deliberate and programmatic exercise. As noted by Clarke (1993: 206), there was no strong commitment in the beginning to the goal of massive privatisation of the British economy. It was only during the last two terms of the Thatcher's government that privatisation became a consuming economic passion. The latter devotion to privatisation was as a result of the compelling need to solve the serious economic problems the Conservative government under Thatcher were faced with and the imperative of holding on to power. (Clarke, *Ibid*; Ferner and Colling, 1993: 125). In a remarkable concurrence with the above position, argue that:

The British privatisation was in two phases. These sets of public enterprises that were privatised were those companies that were initially taken over from the private sector under conditions of bankruptcy. These companies were: Rolls Royce, Jaguar, and Ship building concerns. Others include Amersham International Cable and Wireless, British Steel, British Airway (BA), Associated British Ports and British Petroleum (BP). (Rees, 1994). These later enterprises are not without potential or actual competition. Neither were they subjected to market failure. (Rees, *Ibid*).

The second phase of the British privatisation programme involves the sale of major public utilities having some measure of monopoly power. The first of this was the sale of the first tranche of British Telecom (BT) in 1984. All the enterprises sold under the second phase were associated with market failure. There was however no uniform condition for the sale. Some were sold with their monopolistic power unbroken thus creating a kind of private monopoly e.g. gas and southeast airports, in others like telecommunications some form of competition was introduced.

The Nigerian Privatisation Programme: A Grand Caricature

Three main factors are accounted for the development and dramatic expansion of the Nigerian public sector. First, was the need for the colonial state in Nigeria to undertake some public works like rails and roads, which would facilitate their expropriation and transfer of the resources extracted from Nigeria for the development of the metropole by the colonial powers. The Public Works Department (PWD) was a notable public sector department in this regard.

The second factor was the post-independence need to embark on welfarist and developmental programme by the three regional governments in Nigeria. All the three regional governments were in a race against time to outdo one another in the delivery of the dividends of independence to the generality of their citizens which were mobilised into the nationalist struggles with the slogan of 'life more abundance'.

With control over their internally generated resources and a practical federalism, all the regional governments during the First Republic set-up marketing boards with which they extracted resources from the proceeds of the exports commodities produced in their regions. This money were pumped into the development of massive public sector utilities in the areas of, social services, education, transportation, health-care, sports, water supplies, communications amongst others. The successor States to the regions were equally and fanatically committed to the goal of industrialization, especially with the discovery of oil in commercial quantity.

The third factor responsible for the development and growth of the Nigerian public sector was oil and the oil boom of the 1970s. Though oil was discovered in Nigeria in 1958, the Nigerian civil war, which took place mainly in the Mid-west and the Eastern regions; the oil belt of the country, in a way constricted the expansion and development of the oil industry in Nigeria in the 1960s. Consequently, oil exploration and exploitation was in its infancy until the 1970s when agriculture suddenly ceased to be the mainstay and highest foreign exchange earner for the country giving way to the era of petrol-dollars. The Nigerian civil war impacted on the expansion of the Nigerian public sector by throwing up the opportunity for the consolidation of resource at the centre; a process, which started with the military incursion into politics in January 15, 1966, which institute a sort of unitary federalism which found expression in Section 3 and 4 of Decree 1, 1966.

With government increased revenue from oil, in 1972, under the inspiration of the Nigerian Enterprises Promotion Decree, the government embarked on the purchase of shares and takeover from the private sector of the economy, wide ranging economic activities in the country, such as, banking, insurance, public transportation, textiles, manufacturing, etc. In fact, the 1979

Constitution of the country, like all the subsequent constitution introduced the “Fundamental Objectives and Directive Principles of State Policy” as part of its provision. Section 16 of the constitution. This section makes it mandatory for the government to be involved in the commanding height of the Nigerian economy, as defined by the country’s National Assembly. By the beginning of 1980, the public sector had come to account for fifty percent of the Gross Domestic Product (GDP) and two-third of total employment in the modern sector of the Nigerian economy.

Legal and Institutional Framework

The British privatisation programme as we noted previously is highly unprogrammable and haphazard. No bureaucratic institution and legislative framework was put in place for the coordination of the overall privatisation process in Britain. In essence, privatisation in the U.K. was far from being a deliberate policy choice until much later in the exercise implementation. As Green (2003) notes, when the discussion about privatisation was formally aired in a paper published by the Department for Environment (DOE).... experienced members of parliament derided the paper as “a substitute for thought” and “not worthy of respect” (c.f. Hansard, 1985).

A direct method was employed for the British privatisation exercise. The privatisation of public enterprises was under the control of the relevant supervising governmental agencies. In the case of the privatisation of the 10 water utilities companies, the exercise was under the control of the Department of Environment (DOE). Instead of a broad based and generalised Act of Parliament guarding the privatisation exercise, what we had was a kind of piece meal enactment regulating specific privatisation exercise. For instance the Water Act 1989 provided the framework for the privatisation of the water utilities in Britain. A unique aspect of the privatisation programme in Britain was the multi-layered regulatory framework for the privatisation of the utility companies for privatisation.

For instance, under the water privatisation, the British government delegated water regulation and environmental concern into the care of different institutions. First, the Office of Water, (Ofwat),

headed by a Director General, has the task of making sure that the privatised companies fulfil their obligations as spelt out in the Water Act. The Director General is the economic regulator of the water and sewage industry in the United Kingdom. The second body is the Environmental Agency, (EA), which is charged with the duty of protecting and improving the environment. The agency has the task of pollution prevention and the prosecution of environmental offenders. The third body in the water privatisation is the Drinking Water Inspectorate (DWI), responsible for maintaining high quality of water, responding to complaints of customers and prosecution of erring companies.

Similarly, the privatisation of British Telecommunication finds legal expression in the British Telecommunication Act of 1983. The Act established the following institutional mechanisms for the privatisation of British Telecom;

- ❖ Office of Telecommunication (OfTel) under the Director General (DGT). The primary responsibility for the control of prices, quality of services and competition as it concerns telecommunication is directly in the hand of the Director General of the Office of Telecommunication (DGT).
- ❖ The Secretary of State (SOS) of the Department of Trade and Industry (DTI) who is responsible for granting license.
- ❖ The Monopolies and Merges Commission (MMC) charged with the task of ensuring competition and consumer’s benefits.

