

# **Privatisation Policy and the Delivery of Social Welfare Services in Africa: A Nigerian Example \***

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## **ABSTRACT**

The paper examines the underlying conceptual and theoretical logic of the policy of privatisation in the area of social welfare services, and its unfolding empirical manifestations in Africa, with a Nigerian example. The hegemony of the neo-liberal economic orthodoxy in the global arena has evoked market principles and policies, including the privatisation policy, as the dominant means of economic management and service provision and delivery. The privatisation policy is believed to make for efficiency, rationality, cost management and optimal resource allocation in the provision of public goods. The paper argues that the theoretical basis of the policy with respect to the provision of social welfare services is tenuous and rests basically on a foundation of sand. The privatisation policy, like the market policy of structural adjustment programmes (SAPs), is a fundamentalist economic project, rather than a sanguine economic policy, which can promote societal welfare. It seeks to reconstruct the object, nature and basis of social welfare services, from a social and public orientation, to a private one, which has implications for the issues of allocative efficiency, social and class inequalities, access to the provision of those services and societal development. The net-benefit of the policy is less to society and may be dysfunctional to it, but is more to the interest of capital.

## **Introduction**

Privatisation has become a world-wide economic religion or as Mkandawire (1994) puts it, a magic wand in the brave new world of structural adjustment and stabilisation programmes in Africa. The phenomenon of privatisation as a component of the structural adjustment programme (SAP) is not new – it is one of the major means through which SAP seeks to roll back the frontiers of the state,

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\* Being the revised version of a paper reviewed by the assessors of the *Journal of Social Development*. I will like to thank the anonymous reviewers for their useful comments, which form the basis of the revised version.

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deregulate the economy and enthrone the hegemony of the private sector and market forces in economic activities. Thus, with the inception of SAP, privatisation has increasingly become an object of public policy. Although the pace and process of privatisation has remained quite slow and stunted in most African states, nonetheless, virtually all these states have acquiesced to it.

However, what is new in the present conjuncture is that the privatisation project hitherto confined to the areas of industry, manufacturing and agriculture, which the state participated in, is now being extended to the area of social welfare services and the state infrastructure sector. These include, the areas of water supply, power generation, telecommunications, roads, education, housing and health. The World Bank in its 1994 World Development Report "*Infrastructure for Development*" averred that in order to promote efficiency and economic rationality in the provision of social welfare services, such activities must be transferred to the private sector or at least have a high infusion of private capital. The underlying assumption is that the public sector is an inefficient economic manager and producer, and for there to be a change in the quality of service delivery, the private sector must be called forth to carry out its production. This should be done through a process of the privatisation of those services.

The paper analyses the logic and essence of privatisation in the social sector and underscores its limitations and prospects. It seeks to interrogate both the economic rationale of privatisation and its socio-political implications. The paper argues that although privatisation tends to have strong economic persuasion in terms of its propensity to yield high financial returns, profit margins and efficiency rate, however, its social and political value, particularly in the area of social welfare services, is often questionable and dysfunctional, which may invariably create a backlash that will undermine the project in this sector. The paper draws on a Nigerian example.

## **The State and Social Welfare Services: Historical and Theoretical Foundations**

Historically, the provision of social welfare services has been a public sector, or state activity, both in the developed and developing countries (Adejumobi, 1996). As Letwin (1988) observed, the origins of state ownership and state-run services are lost in the mist of time. As long as there have been rulers, there have been state-owned lands, building and services.

The development of state-run services, particularly of roads, canals, irrigation, water supply, education and infrastructure have followed the process of human civilisation. As society develops, with its accompanying complexity and technological growth, the nature and quality of social services delivered by the state also

changes. In some countries, the responsibility for the provision of social services is handled by government departments, administrative bureaux or a tier of government like the local or the state Government, while in others, semi-autonomous bodies are created, like the public authorities in the United States, to build and run public works or state-owned enterprises or corporations which have a separate corporate identity. In other situations, there is a combination of these agencies or tiers of governments to carry out the task of social welfare services delivery (Adejumobi, 1996).

