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The Nigerian Privatisation Policy And Hope Of The Grassroots

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The paper examined the rationale for the establishment of Public Enterprises in Nigeria using the South Western Nigeria as a case study. This was so because it was in this region that development was first noticed more than any other regions after Independence in 1960. The 6 public enterprises were purposively selected because the enterprises are strategic in socio economic development of the grassroot – (Water Supply, Education, Agriculture, Housing, Communication and Sports). A few randomly selected managers (50) representing the total universe of the managers were interviewed to establish empirically the alleged criticisms of poor delivery of service, inefficiency and ineffectiveness leveled against the Nigerian Public Enterprises. This was beefed up with secondary data. The paper found out that the Public Enterprises have not been performing excellently well due to poor funding, politicization of recruitment and promotion of personnel; obsolete instruments and rigidity of control by the government. (Table 4). It also established that similar organizations performed well in Europe even before they were privatized, while the Nigerian Public enterprises are malfunctioning. It is the opinion of the paper that organizations could have performed better if their owner (Government) was fully committed to their being successful. The paper concluded that privatization may not necessarily be an antidote to the ailing Nigerian public enterprises if the privatization policy is not implemented in good faith. Otherwise, there might be policy failure if Nigerian citizens are still wallowing in poverty while the policy enhances the economic hegemony of the few elite.

Field of Research: Public Policy Analysis

1.0 Introduction

The State Owned Enterprises (SOEs) are special organizations corporate in nature, set up by the Government for entrepreneurial purposes. They are created by statute and have legal personality, make contract, acquire and dispose of property. They may sue and be sued. The objective of this paper is to analyse the effect of privatization policy on the grassroots in Nigeria.

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2.0 Emergence of State-Owned Enterprises

Between 1950 and 1960, the nationalist governments in compliance with Fitzgerald Commission's recommendation established the Nigeria Colliery Department as a public corporation. Also, the Nigerian Ports Authority was created in 1954 while in 1955, the Nigerian Railways transformed to corporation from the railways department. Since the early 50s, the growth of public corporations had been remarkable. With the adoption of a federal set up in 1954, the number of the SOEs increased. It was proliferated with the subsequent creation of States in 1967. Notable in the development of state participation is the New Nigeria Development Company Limited (NNDC) which started in 1949 as Northern Region Production Board. Another example in this category is the Odu'a Investment Company operating in the interest of the Western Nigeria. These organizations emerged in form of Marketing Boards taking care of such crops as cocoa, groundnuts, palm-kernels etc.

The emergence of the SOEs was supported by 1999 Federal Constitution. Section 16 of the Constitution states that; the State shall:
(a) Control the national economy in such a manner as to secure the maximum welfare, freedom and happiness of every citizen on the basis of social justice, equality of status and opportunity;
(b) Without prejudice to its right to generate or participate in areas of the economy, other than the major sectors of the economy, manage and operate the major sectors of the economy;
The State shall direct its policy towards ensuring:-
(a) the promotion of a planned and balanced economic development; and
(b) that the material resources of the community are harnessed and distributed as best as possible to serve the common good.

3.0 Justification For Government Intervention In The Economy

Aside the constitutional provision, other factors informed the Nigerian Government to intervene in the economy through the establishment of the SOEs. There was the need to consolidate gains derived from attainment of independence and to undertake the pioneering functions of developing the newly established enterprises. So (SOEs) were then viewed as engine of growth of service institutions to satisfy the ever-expanding needs of the community. Related to the above factors are political and economic considerations. Involvement in State entrepreneurship was seen as capable of enhancing fortune of government. Through the gains made, the government was sure of having enough to cater for the people thereby consolidating its political hold on its people. Notable example is the Cocoa Marketing Board of the Western Nigeria Government. Inadequate private incentives to engage in prospective economic ventures due to factors of uncertainty about size of local markets, unreliable sources of supply, absence of technology and skilled labour are other factors.

The government also sought to redistribute enterprises in certain sectors especially where private initiatives were low. Furthermore, ideological motivation also explains Nigerian government's intervention in the economy in order to gain control over the strategic sectors whose interests were at variance with national interest and finally the desire of government to pursue objectives relating to social equity which the competitive market might ignore, notable among which are, employment, essential goods and services.