For the privatisation of electricity, a regulatory body known as Office of Electricity Regulation (OFFER) was established. One nationalised corporation; Nuclear Electric and fifteen privatised companies, replaced the former thirteen nationalised corporations; Central Electricity Generating Board (CEGB), twelve area electricity boards. (Thomas G. Weyman-Jones, 1993: 93). The industry was consequently divided into generating, bulk transmission and distribution.

Nigeria

Unlike in Britain, the Nigerian privatization programme was embodied within a legal holistic framework. However, like the usual Nigerian prefunctionary way, though the idea of

privatisation was muted in Babangida's budget speech of 1986, it was not until 1988 that the enabling legislation for the programme was put in place in the form of Privatisation and Commercialisation *Decree 25 of 1988*. This delay, no doubt reflects the fact that the government was a reluctant privatiser. Under *Decree 25 of 1988* the privatisation programme was divided into four. (a) Those enterprises slated for full privatisation; (b) enterprises slated for partial privatisation; (c) enterprises that are to be fully commercialised and (d) those that are to undergo partial commercialisation. *Decree 25 of 1988*.

The difference between the four implementation methods been that: (a) those for full privatisation are to be sold to private investors, that is, government total divestment of its shareholdings in such enterprises; (b) in case of partial privatisation this is much like a joint-stock arrangement in which the government only divest part of its holdings in such enterprises and retain the balance as an economic player in such ventures; (c) enterprises for full commercialisation, though still government concern are to start operating strictly as any other commercial venture in the private economic sphere. They were no longer to benefit from government subsidies, and (d) those enterprises that were slated for partial commercialisation though would operate as commercial ventures to a large extent and cover their operating expenditure, profitability was not to be the ultimate informing logic for their activities. The welfare concern of the Nigerian people was to be factored into their activities. Consequently, these enterprises were entitled to some measure of government supports and subsidies for their operations.

The legal regime of *Decree 25 of 1988* was changed in 1993 with the Bureau of Public Enterprises Decree (1993), which was equally substituted with the Public Enterprises (Privatisation and Commercialisation) Act of 1999, which was enacted as *Decree No. 28 of 1999* during the last days of the General Abdulsalam Abubakar regime. To a very large extent the provisions of the Nigerian Investment Promotion Commission Decree 1995 (NIPC Decree) and the Foreign Exchange (Monitoring and Miscellaneous Provision) Decree of 1995 (FEMP) conditioned the privatisation programme. Suffice, to say that all these enactments were not internally coherent and there exists obvious contradictions between and within them. We shall

however not be delayed by such concerns in this paper.

The institutional framework for the privatisation programme, like the legal regimes has equally gone through transition processes. At the inception of the programme, it was the Technical Committee on Privatisation and Commercialisation (TCPC), which saw to the implementation of the privatisation programme. This body was to be replaced in 1994 with the Bureau of Public Enterprises (BPE), which was also replaced by the National Council on Privatisation (NCP) in 1999.

The National Council on Privatisation (NCP) is the highest body charged with duty of formulating the policy direction and overseeing the privatisation programme in Nigeria, headed by the Vice President, with the Bureau of Public Enterprises (BPE) as the Secretariat and implementing agency. The NCP is empowered by the enabling Act to add or delete from the list of enterprises to be privatised as listed in S.1 (3) and S. 6 (3) of the schedules to the Act.

The NCP operates with three distinct committee modes; standing committees, sector steering committees and ad-hoc steering committees. Members of these various committees were drawn from the supervising ministry/agency, enterprise managers, professional bodies, the academia, labour unions, organised private sector and other interest groups. There exist five standing committees namely; technical, policy monitoring, finance, publicity and mobilisation and lastly transaction marketing.

Modalities for the Privatisation: Preparing the Bride

Richardson (1994: 69) description of the British privatisation exercise as 'privatisation by negotiation' is very apt, especially against the desperation with which the government disposed off the public enterprises to private interest. The British government did everything possible to make the flotations' attractive to private investors, the existing customers, employees, management and the general public respectively as the case may be. In striving to make the flotation attractive, little consideration were accorded the need for post-privatisation competitiveness of the enterprises.

Generally, the privatisation of any public enterprises in Britain was preceded by a kind of

clearing-house exercise intended to make the enterprises a good bride for the private sector suitors. Some of the measures involved in this regard include increase of the enterprises equity, writing off of debts, ensuring management restructuring i.e. granting autonomy to the management of the enterprises and general organisational and operational changes. In the case of British Telecom, equity was increased by 1.3 billion pounds with debt to equity ratio reduced from sixty percent to forty percent. (Narain, 2003: 356) For the National Freight Corporation, the income generated from the sales was reduced from 53.5 million pounds to 6.5 million pounds following the government payment of the pension fund liability outstanding before privatisation. Apart from granting full management autonomy to British Steel prior to privatisation, the government scaled down the labour force of the corporation from 200,000 to a little over 50,000 (Ibid: 357).

Making the flotation attractive in many cases proved incompatible with the maximisation of revenue returns to the public purse as the enterprises were in most cases grossly undervalued. The privatisation of British Gas was undervalued to the tune of 500 million pounds. It was therefore not surprising that given the 36 percent capital gain by investors on the very first day, the flotation was oversubscribed four times (Jones, 1994: 108). Similarly, the undervaluation of the shares of British Telecom resulted in a loss of 1,300 million pound to the government coffers on the first day of the privatisation (Clarke, 1993: 216). The case of water was to say the least a colossal tragedy for public revenue profile. The water industry privatisation was mindlessly devalued. Though ten companies in the industry were initially valued for 35 billion pounds, it was eventually sold for 3.6 billion pounds. The rationalisation for the devaluation was that the companies needed to invest about 26 billion pounds for development in conformity with the European Union standards. Post-privatisation events however belied this position as consumers were made to pay for these improvements through high water tariffs. Added to the rebate on the sale value of the water industry, the government not only wrote-off a debt of 5 billion pounds but also gave a golden handshake of 1.6 billion pounds to the new water operators! (Clarke, Ibid; Green, 2003). It was a case of the poor subsidising the rich.