In African countries the state has been a major actor in the provision of social welfare services. Four reasons account for this. First is the historical antecedent of colonial rule. Under colonial rule, the responsibility for providing social services of roads, railways, education, etc, lay with the colonial regime, although this was done with harsh measures which include forced labour and taxation. The goal of those social services was mainly to facilitate colonial exploitation. In the case of the railway construction industry in Nigeria, Olarewaju has this to say,

*"Railway construction in Nigeria was not meant to serve the development needs of the country. Although the railways served a strategic purpose of penetrating into the interior to open up the hinterland and had an indirect impact on agricultural production, mineral exploitation, industrial development and urbanisation, the motive and pattern of railway development were exploitative. Rail lines were constructed to link strategic mineral deposit regions and fertile agricultural lands with coastal ports" (emphasis mine) (Olawejaju, 1989:69).*

Given the limited objective of the colonial state in the provision of social services, the scope of services provided was very limited and the quality mostly substandard. Consequently, by independence Africa ranked poorest in the provision of social services and infrastructure (Hilling, 1981; Lemer, 1990). In order to bridge the infrastructure gap, therefore, the post-colonial state had to invest heavily in the provision of social services like health, education, housing, roads, water supply, irrigation and electrification (Ghai, 1993).

Secondly, the aspiration of anti-colonial struggle by the African people and the demand of independence were essentially to realise better living standards. Fulfilling this aspiration required huge investments in human capital and in the social sector. These included the extension of the education base, health care services, roads, and employment. The state was instrumental in this regard.

Thirdly, the state-centred approach to development, which some have referred to as state capitalism, also facilitated the state dominance of the social sector in Africa. In the absence of a national bourgeoisie and with a weak private sector, the

state took up the responsibility of investing in areas which required huge capital outlay and were considered to be strategic to the development of the economy. In Nigeria, the state invested in sectors like banks, petroleum and mining, parts of industry and the social sector. In addition, the notion of economic nationalism, which gained prominence in the immediate post-colonial era, required that the state controls the commanding heights of the economy and prevents external control by multinational firms. Thus, Nigeria's National Development Plans between 1962 and 1980 emphasised a central role for the state in economic planning and development. Thus the Nigerian state under successive Plans allocated substantial funds to build roads, invest in telecommunications, water supply, drainage, health and educational facilities, in order to facilitate economic progress and social development in the country. For example, in the First National Development Plan (1962-1968), a sum of 667.9 million naira was allocated to the social sector; this increased to 16 572.9 million naira in the Second National Development Plan (1970-1974) (Onokerhoraye, 1984) – figures which increased quite significantly under successive Development Plans.

Fourthly, African culture and social values tend to place tremendous emphasis on the human element in the society, which partly defines the social welfare approach to development adopted by most post-independent African leaders. Thus their political philosophy were largely human-centred and couched in the ideology of welfarism. For instance, there was Julius Nyerere's philosophy of "Ujamaa," Kenneth Kaunda's philosophy of "Humanism," Kwame Nkrumah's "Consciencism," Leopold Senghor's "Negritude" and Obafemi Awolowo's philosophy of "Democratic Socialism." The common denominator in all these philosophies is the overriding concern for the human element and social existence and well-being in the state. What the foregoing suggests is that the state assumed a crucial role in the provision of social welfare services in Africa in the post-colonial era.

In theory, the notion of the state providing social services has its roots in the philosophical conception of the state. Its theoretical underpinning emanates from the origin, basis and essence of the state, which various theories have had to grapple with. The pioneering discourse on the issue is from social contract theory. According to Jean Jacques Rousseau, the state evolved through what he called a "general will" in which the individual abrogates some of his rights in a social contract to the state, and thus in turn, enjoys some social benefits. These include: guarantee of law and order, human dignity and social welfare. Indeed, for Rousseau some of the social values which the state must always strive to protect are: life, liberty and welfare (Rousseau, 1913).

Both the liberal and the Marxist theories, which have dominated the discourse on the state and development in the last two centuries, touch on the role of the state

in the social sector. These two theoretical paradigms tend to share a consensus on the justification for state involvement in the social sector. In the classical libertarian theory, the treatise of Adam Smith provides a very incisive analysis on the role of the state in the economy. According to him, the state performs three major functions in a capitalist economy. These are: the guarantee of law and order, the administration of justice and the erection and maintenance of public works, which would be beneficial to society, but may be uneconomical or unattractive to the private sector (Smith, 1936). In the latter regard, (ie, social works) Adam Smith was referring to activities in the social sector which are instrumental to capital accumulation, but less desirous of capitalist investment. The concern of classical economics with social investment is well captured thus:

*"In the heydays of classical economics when efficiency and efficacy of 'free enterprise' and of the 'invisible hand' were romanticised, Adam Smith and his colleagues had admitted the need for some government participation in production to supply social goods like roads, and railways, security and defence and other such goods and services, the production of which fail to attract the interest of the private producer"* (Okorafor & Nwankwo, 1986:112).

