



The Changing Pattern of Public Sector Reforms in Nigeria and Its Impact on the Citizens

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Abstract

This study is an assessment of the changing pattern of public sector reforms in Nigeria and its impact on the citizens. One of the specific objectives is to determine how changing pattern of public sector in Nigeria induces employment opportunities among citizens. The study focused on indigenization, nationalization and privatization policies. The theoretical framework was rooted in both classical liberal and neo-liberal economic theories. Thus the methodology of the study was purely based on qualitative method of data collection by purposely looking at the implications of the policy of privatization on citizens. On the weight of its findings, the changing pattern of public sector in Nigeria in its present phase has devastating consequences of loss of jobs in virtually all the sectors of the economy. Therefore, the study recommended that government should apply a true regulatory governance policy free from bias and corruption in order to the benefit of a liberal economy in the areas of creating more jobs in the private sector, enhance service deliveries, expand service coverage and provide affordable services. The study further recommends further studies on examining the tradeoff in regulatory governance.

Keywords: Reform, Changing pattern, Impact, Public sector, Citizens.

Introduction

In 1977, the British Labour Party government undertook a privatisation programme with the sales of share in British Petroleum (BP) in (1982), the radioactive-chemicals company, Amersham International also in (1982), British Telecom (1984) etc. 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), 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.

The transformation of some public sectors to privatized organizations by Nigerian government had taken different dimensions ranging from nationalization policy to indigenization policy and finally privatization policy. The major target of these reforms was to bring about economic prosperity to the country that could yield positive results on the lives of the citizens.

At one time, it was felt that the commanding heights in the private sector of the economy should cease to be controlled by foreigners and that indigenes should be afforded the opportunity to play their rightful roles towards the development of their economy. The underlying spirit was that only Nigerians can develop Nigeria and that foreigners were in Nigeria for their own benefits and not directly for the benefit of the country. It is in this context that Ahukannah, Ndinaechi and Arukwe (1989) opined that indigenization is a policy initiatives designed to accelerate the greater participation of Nigerians in the ownership and management of business enterprises in Nigeria. The aim behind indigenization as policy was to ensure that Nigerians control and run the business enterprises of their country in order to foster and accelerates the pace of industrial development.

Several counties of the world have embarked on privatization programmes at different times. Chile introduced privatization programme in 1974. The United Kingdom implemented a rigorous privatization programme during the regime of Margaret Thatcher in the 1980s. As Iheme (1997) argued that, the British decision to embark on privatization programme was as result of the need to cut back on public spending rather than the need to promote efficiency and competition. The 1990s witnessed the implementation of privatization programmes in many countries of the former eastern bloc like Russia, Romania, Czechoslovakia etc. It has been documented that more than 8,500 State owned enterprises in over 80 countries have been privatized in the past 12 years. Privatization in Nigeria was formally introduced by the privatization and commercialization Decree of 1988 as part of the Structural Adjustment Programme (SAP) of the Ibrahim Badamosi Babangida administration (1985–93). As McGrew (2000) argued, SAP is a neoliberal development strategy devised by international financial institutions to incorporate national economics into the global market: The vision of a “global market civilization” has been reinforced by the policies of the major institutions of global economic government namely up to the mid-1990s.

The underlying structural adjustment programmes has been a new-liberal development strategy referred to as the washing on consensus which prioritizes the

opening up of national economics to global market forces and the requirement for limited government intervention in the management of the economy. Transfer of state owned assets to private ownership through the sales of shares, private control or management of state owned assets, encouraging private sector involvement in former public activity and shifting decision making to agents operating in accordance with market indicators. Aside from this there were problems of corruption, overburden government expenditures, inefficiencies and lack of technology on the side of government owned companies. Therefore, the needs for public sector reform in order to bring developmental stride and improve the overall well-being of the citizens. This study intends to assess the impact of the changing pattern of public sector on its citizens.

Overview of Changing Pattern of Public Sector Reforms

The changing pattern of public sector can be viewed from two different perspective ranging from state approach to liberal and neo-liberal approach. The first approach which is the state approach encapsulates the nationalization policy in 1960s to 1970s where the government had investment in virtually all key sectors of the economy like Peugeot Automobile of Nigeria (PAN), Basita Sugar Company. The main target of this approach was to create employment opportunities for the citizens.

The second approach of the changing pattern of the public sector which is the liberal and neo-liberal which embrace privatization policy started from 1980s till date. The main focus of this approach is to transfer government owned shareholdings into the hands of private individuals and corporate bodies in order to reduce government spending and improve efficiency. In this, the government assumes the position of regulatory body to quality service delivery to the citizens.