The privatisation of public sector enterprises in Britain employed multiplicities of methodologies. While most of the enterprises were sold by public offer/ flotation on the capital market, some 180 public enterprises as at 1993 were privatised through buy-outs. (Ibid: 361). Trade sales, a method of denationalisation, which involved the sales of assets of public enterprises directly to private investors without any competitive bidding, were also used though less frequently due to the associated controversy attendant to its usage. The sales of the hotels of British Railways, the disposal of Wytch Farm by British Gas, the privatisation of Royal Ordnance and the sales of both International Aeradio in 1983 and British Helicopters in 1986 are examples of trade sales. As Narain (Ibid) noted, altogether, at least 30 trade sales have taken place. Other modalities of privatisation used in the British case were contracting/leasing, deregulation and liberalisation, reduction of subsidies to public enterprises such as health and welfare services.

The modalities of the privatisation exercise in Nigeria are to a very large extent not dissimilar from those of the United Kingdom. It involves public offers, private placements, sales of assets, management buy-out, and deferred public offer. The Nigerian privatisation programme was structured into three phases. The privatisation exercise that was carried out during the Babangida administration and up to 1997 under the General Sanni Abacha administration involving the sale of government equity holdings in a number of small public enterprises falls under the first phase of the Nigerian privatisation programme. By the end of 1992 the Babangida administration has privatised seventy- three enterprises, creating over half a million new shareholders.

For instance, some 250,000 new shareholders bought shares in 12 privatised banks, the most prized category of the enterprises sold. (Obadina, 1998: 14) As Obadina (Ibid: 15) further noted: "Over 1988 – 1992, a total of some N 3. 4 bn (\$ 155 mn) was earned from the sale of N468.2 million (\$ 21.3 million) worth of original government equity."

The sales of public utilities and downstream petroleum e.g. the refineries and distribution facilities between 1999 and 2000 constitutes the second phase of the Nigerian privatisation process. Other public utilities slated for sale under this phase are the National Electric Power Authority (NEPA), the Nigerian Tele-

communication (NITEL), the Nigerian National Petroleum Company (NNPC), airways, urban water supply etc. These are enterprises, which operate as near-monopoly or total monopoly markets in non-competitive sectors of the Nigerian economy. This phase of the exercise has failed to effectively take off.

The third phase, which was slated for 2001 – 2005 is supposed to cater for the privatisation of the spill over enterprises from the second phase and those enterprises in the strategic industries such as NNPC upstream, cement, and fertiliser companies. The equity distribution formula for the enterprises in phase two and three are as follows: core investors 40%, Federal Government 40%, Nigerian individuals and associations 20%.

Concerning the sale of 20% share to Nigerians by the core investors at an adequate time, we cannot but ask, how do we determine when the time is adequate? Another question is what become of the 40% holding by the Nigerian government? A further concern is whether the structure of this privatisation in the strategic sectors of the Nigerian economy does not amount to an ingenious way of seeking accommodation with imperialism for the joint exploitation of the Nigerian masses?

PROBLEMS AND CONSTRAINTS

In Britain privatisation was immensely popular at inception. Despite the different ideological leanings of the two major political parties in Britain there were no political opposition to the British privatisation programme. This is likely due to the fact as we noted earlier that the labour government in 1974 sold shares in British Petroleum and the trade unions that would have taken up arms against the programme are associates of the Labour Party. This reduced their moral authority to stand as opposition to the massive privatisation programme under the Conservative regime.

In the case of Nigeria, privatisation was not very popular amongst the people. However, given the fact that the programme was initiated under a military autocracy the ruling hegemony were able to have their way with little opposition from the people. However, overtime the lack of the necessary political will coupled with timidity and delay in the implementation of the programme became a major hindrance to the programme. For instance, the decision to use contract leasing as

a replacement for sale of public enterprises for privatisation in 1995 was never implemented. In fact, between 1994 and 1998 the privatisation programme was effectively rested, before it resumed in the form of 'guided privatisation' during the General Abdulsalam Abubakar administration. With the return of democratic rule, the executive fiat that has hitherto informed the implementation of the programme was challenged by the legislators who on one occasion went as far as public adverts in both local and international media warning buyers to beware.

Both privatisation programmes also encountered a number of operational and structural problems. First, the nature of the enterprises for privatisation. There was the problem of deciding whether the enterprises to be privatised were to be retained as private monopoly or be broken up into many parts with each part involved in different aspects of the total production process hitherto performed by the public monolith that was to be sold. No uniform solution was provided to this problem. For instance, in Britain, while electricity and water were broken up, telecommunications, gas and airports were retained as private monopolies. In the case of Nigeria, the government has been very tentative and uncoordinated with the sale of the giant utilities like NITEL, NEPA, Nigerian Airway, Nigerian' Port Authority, etc. The privatisation of NITEL carried out two years ago failed woefully.

An important constraint in the privatisation process in Britain was the setting up of regulatory power, a situation that mirrors the abject lack of competitiveness in the post-privatisation economy. There is so much regulation now that there is a sense in saying that the interference of government in the post-privatisation British economy is even more ramified. Given this situation and the enormous regulatory powers of these agencies like in water, telecommunications, electricity etc the lie of market forces as determinant of resources allocation has been exposed. According to Trefor Jones (1994), British Gas has been criticised for: Discrimination in setting prices; using its control of the pipeline network to prevent competitors from reaching their customers; its monopolistic position in buying natural gas from the North Sea on long term contracts, backed by government unwillingness to allow imports, means little gas is available to potential competitors; excessive

profit because of light regulatory regime. In Nigeria, the only regulatory authority in place currently is the Nigerian Communication Commission (NCC), charged with the regulation of the telecommunication industry that has been deregulated. The regulatory authority performance is to say the least unimpressive. Though on a number of occasions it pretends to bark, but it cannot bite. It has not succeeded in ensuring quality services at reasonable and competitive prices for the consuming public.