The neo-classical theory of Keynesianism, which attempts to reformulate the role of the state in the capitalist economy also insists on a crucial role for the state in the social sector as a means of facilitating economic development. According to Keynes, although a free market is necessary and desirable, its internal mechanism is a fallible one, which requires state intervention to constantly gravitate it to a state of equilibrium. Keynes therefore advocated that, for there to be full employment, reduction in inflation and growth stimulation, public expenditure particularly on social works and services must be significantly increased (Keynes, 1936). To be sure, Keynes predilection is for what Kenneth Galbraith described as the *"economics of public welfare."*

In the Marxist analysis of the capitalist system, the growth of the state sector is linked to the "laws of motion" of capitalism. The argument is that, the increasing centralisation and concentration of capital and declining profit rate generate simultaneous demands by capital and labour on the state, aimed at enhancing its relative performance through the provision of infrastructural and social welfare services meant to facilitate capital accumulation and augment the productive capacity of labour (Petelis & Clarke, 1993; Adejumbi, 1996). The state in the capitalist economy often act as the most visible expression of the unproductive sector in the economy, aimed at facilitating the expansion of capital and counter the

risk of under-consumption. In essence, the major object of state investment in the social sector is to prop up capital accumulation and maintain dominant class rule.

Beyond the above theoretical positions, John Sleeman argues that there are three main reasons for state involvement in social services provision in the modern society. First, is the need to provide a floor, below which no one should be allowed to fall. That is, the need to prevent the populace from falling below the poverty line. This can be assured when basic social services like pipe-borne water, health care services and electricity are made available. Second, is the need to attenuate income inequalities or promote income redistribution in society through equal opportunities, which those services offer. Third, is the need to facilitate a process of socioeconomic empowerment in society, by which and through those services, the people are helped to provide more effectively for their own needs (Sleeman, 1979).

### **Privatisation: Conceptualisation and Dimensions**

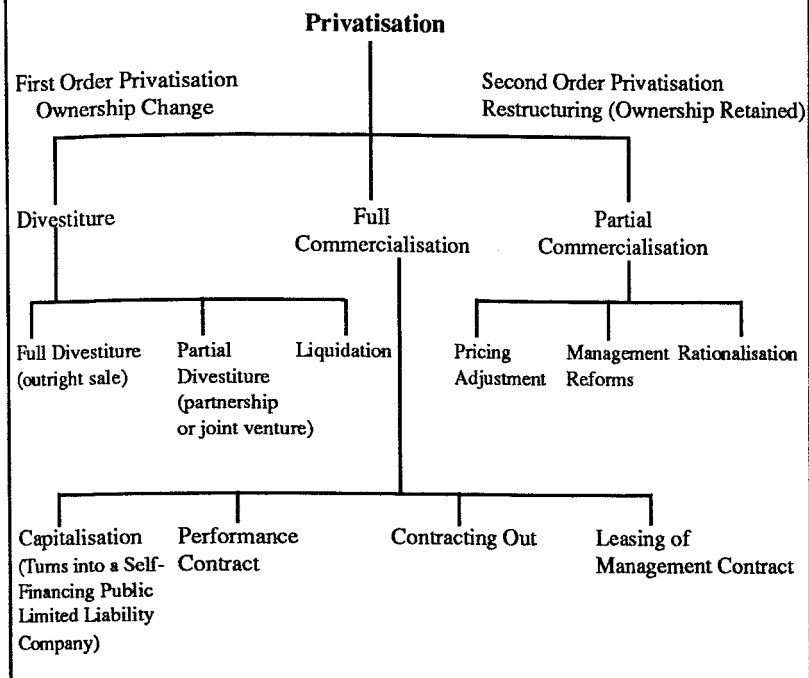
The term "privatisation" has come to mean different things to different people. As such it is apposite to have a conceptual clarity of the term. Privatisation in a broad sense refers to the application of the principle of marketisation, or the bringing of enterprises under the discipline of the market (Ramanadham, 1991). It involves a shift towards a market-oriented management of assets held within the public sector, or the transfer of public sector assets to the private sector, or an increasing role for the private sector in public sector activities (African Development Bank, 1995; Gayle & Goodrich, 1990; Savas, 1987).