4.0 Research Questions

1. What is a State-Owned Enterprise?
2. Why is it set up?
3. What are its contributions to socio economic development in Nigeria?
4. Assess its performance?
5. What are its shortcomings?
6. Why has Nigerian Government decided to privatize some of them?
7. What is the goal of the Nigerian privatization policy?
8. Must the SOEs be privatized?
9. Who benefit from privatization policy
10. What is the hope of the grassroots in the implementation of the policy?

5.0 Hypotheses

H_0 There is no relationship between establishment of State Owned Enterprises and socio-economic development of the grassroots.

H_1 The establishment of the SOEs has brought socio economic development to the Nigerian grassroots.

H_0 The Nigerian Privatisation Policy has not helped the moribund SOEs in Nigeria

H_1 The grassroots are likely to benefit from the Nigerian Privatisation policy.

6.0 A Review of Literature

The confusion culminating in the strong campaign for their privatization creates the strong impression that these bodies have not had any substantial impact on the Nigerian economy. The ambiguities and contradictions in the advocacy of government intervention in the economy, notwithstanding, SOEs are clearly meant to build and strengthen free enterprises. Ajakaiye (1988) asserts that regardless of their level of development, developing countries need to make extensive use of SOEs, atleast to get things done. In the same vein, Laleye (1986) viewed SOEs as the interventionist development policy of the 1960s when the public sector was seen as a major contributor to economic growth. With increasing faith in SOEs and in most African countries, government exceeded their traditional role of providing public goods and services (utilities) – gas, water and electricity, transportation and communication). In general, economic theory recognizes public ownership and equitable outcomes as well as a host of economic and social objectives.

In the opinion of Obadan (2000), the case for public ownership has been made on many grounds among which are;

1. the persistence of monopoly power in many sectors that is, certain markets have the tendency to move towards monopoly power especially when technological factors imply that only one producer can fully exploit available economics of scale particularly ins services requiring heavy investment in a network as in electricity grid. In this circumstance, direct government control may be required to ensure that prices are not above the cost of producing the output (Todaro 1989).
2. Desire of government to pursue objectives relating to social equity which the competitive market would ignore, notable among which are employment and easy access to essential goods and services;
3. Capital formation was a condition at early stages of development when private savings were low. Investment in infrastructure at this stage was crucial to lay the groundwork for further investment;
4. lack of private incentives to engage in prospective economic ventures due to factors of uncertainty about the size of the local markets, unreliable sources of supply and inadequate or absence of technology and skilled labour;
5. Certain goods that are of high social benefits are usually provided free or at a price below their cost and the private sector has no incentives to produce such goods hence the government must be responsible for their provision;
6. government may seek to achieve redistribution by locating enterprises in certain areas especially where private initiatives are low; and
7. ideological motivation and the desire of some governments to gain national control over strategic sectors or even multinational corporations whose interests may not coincide with those of the African countries or over key sectors for planning purposes (Todaro, ibid).

In Nigeria, statutory corporations and State- Owned Enterprises became an increasing tool of government intervention in the development process especially from the early 1970s. The Nigerian Second National Development Plan (pg 75) lends credence to the above assertion when it says:

> *Their primary purpose is to stimulate and accelerate national economic development under condition of capital scarcity and structural defects in private business organisdations. There are also basic considerations arising from the dangers of leaving vital sectors of the national economy to the whims of the private sector often under the direct and remote controls of foreign large-scale industrial combines.*

In effect, the SOEs in Nigeria have played crucial roles in the Nigeria's quest for national economic independence and self reliance. So, most of the SOEs established then were to operate as "quasi commercial organizations" due to the following reasons.

1. the conventional bureaucratic machinery of administration did not lend itself to the speedy decisions essential for commercial operations;
2. the government system of account was designed to facilitate close expenditure control by the legislature and not necessarily to promote operational efficiency;
3. commercial undertakings tends to generate an atmosphere of initiatives which bureaucratic rigidity may not allow;
4. it was necessary to minimise political pressures and partisan influence in some sensitive social institutions (e.g Nigerian Television Authority) in order to sustain public confidence in government policies and programmes;
5. it is very doubtful whether private enterprises can sustain the magnitude of investment as in Ports Authority, Railways etc which may not satisfy the canons of private sector profitability. and
6. arising from the above, the philosophy has been that; in the absence of high cadre traditional entrepreneurs needed to propel economic development, the public sector was to be used as the effective instrument of government intervention in the economy.