The issue of valuation of the assets of the enterprises to be privatised has also been recurrent and controversial. In Nigeria, there is a general belief that, government is selling most of these public enterprises to their preferred buyers at give-away prices. The sale of NICON Hilton Hotel was challenged on this score even by the management of NICON Insurance; a major shareholder in the hotel and a government insurance business. As Precious Kiri – Kalio (Ibid) queried in case of NEPA: “what is the value of NEPA? How many sub – stations are there and what is their value? How many electric poles are there in the country and what is their value? Who are the valuers?” Associated with this is the issue of transparency. The failed NITEL privatisation, as well as the failed sale of the Nigerian Airways by the former Minister of Aviation, Dr (Mrs) Kema Chikwe, instead of the Bureau for Public Enterprises (BPE), are instances of the lack of transparency and corruption that has characterised the privatisation exercise. The National Assembly has equally linked Gbenga Obasanjo, the President’s son to the purchase of MINT that was not even in the list of enterprises for privatisation in the first instance. This allegation was one of the offences for which the President was to be impeached in 2003. The appointment of Dangote Group, owned by Aliko Dangote, one of the major financiers of Obasanjo’s election in 1999, as the core investor in the Benue Cement Company, (BCC), just like the sales of the government shares in African Petroleum, (AP) to Sadiq Oil; which was believed to be owned by the Vice President and Chairman of NCP, engendered serious accusation of lack of transparency and nepotism. Recently, there have been serious outcries concerning the where about of the proceeds from the privatisation exercise.

The problem of proper valuation also had a pride of place in the British privatisation exercise.

As previously noted, most of the shares of the privatised enterprises were grossly under-valued. In fact, to a large extent the exercise was an ingenious way of disposing state owned enterprises (SOE) to private capitalist interest. According to Hyman (1989): “In Britain, for example, in the 1980s, a total of 60 billion pounds of state assets were sold at knock-down prices to the private sector.” (C.f. Hoogvelt, 2001: 152). However, the sale of public enterprises in Britain unlike Nigeria was largely transparent.

There are a number of other problems and constraints that are peculiar to the Nigerian exercise due to the trajectory of her development. One is the issue of blurring the boundary between business and politics. The peculiar nature of Nigeria’s federalism demand that there should be a kind of delicate balancing in the spread of the sale of the shares of public enterprises so that no section of the country would feel disadvantaged. Based on this, the principle of Federal Character was introduced into a purely commercial transaction. Desirable as it may be politically, it makes no economic sense and has in no small measure contributed to the drawbacks of the programme. Britain under a unitary system of government did not experience this type of political constrain.

Two, unlike Britain with a very developed capital market, the Nigerian privatisation exercise confronted by the problem of the low development of the capital market and the lack of adequate credit facilities for intended buyers. This becomes significant considering the fact that the privatisation exercise is taking place under a condition of serious national economic recession. Consequently, only the very rich and those who have enriched themselves through the mismanagement of the public enterprises that were put on sale in the first instance and their foreign collaborators are in a position to buy the shares of the enterprises. This has greatly defeated the objective of using the exercise as a platform for redressing the income inequalities in the country and promoting a form of ‘popular capitalism.’ It has strengthened the rich while disempowering the poor, and as a consequence widens class antagonisms.

There also exists a legal angle to the problems of privatisation in Nigeria. Apart from the multiplicities of laws which inhibits privatisation such as the Indigenisation Act, The Currency Exchange Act, various financial regulation put in

place over time, there is the constitutional provision giving the government pre-eminence over the commanding height of the Nigerian economy. As Precious Kiri-Kalio, the General Secretary of the National Union of Electricity Employees avers:

There is the security dimension to what government is doing. If government privatises NEPA, NITEL, and NNPC; and privatises the education sector from tertiary level downwards, then what becomes of the “commanding heights” of the Nigerian economy, so lavishly alluded to in the 1999 Constitution?

Finally, the issue of regime instability, long delay of the judicial process, the negative image of the country regarding issues of fraud; popularly known as 419, lack of necessary infrastructure, power and energy failure, and the general bureaucratic bottleneck which makes the cost of doing business in the country highly prohibitive continue to stand as serious constraints to attracting foreigners to invest their capital in Nigeria.

While Britain did not experience the above peculiar problems and constraints as did Nigeria, the subsequent popularity of the privatisation exercise globally and the successes attributed to the pioneering efforts of the British government, easily make people to gloss over the fact that the privatisation programme in Britain started with very unsure steps due to the technical and operational incompetence of the British bureaucrats who had to implement the then novel idea of public sector privatisation programme.

Britain and Nigeria Privatisation: A General Observation

First, there is no gainsaying the fact that the British privatisation exercises has largely succeeded in rolling back the state in favour of the market and capitalist interest. The British public sectors has been massively reduced and almost all the functions hitherto performed by the public sector have either been contracted out to the private sector or now an exclusively private sector activities as a result of the sale of those enterprises to private investors. This much cannot be said of the Nigerian privatisation exercise. The almost twenty years of implementing the programme has left the state largely untouched and the economy still largely backward and underdeveloped despite the privatisation exercise in the economy.

The British government was able to raise substantial revenue from the sale of its public enterprises thus its revenue profile was greatly improved. Similarly, government lost a considerable number of revenue through the indirect subsidization of the capitalist purchasers. British Telecom was undervalued to the tune of 1,300 million pound for the government on its first day of privatisation. That of water can only be described as a monumental tragedy for public revenue profile. The water industry was mindlessly devalued. Though ten companies in the industry were initially valued for 35 billion pound, they were eventually sold for 3.6 billion pound! The rationalization for the devaluation was that the companies needed to invest about 26 billion pound for development in conformity with the European standards. Pre-privatization situation however belied this, as the masses were made to pay for such developments. In essence the poor were made to subsidize the rich.