Privatisation has two major dimensions. These are divestiture, which may take three forms: partial or full divestiture and liquidation. The second is enterprise restructuring or corporatisation. The latter also assumes various forms, which include partial and full commercialisation. Essentially, the latter are usually regarded as a second order form of privatisation, as state ownership is still retained. Figure 1 opposite depicts the dimensions of privatisation.

### **Privatisation in the Social Sector: Background, Basis, Theory and Critique**

The world economic recession, which manifested itself in the 1970s, had a roller-coaster effect on the economies of most African and indeed, Third World, countries. These countries were confronted with a deepening fiscal crisis, balance of payment problems and an excruciating debt peonage. For example, the debt profile of Africa which was US\$10.8 billion in 1970, rose to US\$113 billion by 1980, further to US\$278 billion by 1990, and US\$300 billion by 1994 (Adejumobi,

**Figure 1: Dimensions of Privatisation**



1996). This festering economic crisis produced two consequences. First, a regime of financial austerity was imposed by most African countries to contain the crisis, in which public expenditure on social services was one of the first and major victims of reduced state spending. Secondly the debt peonage placed African countries in a precarious situation in terms of domestic economic policy-making. It evoked a contradiction in domestic priorities and policy-making, in which most African countries sought to adopt protective economic policies, while the IMF, the World Bank and the creditor nations insisted on economic liberalisation and structural adjustment programmes, of which privatisation is a major component.

Although it is true that the economic crisis forced most African countries to begin to undertake some form of economic restructuring for their public enterprises and corporations, few contemplated or had the political will to embark on large-scale privatisation. At best a second order privatisation, that is commercialisation, was contemplated, with the social services sector excluded from such exercise. The

pressures to privatise came from the World Bank and the IMF through the policy measures of SAP. In prescribing privatisation, it is important to understand how the World Bank conceives of the economic crisis in the Third World. According to the Bank, the public sector lies at the core of the stagnation and decline in growth in Africa (World Bank, 1994). The public sector is considered to be over-extended, highly bloated, inefficient, unproductive and incapable of efficient service delivery (World Bank 1981, 1989).

The public sector is viewed as an albatross to the state, stultifying economic progress. As the World Bank argues:

*"Weak public sector management has resulted in loss-making enterprises, poor investment choices, costly and unreliable infrastructures, price distortions, (especially) over-valued exchange rates, administered prices and subsidised credit and inefficient resource allocation"* (World Bank 1989:3).

The poor performance of public sector social services, according to the World Bank, imposes high costs on industry and the economy generally, as substitutes have to be developed by private firms to those services. For example, in a World Bank study by Lee, Anas & Taikoh (1994), it was discovered that manufacturing firms in Indonesia, Nigeria and Thailand had to develop substitutes for the public sector water and power supplies, which were considered to be grossly inefficient. In 1990, the rate of substitution by private firms for power supply was 66%, 92%, and 6% in Indonesia, Nigeria and Thailand respectively, and for water supply, it was 60%, 44% and 24% for Indonesia, Nigeria and Thailand respectively (see World Bank, 1995a:14).

Apart from imposing higher costs on industry through poor service delivery, public enterprises, according to the World Bank, also contribute substantially to the foreign debt situation of African countries. For sub-Saharan Africa, the public enterprises share of outstanding external debt was estimated at 6.9% in 1992 (World Bank 1995b). In essence, the World Bank therefore concludes that the post-colonial strategy of a state led development in Africa, was faulty and misconceived. The solution, according to the World Bank, lies in evolving a market-friendly approach to development, in which public sector activities, including those in the areas of social services and infrastructure, are transferred to the private sector through a process of liberalisation and denationalisation (ie, privatisation) of public sector institutions and corporations. This approach no doubt is in consonance with the dominant neo-liberal orthodoxy, which forms a critical hub of the structural adjustment programme foisted by the World Bank and the IMF (Adejumobi, 1996).



Perhaps, it is important to note that although the World Bank now condemns and disclaims the state-led approach to development, it was a development strategy it actively supported and financed in the 1960s and 1970s in Africa. As has been rightly observed,

*"...fashions change and there is a certain irony in the aid agencies current advocacy for denationalisation for the public sector enterprises which they were instrumental in establishing in the 1960s"* (Kirkpatrick, 1989:100).