Furthermore, Adamolekun (1983) justified the establishment of SOEs in Nigeria on the grounds of attainment of economic objectives. He remarked:

> *To achieve economic objectives, it is obvious that governments in the Nigerian polity must assume the role of entrepreneurs. Post-independence governments in African States have articulated economic objectives that assign more or less critical economic roles to the states.*

Furthermore, in an attempt to legalise the establishment of the SOEs as a vehicle of economic and social development, the Nigeria government constitutionally enunciated unambiguously the state policy on socio-economic development in section $16_{(1)}$ of 1999 Constitution. It states:

> *The state shall within the context of the ideals and objectives for which provisions are made in this constitution.*
> *(a) harness the resources of the nation and promote nationals prosperity and an efficient, dynamic and self reliant economy.*
> *(b) Control the national economy in such manner as to secure the maximum welfare, freedom and happiness of every citizen on the basis of social justice and equality of status and opportunity and*
> *(c) Without prejudice to its right to operate or participate in areas of the economy other than the major*

> *sectors of the economy, manage, and operate the major sector of the economy.*

Owing to bewildering types of Organisations called (SOEs) and due to different contexts and rationale for which they were set up, there is no authoritative and generally accepted definition of public enterprise. However, most of the international and national gatherings of experts acknowledge that:

> *the status of a public enterprise has a much wider notion than the strict legal form which specifies its functions, powers, and obligations. This notion can include the various control system over enterprise and at the same time provide a classification of enterprises according to varieties of these systems.* (Gelinas, 1978).

However, the control system depends on at least the following important criteria:
(i) the ownership of the capital;
(ii) the degree of competition in the context within which it operates;
(iii) the legal form of the enterprise;
(iv) the type of activities being pursued;
(v) the origins of the enterprise; and
(vi) the degree of profit making expected from the enterprises.

It is therefore not easy to accommodate all these criteria in classifying parastatals. In the intellectual circle, public corporations are body corporate, set up and organized by special statutes, while the State Owned Companies are created under the company law like private enterprises, though they belong entirely to government. The difference between State-Owned Companies and the mixed economy enterprises is that in the latter, government and private entrepreneurs are partners in a venture with government retaining the majority of the capital and the preponderant voice on the Board of Directors.

The statutory corporations include:
(a) the public utility corporation;
(b) the development and finance corporation;
(c) the social service corporation; and
(d) the regulatory agencies.

It has, however, been suggested that:

> *an enterprise will be regarded as a public enterprise when, on the fact of its particular case, it is, or on the basis of existing rights or powers, could be under the general direction of a government (national, regional or local), or of some statutorily created body or of some other public enterprise or some combination of these.* (Adamolekun, (op cit)

It appears clearly that this definition is mainly based on legal considerations. One might see the merit of this definition in its emphasis on "the general direction of a government" as if private enterprises are completely outside this governmental direction. However, subsumed under the definition and precisely in the expression 'enterprise' is the idea that parastatals are involved in the production and distribution of saleable or non-marketable goods. There lies the economic dimension of these institutions, but the question is whether all parastatals are involved in marketing activity. The answer to the question, requires some nuance because a host of institutions falling under the general designation of public enterprise neither produce nor distribute commodities.

Thus, one is faced with a host of difficulties. First, it is not easy to reconcile the idea of government direction with that of commercial activity. Second, if one emphasizes the commodity exchange dimension, a lot of organisations which are commonly referred to as public enterprise are left out and thirdly, if one over plays the element of government direction, one does not perceive the significance of the fact that these institutions are not directly part of the governmental apparatus.

Balogun (1989) distinguishes the categories of SOEs on the basis of results expected and the following typology evolved.

(a) the public entities and infrastructural enterprises;
(b) industrial mining and manufacturing enterprises;
(c) commercial enterprises;
(d) financial institutions;
(e) educational institutions;
(f) social services; and
(g) regulatory agencies.