Nigeria peculiar characterisation as a haven of corruption has come in the way of determining the actual amount that has been generated through privatization. There is no doubting the fact however that substantial revenue has been generated into government coffers through the exercise. As noted earlier, recently there was a public outcry as to the where about of the money realized from the exercise. Ultimately the buck of the money would be share between the settlement of the nation’s bogus debts and pockets of private individuals well connected with the state and its agencies.

Furthermore, based on the post-privatisation activities of the privatised enterprises, a general improvement in the efficiency of most of the privatised enterprises has been reported in the case of Britain. However, this cannot be said of the privatised utilities. The post – privatisation performance of the Railways have been seriously criticised. Trains are no longer on time, while the emphasis on profitability has negatively impacted on maintenance and safety, a situation, which has resulted in avoidable disasters. The conflict between safety needs and desire for maximum profitability has resulted into a number of avoidable accidents (David McDonald, 2002). The regulatory authority has however come to the conclusion that safety needs and profitability are mutually exclusive, hence the decision to withdraw the safety function from the Railtrack and its successor company.

Based on a study by Soyibo et al. (2001), which analyses the impact of privatisation on private sector development using the efficiency, financial and distributional impacts of privatisation in Nigeria, with sampled firms selected from the manufacturing and services sectors: (i) Okomu Oil Palm Plc, (ii) United Nigerian Insurance Co. Plc (UNIC), (iii) Royal Exchange Assurance, (iv) Aba Textile Mills Plc., (v) Flour Mills of Nigeria (vi) National Salt Company of Nigeria Plc. (NASCON), and (vii) Nigerian Yeast and Alcohol Manufacturing Plc. (NIYAMCO), using the period of five years prior to, and five years after privatisation of each of the firm as basis of analysis, the result has been largely ambivalent and, to a large measure, unsupportive of the expectations at the start of the privatisation programme.

Measuring profitability using both the returns on sales (ROS) and returns on assets (ROA) ratios, the researchers found out that:

Two of the companies, Aba Textile and Royal Insurance, recorded positive improvements on the three ratios (sic). The return on sales (ROS) recorded a negative change after privatisation of four companies. For instance, ROS fell from 14 % before privatisation to 7 % after privatisation in UNIC. Okomu Oil and Flour Mills from 19 %, 4.8 % before privatisation to 17.6 % and 3.6 % respectively, using the returns on sales. NIYAMCO also recorded a negative change of about 2.8% using ROS, while NASCON recorded positive changes in ROS, its ROA fell from 45.8% to 6.5%. UNIC recorded negative changes in profitability, using the three ratios (sic). Only Royal Insurance recorded significant improvement in ROS and ROA at 5% and 10% level respectively, while ROS shows a significant change in Okomu oil and NASCON at 5% (Adedoyin Soyibo et al; 2001: 28)

From the foregoing, it is obvious that the argument that privatisation leads to profitability and efficiency is not given and supported in all situations by empirical facts. This thus shows that, it is not the ownership structure of an enterprise that is germane for its profitability and efficiency rather it is the management and the organisational mandate the management is charged with. As we argued previously, it is wrong to assess enterprises given a non-profit mandate with profitability criteria. Likes, should be treated alike, while those unlike should be dissimilarly analysed.

In Britain, the initial consensus that preceded the privatisation exercise is eroding fast in the post-privatisation years. The election of Ken Livingstone, a former Labour Party member as an independent candidate who was sidelined by the party for his anti-privatisation posture in the Mayoral election of 2000, against the government's candidate who supported the privatisation of the underground train service is a reflection of the failure, pains and the new perception of the British privatisation programme. (www.marxist.com).

Another impact of the privatisation exercise in the United Kingdom and Nigeria is the increased and wide spread in the shareholding. Many common people were able to purchase shares during the exercise thus creating a "popular capitalism". However, post-privatisation analysis has shown that many of the people; the "new capitalist", that bought the shares in the privatised enterprises at discounted rates sold off their holding soon after the exercise and make some gains, thus compromising the illusion of creating a "popular capitalism".

In both countries, the privatisation exercise has produced limited competition. Rather, what we have are private monopolies with all the attendant evils, coupled with very powerful regulatory regimes. As Wright (1994: 38) opines:

In Britain the effect of privatising monopoly utilities has resulted in more detailed and more explicit interventionism by the publicly appointed regulatory authorities that have come to enjoy wide discretion to shape the terms and conditions on prices and services provided. This has led to an increase in "industrial hybridisation."

Jones (opt. cit: 108) argues rightly "... in the UK, the method of execution of the privatisation positively hindered the development of competitive market structure in a number of cases." What the British public ended up having in the name of privatisation was the transformation in most cases of public monopolies into private monopolies especially in the essential utilities. Unfortunately, monopolies do not change their nature merely as a result of a change in ownership, given that existing management remain in place (Ibid: 114).

Furthermore, the privatisation exercise in both countries has not only seriously weakened the power of trade unions, quite a number of members of the labour force have been thrown into the unemployment market. As documented by Hugil

(1994: 22): "When the Conservative government first took office in 1979, there were about 770,000 civil servants in government service, but by 1995 there were estimated to be only around 50,000." Similarly, Piesse notes that, during the privatisation of the British Coal, 118 collieries were closed down with employment falling from 171,400 to 42,560 between 1985 and 1992. (Piesse, www.enterprise-impact.org/pdr/privatisation/pdf).

The weakness of the trade unions seriously affected the working hours, and the safety measures for workers. Under the Management and Administration of Safety and Health in Mines, which replaced the 1954, Mines and Quarries Act the role of the colliery deputies were changed from safety to supervision. In the same vein the Industrial Act 1992 was introduced in place of the Coal Mines Regulation Act of 1908 making it possible for workers to work in excess of seven and a half hours underground. Expectedly, the extension of working hours underground resulted in increased accidents and at the same time impacted negatively on the health of miners (Piesse, *Ibid*).