### ***Positive Effects of Privatisation in the Social Sector***

Privatisation is intended to improve the economic viability and financial earnings of enterprises through improved management efficiency. In addition, it seeks to bridge the fiscal budget, lead to greater efficiency in the allocation of resources, and "crowd in" the private sector in investment opportunities and economic activities (Logan & Mengisteab, 1989; Heath, 1990; Mkandawire, 1994). The underlying logic and theoretical arguments for privatisation as relates to social welfare services are basically four and to this we turn presently.

First, most goods and services produced in the social welfare sector are conceived by the proponents of privatisation as mostly private goods for which the principle of exclusion can be applied, economic rents charged and such goods produced by the private sector. For example, services like electricity, water supply, education and health care, are considered as services which yield direct benefit to the consumers and for which beneficiaries should be made to pay. In other words, the private rate of return on those services is greater than the social rate of return on them. For instance, in the case of higher education, the World Bank opines that the private rate of return on higher education in Africa is about 30% (higher than anywhere else in the world), while the rate of social return is only 13% (World Bank, 1989). It is therefore imperative that opportunities should be created by which the prices of those services should be maintained above normal efficiency levels and the cost borne essentially by the consumers of the service.

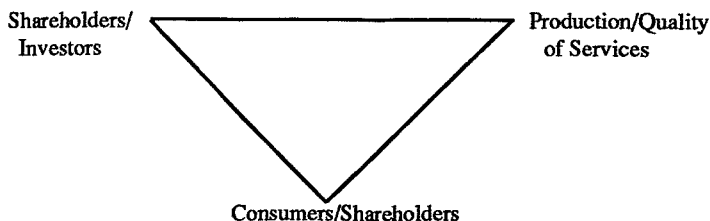
Second, privatisation is seen as being capable of enhancing efficiency in the delivery of social welfare services. This is to be achieved through three major means. These are, through management incentives, competitive forces and firm objectives. When ownership changes from the public to the private sector or the principle of firm operation is altered towards the market, this situation usually produces a new structure of incentives for the management which promotes changes in managerial behaviour and company performance (Vickers & Yarrow, 1988; Petelis & Clarke, 1993). Also, through competition, privatisation helps to stimulate efficiency. On this, the World Bank notes:

*“Experience shows that competitive markets – mainly involving private actors—are the most efficient way to supply goods and services and the most accountable for users’ needs. Government role usually can be limited to policy-making, regulation, ownership or financing, leaving actual investment, operation and maintenance to non-governmental entities.” (World Bank, 1995c:12).*

Furthermore, with the sole objective of profit maximisation, private firms are compelled to enhance their efficiency, as the level of customers’ satisfaction is crucial in determining the firm’s share of the market, production level and sales, hence, profit margin.

Third, privatisation will expectedly promote social welfare and the public interest in the provision of social services, through greater choices, which it stimulates. That is, by deregulating the provision of social welfare services, uniformity in service delivery will be broken and consumers will have more choices on display. The variety of public choices will improve the quality of service delivery and afford better distributional benefits to various social classes and groups with different income levels and tastes. For example, with services like education, housing, and transport, consumers could determine what kind of service they prefer, given the resources available to them.

Fourth, privatisation encourages the principle of economic democratisation and “stake-holding” in social sector investments and the economy as a whole. The argument is that, with the state divestment from the social sector, a large group of “small capitalists” would be created among the population, who coincidentally, also form part of the beneficiaries or consumers of the services being provided by the divested public corporations. As such, the interest of the shareholders will necessarily transcend that of dividend collection and profit-sharing, to include the issue of good and efficient service delivery. In other words, an organic linkage or relationship is created between shareholders as investors, shareholders as consumers and the production/quality of services by the firm. This can be depicted graphically below:



A good feedback mechanism is foisted through this triangular relationship, which links the shareholders with consumption of the firm's product, with implications for the quality of service delivery.

In summary, privatisation in the view of its advocates, is a sovereign cure for all ailments of the public enterprise and for state misdemeanour generally. As Starr noted, it is prescribed as a tonic for efficiency and economic growth, an appetite suppressant for the Federal budget, a vaccine against bureaucratic empire-building, an antidote against corruption, and a booster for individual freedom including opportunities for disadvantaged people in the society (Starr, 1990).

### ***Critique of Privatisation in the Social Sector***

The critique of privatisation in the social sector which will be discussed presently, seeks to lay bare the underlying assumptions and theoretical basis on which the logic of the policy is constructed. This we shall discuss in a sequential order as the arguments for the policy were presented.