In all, the foregoing review is not aimed solely at evolving an acceptable conceptual definition. Rather the objective is to demonstrate some of the difficulties in the manipulation of concept of public enterprises and the confusion into which the classification attempts have sunk. Perhaps, this lack of clarity of classification, purpose and scope of the Nigerian SOEs among others could explain the alleged non-performance of most of these organizations. Therefore, for avoidance of confusion, the term SOE is used in this paper to refer to any organization which is a body corporate, set up for entrepreneurial purposes, but which is public by the virtue of its being part of the governmental apparatus. This paper now turns to examine the theoretical exposition.

7.0 Theoretical Exposition

Because of limited space, we will address a theory of Public Choice to explain privatization of SOEs. The major assumption of Public Choice theory is that voters, politicians, bureaucrats, and interest seekers are motivated by self interest (Orchard and Stretton 1997). In the neo-classical price-auction model, individual and firms are motivated by self interest in the sense that individuals maximize utility and firms maximize profit. Given their characteristics most public goods cannot be efficiently provided by market mechanism hence government becomes a substitute for the market. Perhaps, this explains the relevance and reason for the establishment of the SOEs that is, market failure. It is also a trite fact that deregulation, commercialization and privatisation of SOEs are consequences of failure of the SOEs to effectively deliver services (Miliband, 1970). We will now look at how the SOEs whose objective principally is to render social services to the citizens, perform in a capitalist environment.

8. The Performance of the Nigerian Public Enterprises

The performances of the SOEs in Nigeria have left much to be desired. Many of them are not responsive to changing requirements of a growing and dynamic economy and do not seem to possess the necessary tools for translating into reality the hope of successful commercial operations. Notwithstanding, the huge investments on these enterprises, their performances are far from being satisfactory. It is the general belief of most Nigerians that SOEs are inefficient. The performance of most public utilities provides adequate testimony for this inefficiency. Perhaps this informed Laleye (op cit), who asserted that reports of investigatory panels set up by government on all the parastatals testified to the fact that inefficiency has reached scandalous proportions. The huge national investments on the SOEs justify the general outcry about inefficiency. Unfortunately, this manifests itself in Nigeria’s moribund educational system, inability to supply portable water and epileptic supply of electricity, and petroleum product with its chaotic attendant long queue in Nigerian petrol filling stations. In the words of Akinkugbe (1996), the hospitals have become mere consulting clinics with no drugs and dressings. All these inadequacies make organizational goals to suffer and heap serious problems in the society. Perhaps it is pertinent to quickly grope for reasons explaining this inefficiency. These include:

(i) Conflicting objectives earlier mentioned.
(ii) Excessive Government control and interference with operational decisions of SOEs managers. This suffocates managerial initiatives.
(iii) Politicisation of employment, poor choice of product and location of the enterprises.
(iv) Absence of a competitive environment to encourage better SOEs performance.
(v) Inadequate techno-managerial capacity to respond to changing economic environment, and
(vi) Inadequate funding and late release of fund as the enterprises is often tied to annual budget with its attendant bureaucratic corruption and redtapism.

Balogun (op cit) attributes the inefficiency of Nigerian SOEs to the environment in which they operate, whereas Obadan (op cit) identifies poor maintenance culture as the bane of the SOEs. He said, SOEs in many developing countries, as in Nigeria, have been attacked for being economically inefficient and wasteful of resources. They make significant demands on government resources, as well as on domestic and foreign credit. Yet these demands have been associated with low profitability and inefficiency. These organizations have failed to show a profit. Operating on a deficit, they proved to be a massive drain and economic parasites on government resources through transfer and subsidies.

In order to substantiate the above assertion, in 1998, there were 588 SOEs in Nigeria. This means that the government was responsible for over 5000 board appointments and this constitutes an economic drain on government purse. According to the International Monetary Fund (IMF), the drain of SOEs in 1998 was equal to 5 percent of the nation's Gross Domestic Product. For example, in 1998 alone, the amount spent on Nigerian SOEs, was N265.00bn. The breakdown of the amount are as follows:

Table 1 Expenditure on Public Enterprises in Nigeria

Subsidized foreign exchange	N156.56bn
Import Duty Waivers	N12.56bn
Tax Exemption/Arrears	N15.00bn
Unmerited Revenue	N29.50bn
Loans and Guarantees	N16.50bn
Grants/Subventions	N35.00bn
Total	N265.00bn

Source: Nigerian Business Magazine Vol. 4 No. 12, 19th June, 2000, p. 19.