The Nigerian situation concerning the unemployment fallout of privatization is particularly worrisome given the lack of any form of social safety net in the country. Four out of the companies analysed by Soyebó et al. (2001: 31) recorded a reduction in employment in the post-privatisation period. Okomu Oil's staff strength fell from 1000 to 993.4 on the average. UNIC recorded a reduction from 701 to 697.5, also Royal and NASCON recorded a reduction on the average from 495.5, 331 to 411.25 and 197.6 respectively. The other three companies recorded increase in employment in the post-privatisation period. From an average of 159 to 163.2 for NIYAMCO, Flour Mills recorded 989.5 before and 1,795.25 after, while Aba Textiles moved from 1300 employees to 1,468.75 employees, although these companies had recorded massive lay off of workers. The above findings confirm the fear that privatisation is usually associated with massive job losses, contrary to the government's promises that privatisation would lead to increase in employment. The situation expectedly would be worse when the privatisation of the giant utilities is underway.

Finally, privatisation has generated serious welfare implications. One general trend in the post-privatisation pricing of all the privatised enterprises is that prices of goods and services

have hit the roof. This situation is such that many common people can no longer enjoy these services. For instance in the case of water, no conscious distinction of water between rich customers and vulnerable or poor people by Ofwat, except for rural communities. The poor generally are made to pay high tariff. (Green: 2003) As Green (*Ibid*) noted, when finally Ofwat did demand price cuts, after assessing that the companies had made major efficiencies in their capital investment, the companies cut environmental improvement schemes, or postponed them. Making reference to a report, Green (2003) further observed:

Surveys of the health and social impact of water metering revealed that in order to reduce their water bills, families were taking fewer baths and showers, washing clothes less often, flushing the toilets less and preventing children from playing with water.

However, the quality of water has significantly improved. Of the close to 2.8 million tests carried out on drinking water samples in the United Kingdom in 1999 by the water companies 99.82 percent success was recorded (Green: *Ibid*). But of what benefit is good water, which is not available to majority of the citizenry due to prohibitive price regime. Similarly, the situation in Nigeria evidences the British model in remarkable ways. With commercialisation and privatisation, the cost of products and services of the former public enterprises has gone up. This has negatively affected the standard of living of the average Nigerians, with the effect that over 67 million Nigerians now live on less than US\$1 per day. Unfortunate however, the quality of service delivery by NEPA, NITEL and NIPOST has not been affected positively by the commercialisation of their operations.

With privatization, poverty and unemployment has increased, just as education and healthcare has become a luxury for the Nigerian masses. This belied the assertion that the market, through the privatisation programme, is the veritable platform for Nigeria's development. If anything, the Nigerian economy has continued to experience serious complications and underdevelopment with the pains and agonies of the ordinary Nigerians increasing under the anti-people policies embarked on by the government in the name of economic reform, liberalisation, deregulation and marketisation. From a per capital income of US \$1,000 in 1980, Nigeria's per capita

income is US\$ 270 in 1999. Capacity utilisation has been on continuous decline from 40% in 1986 to 35 % in 2002. The country's poverty incidence has been on a progressive increase. From a modest 47 % in 1986 to 70 % in 2002 (Jega, 2003; based on: UNDP; World Bank, 1995, 1996; NESG, 2002; FOS, 2001; MAN, 2002)

CONCLUDING REMARKS

In this paper we have discussed the different theoretical traditions concerning the issue of privatisation, as well as, the justification for the privatisation exercise. We also interrogated extensively the specific privatisation programmes in Britain and Nigeria, focusing on reasons adduced in support of the programmes, the legal and institutional frameworks and modalities employed in the respective countries for the implementation of the exercise, attention was also given to the problems and constraints encountered in the specific cases during the implementation, and finally the impact on the socio-economic and political landscape of the individual countries as a consequence of the privatisation exercise was analysed. From the above efforts, we were able to draw comparative theoretical and empirical analysis from the experiences of both countries.

It is pertinent to say at this point with regard to the Nigerian context that, the assumption that the developmental problems of a country is caused by the malfunctioning of the public sector and, that privatisation holds the magic for Nigeria's development is unsupported by fact, and at best just an over-simplification of a complex and fundamental problem. Privatisation as a policy has cleverly glossed over fundamental issues, which underscores the development of underdevelopment in Nigeria. These issues, which must necessarily be addressed if Nigeria is to develop are; the process of the insertion of Nigeria into the framework of the capitalist system; the unequal process that informs the system; the monoculture and dependent nature of the Nigerian economy, coupled with the rentier character of the Nigerian State, the underdevelopment of the productive forces; and the asymmetrical relationship and exclusion inherent in the globalisation regime of the new international capitalist political economy to which Nigeria is uncritically subjected to.

Flowing from this is the fact that, privatisation

as a development policy is thus a technists, reductionist and simplistic solution to a fundamental and developmental problem confronting an underdeveloped and dependent capitalist country like Nigeria. Privatisation, in fact reinforces the very forces at the root of the problem of underdevelopment and maldevelopment by promoting the opportunities for capitalist accumulation for both foreign and domestic capitalist interests at the expense of national development and popular emancipation.

One major discovery was that privatisation, though clothed in elegant economic sophistry, is nothing but a political agenda of the capitalists and their ideologues. There are many non-economic and non-efficiency related reasons behind privatisation. Economic and efficiency rationalisation are but façade for privatisation. We have also tried to demonstrate that privatisation evidenced increase power of the private sector actors; both local and foreign, while it decreases the power of the majority of the populace whose survival is concomitant to the existence of public sector supplied social services. Privatisation as we argued is an inelegant and desperate solution to macro-economic problems and a lazy substitute for serious and profound economic engineering. Given the associated desperation, privatisation represents a quick-fix method. And like all desperate and unprogrammatic actions, privatisation fails to address and gloss over the fundamental issues at the root of the crisis it attempt to solve; in this case, the inelegant and exploitative structure of global capitalism.