First, the notion that social welfare services are mostly private goods for which the principle of exclusion could be applied and economic rents charged on those services is a distorted and spurious argument. Although some of those services may appear nominally private in nature, they are essentially public goods in terms of their social essence and national value and importance. For example, pipe-borne water may be a private good, its consumption of which people could be excluded from, based on their ability to pay; however, the importance of pipe-borne water to the good health and vitality of the population makes it essentially a public good, which merits the attention of the state in its provision. So with other social services like health care and education. When those services are subjected to market rules with emphasis on terms like "appropriate pricing," "economic rents," and "financial returns," the result will be reduced access to those services through higher pricing, which will have severe consequences for the society. John Sleeman captures the issue quite poignantly,

*"Payment for the use of roads through tolls is not unknown and private provision of sewage facilities in returns for a charge would be perfectly feasible though unusual, but in such cases, the cost of excluding those who are not prepared to pay are held to be excessive and the benefits of wider provision are great enough for it to be more usual for them to be provided out of public funds.*

(Sleeman 1979:3)

Second, the argument regarding the capacity of private firms to stimulate efficiency in the delivery of social welfare services is questionable. The questions,

which arise are: "efficiency in what sense?" And "by what measurement?" If efficiency is conceived in distributional terms or what is referred to as allocative efficiency, private firms cannot be a panacea in this regard. Private firms by the logic of their objective, concentrate only in areas where they can yield maximum profit, which in the case of social welfare services, are the urban areas. Paradoxically, the majority of the population in African countries lives in the rural areas. On the other hand, if efficiency is conceived in operational terms, it does appear that private firms are better organised and oriented to achieve this goal, but the issue is more complex than imagined. A number of studies confirm that public corporations are no less efficient than private firms (Cavas & Christensen, 1980; Millward 1988; Atinkson & Halvorsen, 1986, Yahaya, 1993; Starr, 1990). As Cavas & Christensen notes,

*"Contrary to what is predicted in the property rights literature, we find no evidence of inferior efficiency performance by the Government-owned railroad... public ownership is not inherently less efficient than private ownership."*

(Cavas & Christensen, 1980:974)

Nicholas Stern suggests that even in the case of Britain which is perhaps the most successful experiment with respect to the privatisation of public utility corporations, the post-privatisation performance of those enterprises has not been significantly different from what it was under state ownership and control (Stern, 1991).

Furthermore, the assumption that privatisation stimulates competition, leading to efficiency in the delivery of social welfare services, may not be correct. Privatisation and liberalisation are not symmetrically related and the former may not produce the latter. In other words, privatisation may in fact stifle competition and perpetuate monopolistic practices. This is possible for various reasons. First, wherever the market size is very small like in most African countries, competitive pressure is not likely to be high. Second, with respect to social welfare services, divested state enterprises like those in the telecommunications, water and electricity sub-sectors are most likely to be purchased by multinational firms, who possess both the technological and financial prowess to effectively manage those enterprises. The experiences of countries like Jamaica, Chile, Mexico and Cote d'Ivoire are instructive in this regard. Thirdly, the tendency towards monopolistic behaviour is quite real and higher in the social and infrastructure sector where there is the problem of the convertibility of production factors and where the network component of the industries – the pipes, wires, and rails are inherently monopolies and wasteful to duplicate those services in direct competition (Adejumo, 1996;

Velijanvski, 1990). As such, privatisation may neither lead to liberalisation nor competition in the provision of social welfare services, nor stimulate choices, as erroneously conceived.

On economic democratisation and stake-holding through divested public corporations, the truth is that the process and politics of privatisation conceal greater distortions and contradictions than often acknowledged. While in countries of the North like Britain and the United States of America, there may have been a conscious process of creating "small capitalists" and "stake-holders" through state divestment from public corporations, the same cannot be said of most African countries. The level and rate of poverty in Africa often deny the majority of the population the opportunity of participating in the privatisation process. In any case, privatisation to start with, was not at the instance of the people and they are therefore most unlikely to be a principal beneficiary of it. As Brendan (1993) rightly observed, the character of privatisation in African countries has not been shaped by the need to create better life opportunities for the (world's) people, but with a concern for investment opportunities for multinational firms and the creation of a conducive economic environment for debt repayment by developing countries.

Perhaps, it is on the capacity of privatisation to boost the financial profile of the state and ease its fiscal burden, that the argument for it seems valid and incontrovertible. However, there is also a flip side to this, privatisation may create new social problems or exacerbate existing ones, which may require additional public spending in order to curb or contain them. These problems may include higher rate of unemployment, illiteracy, disease and so on. In essence, in the final analysis, privatisation may not have produced a net saving for the state, but on the contrary increase public expenditure through other means.