Indigenization Policy

Indigenization is a deliberate policy of the government to increase the participation of the nationals (indigenes) in the ownership and management of commercial and industrial activities of the country. In other words, indigenization is the transfer of ownership of foreign investment to citizens. In Nigeria, the first step to indigenise business activities was taken on 23rd February, 1972 when the Nigerian Indigenization Decree was promulgated. This was later amended in 1977 under the Nigerian Enterprises Promotion Decree. The Nigerian Enterprises Promotion Decree divided industries and commercial enterprises into three schedules.

- **Schedule 1:** This consist of enterprises which are to be exclusively owned by Nigerians (i.e 100% indigenous participation and ownership). These include advertising and public relations business ,

blending and bottling of alcoholic drinks, bread and cake making etc.

- **Schedule 2:** This consist of enterprises in which Nigerians must have majority interest at least 60%, being more capital intensive and crucial for the process of technological transfer. These include banking-commercial, merchant and development banking, basic iron and steel manufacturing, boat building, clearing and forwarding agencies etc.
- **Schedule 3:** This consist of enterprises in which Nigerians must have at least 40% equity participation. These include rectifying and blending of spirits such as ethyl alcohol, whisky, brandy, fertilizer production, manufacture of basic industrial chemicals, tobaccos manufacture etc.

Aims of Indigenization Policy

- To create more employment opportunities for Nigerians in order to reduce the unemployment problem.
- To enable Nigerians have a greater control of their economy by increasing indigenous ownership and control of economic activities and at the same time reduce foreign domination in order to prevent possible economic sabotage and ensure economic security.
- To increase the local retention of profits from investment thereby saving foreign exchange which

would have been lost through repatriation of profits by foreigners.

- To create greater opportunities for training indigenous personnel in the art of management. This would increase Nigerian participation in the decision-making process of large industrial and commercial establishments.

Nationalisation

This may be referred to as the taking over or transfer from private to state or government ownership of enterprises for economic, political and social reasons. In other words it is a policy or process by which government takes over the ownership and management of an industry from private control and brings it under exclusive control. Industries involved in nationalisation are known as nationalised industries and individual owners of nationalised industries are compensated by the government.

Reasons for Nationalization

- To reduce consumer exploitation in the supply of goods and services.
- To increase indigenous participation in the running and management of enterprises in the country.
- To prevent repatriation of funds and draining of the economy by foreign investors.
- To prevent wasteful competition among companies especially service companies.
- Break in diplomatic relations or political differences between two countries can encourage

retaliatory measures being taken against each other and thus necessitate nationalization.

Privatization

Although the concept of privatization is an emotive, ideological and controversial one evoking sharp political reactions, its political origins, meaning and objectives are not ambiguous. Theme defines privatizations as any of a variety of measures adopted by government to expose a public enterprise to competition or to bring in private ownership or control or management into a public enterprise and accordingly to reduce the usual weight of public ownership or control or management. For Soyebó, Olayiwola and Alayande (2001) privatization is the change of ownership of former state owned business to private ownership and control". Scheider and Jager (2001) 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, 2001). However, in a strict sense, privatization means the transfer of the ownership (and all the incidence of ownership, including management) of a public enterprise to private investors. The

latter meaning has the advantage of helping one to draw a line between privatization and other varieties of public enterprise reform. It is also the sense in which the term has been statutorily defined in Nigeria. In a similar vein, Starr defines privatization as a shift from the public to the private sector, not shifts within sectors. According to him, the conversion of a state agency into an autonomous public authority or state owned enterprise is not privatization neither is conversion of a private non-profit organisation into a profit making form.

The Privatisation and Commercialisation Act of 1988 and the Bureau of Public Enterprises Act of 1993 defined privatization as the relinquishment of part or all of the equity and other interests held by the Federal Government or any of its agencies in enterprises whether wholly or partly owned by the Federal Government. Although privatization is not defined in the Public Enterprises (Privatisation and Commercialisation) Act of 1999, we can assume that it is deemed to have the same meaning. From the definitions above, three things are clear. First, for privatization to take place there must be in existence public enterprises, which need to convert into private enterprises. Secondly, there is the reasoning that private ownership or control or management would be better than public ownership. Finally, privatization is premised on the fact that there are problems with public ownership of enterprises and privatization is part and parcel of a reform agenda to turn around these enterprises so

that they can deliver goods and services more efficiently and effectively. As we shall show later, this kind of reasoning is ideologically loaded and cannot be substantiated by the existential reality of Nigeria.