9.0 Empirical Investigation

Our sampled parastatals in the South Western Nigeria confirmed the inadequacies leveled against the Nigerian SOEs. The six randomly selected SOEs managers asserted that the government's rigid control, politicisation of the enterprises and gross underfunding are some of the banes militating against goal attainment hence little success has been achieved. This opinion was manifested in Tables 2, 3 & 4. For instance Table 2 shows the amount budgeted and actual expenditure for Oyo State Government Water Corporation between 1996-2001. Table 3 shows the running cost and wages between 1996 to 2001 while Table 4 shows the government subvention to the corporation.

Table 2: Capital Project

Capital Expenditure	Amount Budgeted	Actual Expenditures
1996	220,000,000	143,695,337.26
1997	430,000,000	80,734,554.00
1998	2,481,660,000	187,805,800
1999	815,000,000	95,618,000
2000	700,000,000	169,488,000
2001	750,000,000	147,649,000

Source: Field Survey – September, 2002, Oyo State Water Corporation, Ibadan, Nigeria.

Table 3: Running Cost + Wages

Revenue	Amount Budgeted	Actual Revenue
1996	46,956,590	62,917,174.18
1997	66,033,700	69,225,928.22
1998	105,608,290	59,647,574.21
1999	183,125,070	89,390,836.87
2000	301,535,860	172,400,615.39
2001	306,077,180	253,251,623.50

Source: Field survey 2002

Table 4: Subvention from Oyo State Government

Salary Subvention	Amount Budgeted	Actual Release
1996	-	-
1997	-	-
1998	-	-
1999	19,200,000	-
2000	28,000,000	19,200,000
2001	75,600,000	29,747,940

Source: Field Survey 2002

All what the above tables express is to confirm underfunding of the SOEs and low turnover. The story is not different in Table 5 which shows recurrent subvention and capital grants to Oyo State Government SOEs. For instance in year 2002, the proposed capital grant for Agricultural Credit Corporation of Oyo State was 55 Million Naira whereas at the end of the day only 10 Million Naira was actually released. The story is not different in all other SOEs. If we also look at Table 2, Water Corporation budgeted 750 Million Naira in year 2001 whereas the government released 147.6 million.

Table 5: Recurrent Subvention and Capital Grants to Statutory Bodies

Sub-Head	Details	Personnel Costs (₦)	Overhead Costs (₦)	Capital Grants (₦)
414/1	Agricultural Credit Corporation of Oyo State	17,213,000	8,000,000	55,000,000
414/2	Oyo State Agricultural Development Programme	126,957,000	-	200,000,000
416/2	The Polytechnic, Ibadan	468,000,000	19,465,000	150,000,000
416/3	Oyo State College of Education, Oyo	288,000,000	10,784,000	200,000,000
416/4	Ladoke Akintola University of Technology, Ogbomoso	330,465,000	9,514,000	300,000,000
418/2	Ladoke Akintola University teaching Hospital, Osogbo	-	-	360,000,000
419/2	Broadcasting Corporation of Oyo State	98,610,000	4,100,000	350,000,000
419/3	Government Printing Corporation	17,718,000	5,000,000	20,000,000
419/5	Shooting Stars Sports Club	12,000,000	17,000,000	10,071,000
419/6	Oyo State Sports Council	62,175,000	30,000,000	50,000,000
423/4	Housing Corporation of Oyo State	45,420,000	2,000,000	160,036,000
432/2	Water Corporation of Oyo State	111,640,000	4,000,000	750,000,000

Source: Field survey 2002

The question is, how do we expect good performance from SOEs that are underfunded and heavily politicized with its attendant bureaucratic corruption? Perhaps the non-performance of these SOEs in the main, lies with the government that established them. Undoubtedly, the SOEs in Nigeria are drain pipes for public resources hence there is a disaffection for public ownership on the part of entire polity. The government becomes more receptive to idea of superiority of private initiative hence there is advocacy for privatization. Perhaps, this informed the then Military Government to promulgate Decree No. 25 of July 1988 christened Privatisation and Commercialization Decree. Section $1_{(1)}$ of the decree states:-

> *All enterprises specified in the first column of Part I of schedule 1 to this Decree shall be privatized to the extent in the third column therein and in accordance with the provisions of this Decree.*