The theoretical foundation of privatisation and SAP is the neo-classical economic theory, which itself has increasingly come under attack as a means of resolving modern economic crises (Toyo, 1988; Weeks, 1992; Bangura, 1991; Adejumobi, 1995a, 1995b). Its premise with regard to privatisation is that there is the superiority of the private sector and private ownership over the public, as the former parades superior capitalist ethics and values. In justifying the superiority of private ownership and enterprise management, three variants of neo-classical theory have been developed. These are the property rights theory, the dispersed knowledge theory and the residual claimant theory. However, these theories have been largely disproved and proven to rest basically on a foundation of sand (see Petelis & Clarke, 1993; Rowthorn & Chang, 1993). It is therefore spurious and highly misleading to equate "public" with inefficiency and non-performance and "private" with efficiency and growth.

Arising from the critique of privatisation and its major policy framework, SAP,

is the view that these policies are more of what Dhirenda Sharma (1992) and John Mihevc (1995) referred to as an ideology of economic fundamentalism of the World Bank and the IMF, rather than an economic elixir for the recovery of African economies. The uniformity in the application of those policies to developing countries and their supposed infallibility, suggest that those policies are more of a fanatical and fundamentalist economic ideology, and less of a well-thought out economic policy which takes cognisance of variations in culture, environment, domestic political economy and sectoral differences.

## **Privatisation and Social Welfare Services: The Nigerian Experience**

Nigeria's privatisation project started in 1988 with the promulgation of Decree No 25 of 1988, which established the Technical Committee on Privatisation and Commercialisation (TCPC), an organ saddled with the responsibility of handling the state divestment process and public enterprises restructuring. This committee later metamorphosed into the Public Enterprises Bureau in 1993. Prior to 1988, particularly with the onset of the economic crisis from 1981, successive regimes have concerned themselves with the issue of public enterprise reform in Nigeria. In May 1981, the Shagari Administration set up the Presidential Commission on Parastatals headed by G O Onosode. The Commission was to examine the performance of public enterprises, among other things, and suggest ways of how to enhance their performance. The commission in its report submitted in October 1981, recommended that selective privatisation was desirable, but should be restricted to areas not considered as "strategic" or "security sensitive" by the state (Report of the Presidential Commission on Parastatals 1981:63). Where privatisation cannot be carried out, the report continues, better performance should be encouraged through performance targets set for boards and management of state parastatals. Although, the Shagari regime accepted these recommendations, its political inertia made it incapable of carrying out any meaningful reform before the Administration was overthrown in December 1983.

The Buhari regime, which succeeded the Shagari Administration also, made some efforts to reform public enterprises and corporations in Nigeria. It set up a study group on statutory corporations and state-owned enterprises and public utilities in August 1984. The report of the study group was akin to that of the Onosode Commission. It recommended selective privatisation and the restructuring of enterprises mostly in the public utilities and infrastructure sector. The Buhari regime with its nationalist outlook did not entertain the logic of privatisation, particularly in the area of public utilities; it however imposed severe measures on

those corporations. These included financial stringency, insistence on greater accountability and a substantial trim down of the workforce in some of those corporations and parastatals. The exit of the Buhari regime in August 1995 and the rise of the Babangida junta paved the way for the adoption and implementation of the privatisation agenda in Nigeria.

Before analysing how the privatisation policy affects the social welfare sector in Nigeria, it is important to delineate the structure of social welfare services provision in Nigeria. Social welfare services are considered essentially to be public goods which are produced by the state through its agencies or parastatals, although some complementary efforts are made by the private sector in some regards, as in the case of housing, transport, Medicare and education. However, the bulk of social welfare services which include roads, water supply, electricity, health services, education, postal services, telecommunications and waste disposal are provided by the public sector. The tier of government and governmental agencies which provide them differ, depending on factors like constitutional responsibility, financial commitment involved, and the scale of service delivery, whether local or national. For example, the tasks of waste disposal and primary education are responsibilities of the Local Government, water supply by State Governments and post-primary education and health care services fall under recurrent functions, which can be performed either by the state or the Federal Government or both. The tasks of electricity provision, telecommunications and postal services are carried out by the Federal Government through the parastatals and public corporations, it sets up for such purposes. However, the focus of public sector reforms has been mostly concentrated on those corporations and agencies owned by the Federal Government. More often, State Governments also tend to take a cue from the broad decisions and policies of the Federal Government on the privatisation policy, especially under military rule.