The paper also debunked the impression that public enterprises cannot be runned efficiently as empirically wrong. Private enterprises are not runned by owners/ shareholders but hired managers, thus separating ownership from control. We have also seen how the efficiency and profitability argument in support of privatisation equally falls on empirical scrutiny in both countries. With the example of the Railways in Britain and the Soyebó et al studies in the Nigerian case, it is obvious that there is nothing instinctively in the nature of private enterprises that predisposed it to efficiency and profitability, just as the contrary is true in the case of state owned enterprises. The recorded cases of pre-privatisation efficiency achieved in Britain through the introduction of some private sector reforms and management without change

of ownership testifies to the fact that the state-owned enterprises could be made profitable without necessarily been sold to private capitalist. The same is true of the Nigerian case in which NEPA under a new and more focused management and with minimal government and bureaucratic encumbrances achieved a leap from 1600 Mega Watt to 4000 Mega Watt within two years under the Mekanju leadership.

Consequently, nothing stops putting in place such arrangements for the running of state owned enterprises using private sector management techniques without state-owned enterprises been auctioned to private investors. Options, like management contracts, leases and concessions are feasible and practicable methods that could be used to get the best out of public sector enterprises without out rightly selling them. Given the class agenda of the government, outright sale of public enterprises has always been the preferred choice of government officials responsible for privatisation. The encouragement of new private businesses and investment under a competitive, less bureaucratic and corrupt-free business environment is a better option than the sale of public enterprises. As observed by Kikeri et al. (1992):

Privatisation is not a blanket solution for the problems of poorly performing SOEs. It cannot in and of itself make up totally for lack of competition, for weak capital markets, or for the absence of an appropriate regulatory framework. But where the market is basically competitive, or when a modicum of regulatory capacity is present, private ownership yields substantial benefits.

Further to the above, the paper demonstrated that profitability is no proof of post-privatisation efficiency. Profitability, as we have shown could be a function of the transformation of public sector monopoly into private monopoly, and the inequitable price regime often imposed by the private enterprises coupled with the existence of a rather weak regulatory regimes. Profitability is possibly without efficiency. Specifically, in case of Nigeria the argument that the private sector is the engine of growth is highly mistaken and not supported by the character of the Nigerian private sector.

First, partnership businesses have a history of high mortality in Nigeria just as sole proprietorship hardly survived their founders. The banking sector that is easily the most dynamic sector of the Nigerian economy has a

shameful record of bank failures and unethical banking practices inimical to the corporate health of the Nigerian State. The banking sector and the other sectors of the Nigerian private economy are heavily dependent and beneficiaries of the corruption and mismanagement that is the bane of the public enterprises being privatised. Nigerian banks are able to declare jumbo profit due to their ability to exploit the weakness in the system, cheating on labour, moral prostitution, round tripping and other sundry economic crimes against the nation. Second, Nigerian private sector operators are mostly traders and commission agents (middlemen) and not entrepreneurs. Consequently, profitability may be a very misleading index of corporate performance and efficiency.

The almost two decade of faithfulness to privatisation in Nigeria has not in any meaningful way impacted on the economic prosperity of the country. Not only is the country's debt profile increasing, Nigeria and Nigerians are ranked amongst the tenth poorest nations in the world. To this end, deliberate policy measures to facilitate the development of small and medium scale businesses and a commitment to economic liberalization would no doubt achieve more than has been achieved with privatisation in an underdeveloped economy like Nigeria. Nigeria, cannot hope to achieve any meaningful development without the development of iron and steel, technological power and the railway system. Consequently, the euphoria of the market must be examined in the context of its ability to provide what it takes to move an economy forward in a macroeconomic sense. There are situations where the market may be preferred; in certain instances, the market may not be necessary. The path to economic development and the welfare interest of the ordinary people in both countries should inform this choice.

REFERENCES

- Alchian, A. and H. Demsetz. 1972. "Production, Information, Cost and Economic Organization" *American Economic Review*, 62(5): 777-95.
- Bjorn, Beckman. 1985. "Neocolonialism, capitalism and the State in Nigeria", in Berstein Henry and Bonnie K. Campell (eds.), *Contradictions of Accumulation in Africa*. London & New Delhi: Sage Publications.
- Clarke, R.G. George and Robert Cull. 1997. "The political Economy of Privatisation: An Empirical Analysis of Bank Privatisation in Argentina." www.isinie.org/ISNIE98/Clarke-Cull.doc September 1997.