Consequently, Section $3_{(1)}$ of the decree established a Technical Committee on Privatization and Commercialization while Section $4_{(1)}$ itemized its functions among which are to:

(a) advise on the capital restructuring needs of enterprises to be privatized or commercialized under this Decree in order to ensure a good reception in the Stock Exchange Market for those to be privatized as well as to facilitate good management and independent access to the capital market;
(b) carry out all activities required for successful public issues of shares of the enterprises to be privatized including the appointment of the issuing houses, stockbrokers, solicitor, trustees, accountants and other experts to the issues;
(c) approach through the appointed issuing houses, the securities and exchange commission;
(d) advise the Federal Government, after consultation with the Securities and Exchange Commission and the Nigerian Stock Exchange on the allotment pattern for the sale of the shares of the enterprises concerned in accordance with section 7 of this Decree;
(e) oversee the actual sale of shares of the enterprises concerned by the issuing houses in accordance with the guidelines approved by the Federal Government;
(f) submit to the Federal Government from time to time, for the purpose of approval, proposals on sale of Government shares in such designated enterprises with a view to ensuring a fair price and even spread in the ownership of the shares;
(g) ensure the success of the privatization and commercialization exercise taking into account the need for balance and meaningful participation by Nigerians and foreign interests in accordance with the relevant laws of Nigeria; and
(h) ensure the updating of the accounts of all commercialized enterprises with a view to ensuring financial discipline.

Going by literature review and our empirical investigation in the South Western Nigeria, it is evident that allegation of inefficiency leveled against the Nigerian SOEs is substantially true. However, the question is, should privatization be the antidote to the moribund SOEs in Nigeria?

Although it may be too early to assess the impact of privatization of the enterprises but some questions still remain unanswered. These are: Why does the Government fail to address the issue of alleged inefficiency identified with its parastatals? Is it a herculean task for government to supervise its managers? Even when its parastatals are privatized as a result of inefficiency, then how does government cure the inefficiency in its mainstream of Public Service? Or is the government going to privatize other main stream of Public Service? Or Government has assumed that the judiciary, the legislature, the police and other arms of the Executive are all efficient?

We want to argue that issue of inefficiency is fundamentally inherent in the entire bureaucratic set up in Nigeria. Admittedly, these SOEs are said to be inefficient if we measure efficiency vis-à-vis the objectives for which they were initially established. Our findings revealed that it is the owners of the enterprises that make them inefficient. The managers asserted that efficiency is not guaranteed when government does not allow the managers freehand to operate and worse still government politicized its enterprises in their mode of recruitment and services rendered. They are also grossly underfunded (Omoleke, 2008).

We want to conclude that if similar organizations like India Air, British Airways and even a privately owned air line can be efficiently run, then it is intriguing that Nigeria Airways, a typical Nigerian SOE was malfunctioning before it was sold out. The entire exercise of privatization seems to negate the very fundamental philosophy Nigeria government upholds and that is the mixed economy. It also contradicts Section $16_{(1)\ (b)}$ which states:

> *The State shall, within the context of the ideals and objectives for which provisions are made in this Constitution: control the national economy in such manner as to secure the maximum welfare, freedom and happiness of every citizen on the basis of social justice and equality of status and opportunity.*

Obviously, privatizing these institutions may not fulfil the meaning of Section $16_{(1)(b)}$ of 1999 Constitution given the low per capita income of Nigerians and poverty level. The question is, how many Nigerian grassroots can afford to buy shares say ₦250,000 ($1000) if hypothetically National Electric Power Authority is privatized tomorrow? Also, it may be a difficult task for the technical committee to fulfil Section $4_{(1)\ (f)}$ and $_{(g)}$ of Decree No 25 of 1988.

How is it possible for a grassroot who earns N84,000 ($336) annually to buy a share of N100,000? If this is so, then S4 $_{(1)(f)}$ and $_{(g)}$ is a mere ruse. The section says:

(f) The Technical Committee shall submit from time to time, for the purpose of approval, proposals on sale of Government shares in such designated enterprises with a view to ensuring a <u>fair price</u> and <u>even spread in the ownership</u> of the shares.

(g) Ensure the success of the privatization and commercialization exercise taking into account the need for balance and <u>meaningful participation by Nigerians</u> and foreign interests in accordance with the relevant laws of Nigeria.