The Privatization and Commercialisation Decree of 1988 set up the Technical Committee on Privatization and Commercialisation (TCPC) under the chairmanship of Dr. Hamza Zayyad, his mandate, to privatize 111 public enterprises and commercialize 34 others. In 1993, the TCPC concluded its assignment and submitted a final report having privatized 88 out of the 111 enterprises listed in the decree. Based on the recommendation of the TCPC, the Federal Military Government promulgated the Bureau for Public Enterprises Act of 1993 which repealed the 1998 Act and set up the Bureau for Public Enterprises (BPE) to implement the privatization programme in Nigeria. In 1999, the Federal Government enacted the Public Enterprise (Privatization and Commercialization) Act, which created the National Council on Privatization under the chairmanship of the vice President. The functions of the council included:

- Making policies on privatization and commercialization.
- Determining the modalities for privatization and advising the government accordingly.
- Determining the timing of privatization for particular enterprises • Approving the prices for shares and the

appointment of privatization advisers.

- Ensuring that commercialized public enterprises are managed in accordance with sound commercial principles and prudent financial practices.
- Interfacing with public enterprises, together with the supervising ministries, in order to ensure effective monitoring and safeguard of the managerial autonomy of the public enterprises.

The Act also established the Bureau of Public Enterprises (BPE) as the secretariat of the National Council on Privatization. The functions of the bureau include:

- Implementing the council's policy on privatization and commercialization
- Preparing public enterprises approved by the council for privatization and commercialization.
- Advising the council on further public enterprises that may be privatized or commercialized
- Advising the council on capital restructuring needs of the public enterprises to be privatized.
- Ensuring the update of accounts of all commercialized enterprises for financial discipline.
- Making recommendations to the council in the appointment of consultants, advisers, investment bankers, issuing houses,

stockbrokers, solicitors, trustees, accountants and other professionals required for the purpose of either privatization or commercialization.

- Ensuring the success of the privatization and commercialization exercise through effective post transactional performance monitoring and evaluation.
- Providing secretarial support to the council.

Therefore, the overall objectives of Privatization include:

- Promoting efficiency and competition
- Enhancing economic growth and investment
- Reducing government intervention and fiscal burden
- Improving Service Quality and Customer Satisfaction
- Increasing accountability and transparency

Based on the needs for effectiveness and efficiency, privatization can be approached from the perspectives of a full privatization and partial privatization. A full privitisation is an arrangement where government 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. While a Partial Privatization, is a situation in which the government continues to have majority

shareholding despite relinquishing part of the shares to private interest

Theoretical Framework

The theoretical background of the research work is rooted in both classical liberal and neo-liberal economic theories. Adam Smith (1759) attempted to determine what factors were responsible for economic development and what policy measures could be undertaken to create an environment favourable for rapid growth. He clearly defined the role of the state as distinct from the economic sphere, and that the state should only undertake roles such as protection of life and properties, while the economy is left in the hands of private individuals. Adam Smith's thesis clearly divorced the state or government from engaging in any form of economic activities or business. He was strongly against planned economy because an economy will only perform efficiently in the free market of demand and supply. Government must not venture into investment business like setting up of corporations. Neo-Liberal theorist further buttress the case for privatisation in contemporary times as they argued that the competitive forces which are to be found in markets rather than bureaucracy produce a superior allocation of resources.

Assumptions of Neo-classical Liberal theory

- Consumers make rational decisions to maximize utility.
- Businesses aim to provide efficient goods and services in order to maximize profits.

- .Markets will self-regulate in response to supply and demand

However the theory has been criticized by scholars of on the ground that, the idea is linked to poor collective health and wellbeing of ordinary citizens and it has led to plethora of harmful socioeconomic consequences, including increased poverty, unemployment and deterioration of income redistribution (Rotaru & Sakellariou, 2017).

The theory can be contextualized within this study because the performance of privatized enterprises will be judged in terms of profits and the return on capital for the investors. Meaning that the governments assume a regulatory posture of providing enabling environment.

Methodology

The research work made use of qualitative data. Secondary data was used sagaciously were generated in libraries and online documents both in soft copies and hard copies. These included text books, newspapers, journals, textbooks, workshop materials, internet sources etc.

The research work equally adopts purposive sampling technique. This technique was adopted in this work because telecommunication companies were among the prominent sectors taken over by private sector industrialists.

Findings

This can be contextualized in three phases borrowing from the ideas of Ibn-khaldun on the life cycles of a political dynasty. The first phase which was the indigenization of assets of forieng companies or investments to state owned no dough was a product of a nationalistic feeling, as such it created more employments opportunities, economic growth, and more importantly patriotism. This phase is categorized to contain elements of institution building process as observed by Nasiru et al (2022). This stage can also be equated with the second phase of WW. Rostow in his stages of economic development as taking-off stage.

The second stage which nationalization was an understanding of the needs to protect the socio-economic formation of the country for a national interest. Companies where forcibly absorbed from state to national for security reason. This transitional stage can be categorize with the second stage of ibn-khaldun because citizens were living a life of ease and contentment. Meaning that the nationalized companies added more to the provision and delivery of goods and service. In consequence employment opportunities rose higher coupled with urbanization.