- Clarke, Thomas and Chisto Pitelis (Eds.). 1993. *The Political Economy of Privatisation*. London and New York: Routledge.
- Coleman, James S. 1990. *Foundations of Social Theory*. Cambridge, M.A: Havard University Press. Quoted in Schneider, Volker and Alexander Jager. 2001. "The Privatisation of Infrastructure in the Theory of the State: An Empirical Overview and a Discussion of Competing Theoretical Explanations." *Being a paper prepared for presentation at the workshop on the Regulatory Reform at the 29th Joint Sessions of Workshops (ECPR)*, 6 – 11 April, 2001 in Grenoble, France. P. 6.
- Commons, John R. 1968. *Legal Foundation of Capitalism*. Madison: The University of Wisconsin Press. Quote in Schneider, Volker and Alexander Jager. 2001. "The Privatisation of Infrastructure in the Theory of the State: An Empirical Overview and a Discussion of Competing Theoretical Explanations." *Being a paper prepared for presentation at the workshop on the Regulatory Reform at the 29th Joint Sessions of Workshops (ECPR)*, 6 – 11 April, 2001 in Grenoble, France. P.6.
- Ferner, Anthony and Trevor Colling. 1993. "Privatization of the British Utilities: Regulation, Decentralisation and Industrial Relations", in Thomas Clarke and Chistos Pitelis (eds.), *The Political Economy of Privatisation*. London and New York: Routledge.
- Green, Joanne. 2003. "New Rules, New Roles; Does Privatisation Benefit The Poor? Regulation and Balancing of Competing Interest in England and Wales." www.wateraid.org.uk p.5
- Hugill, B. 1994. "A Civil Service on its Last Legs." *The Observer*, 29 May.
- Hyman, H.. 2001. "Privatisation: The Facts." Quoted in Hoogvelt, Ankie, "Globalisation and The Post Colonial World"; 2001, Britain: Palgrave, 152.
- Jega, Attahuru. 2003. "Democracy, Economic Crisis and Conflicts: A Review of the Nigerian Situation." *Keynote address delivered at the 22nd Annual Conference of the Nigerian Political Science Association (NPSA)*, Zaria: January 2003. NPSA Newsletter, vol.1. No. 1. July 2003.
- Jones, Trefor.1993. "Privatisation and Market Structure in the UK Gas Industry", in Thomas Clarke and Chisto Pitelis (eds.), *The Political Economy of Privatisation*. London and New York: Routledge.
- Kikeri, Sunita John Nellis and Mary Shirley. 1992. "Policy View From Economic Department." *Outreach* # 3, July 1992.
- Kiri-Kalio, Precious. 2002. *NEPA and Privatisation: The Real Issue*. Lagos: National Union of Electricity Employees.
- Lavoie, D. 1985. *Rivalry and Central Planning*. Cambridge: Cambridge University Press.
- McDonald, David. 2002. *British Railway Nationalisation and Privatisation*. England: URPA.
- Lopez – de Silanes, Andrei Shleifer Florencion and Robert W Vishny. 1997. "Privatisation in the United States." *RAND Journal of Economics*, Autumn, 1997, pp 447-71. Quoted in Clarke, R.G. George and Cull, Robert. 1997. "The political Economy of Privatisation: An Empirical Analysis of Bank Privatisation in Argentina." www.isinie.org/ISNIE98/Clarke-Cull.doc September 1997.
- Narain, Laxmi. 2003. *Public Enterprise Management and Privatization*. New Delhi: S. Chand and Co. Ltd.
- Obadina, Tunde. 1998. "Nigeria Unveils New Privatisation Plan." *African Recovery*. Vol. 1 2 # 3 (December 1998). www.un.org/econsocdev/geninfo/afrec/subjindx/123nigr.htm
- Ostrom Elinor. 2000. "Understanding the Complex Linkage Between Attributes of goods and the effectiveness of Property Right Regimes". *Paper presented at the Conference on "Common goods and Governance Across Multiple Arenas" at the Max Planck Project Group on Common Goods: Law, Politics, and Economics*. Bonn, Germany, June 30- July 1, 2000. Quote in Schneider, Volker and Alexander Jager. 2001. "The Privatisation of Infrastructure in the Theory of the State: An Empirical Overview and a Discussion of Competing Theoretical Explanations". *Being a paper prepared for presentation at the workshop on the Regulatory Reform at the 29th Joint Sessions of Workshops (ECPR)*, 6 – 11 April, 2001 in Grenoble, France. P. 6.
- Ostrom, Elinor, and Edella Schlager. 1996. The Formation of Property Rights. In Susan Hanna/ Carl Folke/ Karl-Goran Maler (eds). *Rights to Nature*. Washington, D.C: Island Press, 127- 56. Quoted in Schneider, Volker and Alexander Jager. 2001. The Privatisation of Infrastructure in the Theory of the State: An Empirical Overview and a Discussion of Competing Theoretical Explanations. *Being a paper prepared for presentation at the workshop on the Regulatory Reform at the 29th Joint Sessions of Workshops (ECPR)*, 6 – 11 April, 2001 in Grenoble, France. P.6.
- Piesse, Jenifer. 2003. Privatisation and the Role of The Public and Private Institutions In Restructuring Programme. www.enterprises.impact.org.uk/pdf/privatisation/pdf
- Rees, Ray. 1994. "Economic Aspects of Privatisation in Britain", in Vincent Wright (ed.), *Privatisation in Western Europe; Pressures, Problems and Paradoxes*. London: Pinter Publishers.
- Robinson, Colin.1997. "Political Forces in Britain's Privatisation Programme." Japan Policy Choice Society Int'l Conference Chiba University of Commerce. (August 22-23, 1997).
- Rowthorn, Bob and Ha-Joon Chang. 1993. "Public Ownership and the Theory of the State", (Pp. 54-69), in Thomas Clarke and Chistos Pitelis (eds.), *The Political Economy of Privatization*. London and New York: Routledge.
- Schneider, Volker and Alexander Jager. 2001. "The Privatisation of Infrastructure in the Theory of the State: An Empirical Overview and a Discussion of Competing Theoretical Explanations." *Being a paper prepared for presentation at the workshop on the Regulatory Reform at the 29th Joint Sessions of Workshops (ECPR)*, 6 – 11 April, 2001 in Grenoble, France. P. 6.
- Shleifer, Andrei and Robert Vishny. 1994. "Politicians and Firms." *Quarterly Journal of Economics*. November, 1994. pp. 995-1025. Quoted Clarke,

- R.G. George and Cull, Robert. 1997. "The political Economy of Privatisation: An Empirical Analysis of Bank Privatisation in Argentina." www.isinie.org/ISNIE98/Clarke-Cull.doc September 1997.
- Soyebo, Adedoyin, Olayiwola Kolawole, and Alayande Babatunde. 2001. *A Review of Nigeria's Privatisation Programme*. Research Report No 3, Ibadan, Nigeria: Development Policy Centre.
- Tomlinson, J. 1990. *Hayek and the Market*. London: Pluto Press.
- Vickers, J. and G. Yarrow, G. 1988. *Privatisation: An Economic Analysis*. London: MIT Press.
- Von, Hayek, F. 1949. "Economics and Knowledge", in Von. Hayek, F. *Individualism and Economic Order*. London: Routledge and Kegan Paul.
- World Bank. 1995. "Bureaucrats in Business: The Economics and Politics of Government Ownership". *Policy Research Report*. Oxford: Oxford University Press.
- Wright, Vincent. 1994. "Industrial Privatisation in Western Europe: Pressures, Problems and Paradoxes", in Vincent Wright (ed.), *Privatisation in Western Europe: Pressures, Problems and Paradoxes*. London: Pinter Publishers.