Again the grassroot who hardly meets the three square meals cannot participate meaningfully in the purchase of any shares. He would not even bother because it is survival of poverty that concerns him. If the government is genuinely interested in welfare of its citizens, that is, the rationale for the existence of government itself, then other areas of improving the efficiency of the social services should be considered rather than commercialization, privatization and deregulation which seem to favour the rich and high class elite in the society. This only perpetuates inequity, class discrimination and distinction.

There is need for government to understand that though privatization is an economic global trend but Nigerians' standard of living and per capita income is grossly incomparable with other advanced countries which initiated this policy. There is need to tropicalise the concept to suit socio-economic condition of Nigerians. The Naira value is nothing to write home about if compared with even Saudi Riyad not to talk of Dollars or Pound Sterling and yet Nigeria wants to copy wholesale America, Britain and a host of others. There is need for caution, otherwise the grassroots will not be able to afford the cost per unit of the product of these privatized institutions owing to low per capita income and poverty. Paradoxically Nigeria is rich while a greater percentage of Nigerians fall within the poverty line. This assertion lends credence to the Nigerian government's policy on poverty alleviation.

Although the policy of privatization may hold a promise if well implemented, as it may reduce perenial budget deficits since there may be no more subsidy to the fully privatized enterprises. Yet it is likely to further frustrate the grassroots whose income is low and thereby further creating economic differentiation and full scale capitalistic economy with its attendant evils of inflation and exploitation of labour as the more the workers work, the poorer they become. Given the Nigerian condition, the hope of the grassroots seems bleak under privatisation policy.

10.0 Recommendation

The privatization policy is almost irreversible not withstanding all inconsistencies. This is a welcome development especially when one looks at the balance sheet of the SOEs and the snail pace at which they have performed. If privatization policy must be implemented then, there must be genuine commitment on the part of the government as situation in Niger Delta is not helping matters at all. Unsettled economic and social order may discourage interested foreign investors to come. If SOEs must be privatized, then privatization must be carried out in such a way as to absorb the workers in the establishments as joint owners of the business on equal terms with other Nigerians. Perhaps this will minimize unemployment galore that may arise from the implementation of the policy.

11.0 Summary and Conclusion

What the paper has done in this short presentation is to look at the emergence and performance of the Nigerian SOEs since independence. It is evident that the enterprises were set up as engine of socio-economic development of Nigerian society. They were basically geared to render social services where private initiatives are not interested, perhaps, owing to inadequate capital. On a general assessment, the SOEs have not performed well as they were not financially supported by the governments that established them. They were heavily politicized by the Civilian and Military Administrations. This poor balance sheet performance called for privatization of these organizations. While privatization will disinvest government interest in SOEs and reduce financial burden of the government, we argue that unless the policy is sincerely implemented, the privatization of these institutions may be counter productive as it may further worsen the standard of living of majority of Nigerians at the grassroot who may not afford to pay for the services of the privatized SOEs hitherto subsidized. The paper concluded that there might be policy failure if the implementation further enhances the economic bouyance and perpetuates economic hegemony of the elite while leaving the grassroots wallowing in poverty. If the constitutional provision in Section $16_{(1)}$ of 1999 Constitution is anything to go by, then Nigerian Government should find means of compensating Nigerian citizens who by their constitutional right, are entitled to subsidized social services. Otherwise Nigerian government will look like a prodigal son in the Bible who sold public property meant for the benefit of all to a few hands. Obviously, this is an injustice perpetuated to satisfy economic elites at the expense of the grassroots. We want to end this paper by the words of Plato when he said":

> *"To harm men is to injure them and to injure them is to make them unjust. But justice cannot produce injustice. Human virtue is justice."* (Jowedd, 1968)

In sum, the most offensive form of privatization is that which involves natural resources to which entire public has equal right of enjoyment but are monopolised by a few hands. Going by the hypotheses set up at the beginning of this perper and the findings the paper. It is evident that the privatization policy is of little benefit to the grassroots as they are not financially empowered to purchase the products of the privatized companies hitherto subsidized by the Government because of their escalating prices. Hence the hypothesis is rejected. Furthermore, the Focus Group Discussion conducted with the grassroots also beefed up the above assertion that the policy may worsen the standard of living of the grassroots.

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