However the third phase (privatization) was instead a contradiction. Because in liberal economies, privatization is usually accompanied with more private

participation, job creations, efficient and effective service deliveries, competitive and affordable price, and above all , effective service coverage. In Nigeria, what is obtainable is the exact opposite or more succulently described as “pathological maturity” (Ake 1986).

Thus, the findings are that, the changing pattern in the beginning or the early stage was accompanied with growth and development. While the present stage is characterized with a non-responsive political and economic system or best described as extractive political and economic institutions (Daron et al 2012).

The perverted management of the supposed regulatory governance has created unbearable conditions to ordinary citizens in the form of high prices of basic amenities. The privatized service which ordinary should have created improvement in , quality service delivery and reduce government financial burdens end up creating a skewed monopolised service provision by a few bourgeoisie exploiting the majority poverty stricken citizens. The issue of higher tariff is actually hurting the poor in Nigeria as a result of privatisation programme. With the removal of subsidy, privatised corporations are compelled to charge full cost recovery, or economic prices for their goods and services most especially the telecommunication companies who charges customers sometimes upon dialing a number even if the network is bad, this is in collaboration with the work of Obadan (2000) who asserted that the current

instability in the prices of petroleum products in Nigeria today is as a result of the removing of subsidy in the downstream oil sector in Nigeria. The reforms as claimed by the government that it will bring about giant stride in economic development and creating employment opportunities for the citizens has not seen the light of the day. It is disgusting that today many workers are retrenched on daily basis by the so called privatized companies, this is in assertion with the work of Ogundiya, Olutayo and Amzat (2011) who argued that privatisation programme in Nigeria has led to loss of jobs in virtually all the sectors of the economy arising from inability of some staff to fit into the new structural arrangements based on privatisation.

Similarly, privatisation programme affects staffing in Public Corporations which has always been used as veritable instrument for political patronages and an effective tool for attaining some balancing in the national geo-polity. Other problems created by privatization is the of case of intergrated payrol system (IPPIS) which should have created efficiency but ended up contradicting openness,efficiency and effectiveness in the Nigerian public sectors. In another development, the transfer of some of the enterprise into the hands of private individuals has created unequal distribution of the nation’s wealth as few persons in the economic circle are swarming in ocean of wealth while many of the citizens are languishing in abject poverty, this was suppoterted by Ezeani (2014) pointed out that many Nigerians see

privatisation process as a form of relinquishing of wealth held in trust for all Nigerians by government to few affluent individuals. At the heart of the criticism of privatisation process in Nigeria is the perception that it has not been fair to the poor and the vulnerable workforce, while benefiting the rich, the powerful, and the privileged, thereby perpetrating poverty. This is the case of the privatisation of the Transcorp Hilton Hotel, NICON insurance, privatization of communication sector which brought about MTN and ECONET in 2000, and other networks such as GLO among others, purported privatisation of Kaduna refineries in 2006, privatization of power generation and distribution in 2010 which were done to benefit the few rich at the detriment of the majority poor Nigerians.

Conclusion

It is high time for Nigeria leaders to take bold and decisive steps toward an alternative development as privatization of public sector is yet to achieve the target of concentrating these firms in the hands of individuals. Political will is the key to such developmental strides. Without leaders who are willing and able to explore alternative development policies, the desired changes we need as a country will never see the light of the day. Government should reject all the failed policies advocated and imposed by the Bretton Wood Institutions in order for privatisation programme in Nigeria to yield definite results as expected. The common strand is that only public corporations which

are economically viable and efficient are being privatised, while inefficient and dead corporations not sold are scheduled for future exercise. It has been documented that over thirty years after the initiation of privatisation programme in Nigeria, there has not been a comprehensive assessment of the post-privatisation performance of affected enterprises. The inability of the privatising agencies to carry people and other relevant stakeholders e.g. National Assembly, Nigerian Labour Congress, etc. along has implications for democracy in Nigeria.

Recommendations

This paper recommends that:

- a. Nigeria government should introduce greater clarity of objectives in viable corporations, improve accountability and administrative transparency, more focused emphasis upon performance in terms of efficiency and effectiveness as well as bringing together of the responsibilities of making speedy decision and accountability for the results.
- b. There is the need for the elite class and its entrepreneurial skills to change their orientations, become productive and interested in long term economic investment geared towards improving productivity rather than exploitation of the citizens.

- c. Government should be instrumental in regulating the activities of privatized enterprises in order to provide quality service and improve efficiency for the benefits of the citizens.
- d. The institutional constraints and human factors of corruption and mismanagement should be minimized through stringent penalty for offenders by anti-corruption agencies of the government.
- e. The government should make it a deliberate policy to the privatized enterprises that one of the major aims of privatization is to improve productivity as well reduce the number of unemployed citizens in the society.

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