In carrying out the privatisation project at the Federal level, the TCPC classified enterprises into four main categories. These were enterprises to be fully privatised (74 in number), enterprises to be partially privatised (24), enterprises to be partially commercialised (24), while 11 others were for full commercialisation. On the whole, a total of 98 companies and parastatals were slated for the privatisation policy at its inception (New Nigerian, April 15, 1992:111). As the exercise proceeded, adjustments were made in the slating and scheduling of those enterprises identified for privatisation.

Most of the corporations and parastatals involved in the delivery of social welfare services were slated for either full or partial commercialisation. These include, the National Electric Power Authority (NEPA), Nigerian Telecommunications (NITEL), Nigeria Railway Corporation (NRC), Nigerian Postal Services (NIPOST) and River Basin Development Authorities (RBDAS). In reflecting on

the logic of commercialisation, Hamza Zayyad, the Chairman of the TCPC argued that the policy would stimulate the delivery of reliable and more efficient services, promote financial self-sustenance by those enterprises, and generate revenue for government as reward for its investments in those corporations (see *New Nigerian* (1992), April 15:v).

The commercialisation strategy adopted by the TCPC (now Bureau for Public Enterprises) is that of performance contract agreement. Under the arrangement, a performance contract is signed between the state and the management of those public utility corporations outlining the goals, targets, policies and programmes of the companies over a given period of time. By 1992, NITEL had been transformed from an extra-ministerial department into a public limited liability company and it signed a performance contract agreement with the TCPC on May 22, 1992.

In addition to commercialising NITEL, a policy of economic deregulation was introduced into the telecommunications sector. Although ten private telecommunication firms have been licensed by the Nigerian Communications Commission (NCC), to provide telecommunication services in the country, most of the firms are yet to begin operation after several years of being licensed.

For commercialised public utility corporations like NITEL and NEPA, the post-commercialisation performance in terms of financial turnover, has been quite positive. NEPA, according to Hamza Zayyad, was noted to have made a surplus of 365 million naira in 1990, the first in about twenty years (*New Nigerian* (1992), April 15:v), while NITEL in 1993, for the first time in many years, recorded a profit of over 3 million naira. However, this has not induced greater efficiency in service delivery, but rather imposes higher welfare costs on the people in many respects.

First, the tariff charged by NITEL for telephone calls has increased quite astronomically during this period. For example, while the tariff for international telephone call per minute was 22 naira in 1988, this jumped to 60 naira by 1992, further to 175 naira in 1995 and higher to 220 naira in 1996, representing a percentage increase of over 1000% between 1988-1996. Also, the cost of acquiring telephone lines has increased very substantially.

Second, threat of or actual retrenchment of the workforce in most of the public utility corporations has accompanied commercialisation. In NITEL in 1996, there were real fears of retrenchment as a result of commercialisation, which the NITEL senior staff vowed to resist (*Vanguard* [1996] October 16:12). In NEPA, over 6 000 workers were slated for retrenchment out of its about 50 000 workforce nationwide in 1996 (*Sunday Concord*, December 15, 1996:1). The flip side of commercialisation therefore has been to impose higher service charges on the people, thereby covertly reducing access to those services and also to compound the unemployment problem in the country.

It is instructive to note that the operations of those commercialised public utility corporations have been made more arduous by the other policy measures of SAP,



or its effects, which include massive devaluation of the currency – the naira, higher interest rates, hyper-inflation, etc, all of which make for higher production costs, hence, higher tariff charges. They also have adverse effects on effective corporate planning and efficient service delivery.

Apart from the electricity and telecommunications sector, the Federal Government has also introduced the commercialisation policy into the management of highway roads in Nigeria. The management of these roads in terms of toll collection has been transferred to private firms. Consequently, tolls paid on those highways have been hiked for all categories of vehicles. While water supply remains publicly provided in most cases by the State Governments, although the tariff charged differ in different states, it has been reviewed to make for greater cost-recovery in water production.

Education, particularly university education, represents an area of the social sector where the state has tried, but quite unsuccessfully, to introduce the commercialisation policy. The Federal government supported by the World Bank had sought to introduce the payment of tuition fees in the universities as a revenue-generating and cost-recovery device, insisting that the state can no longer solely fund education, that the institutions should be self-sustaining and revenue-generating. The university teachers and Nigerian students acting through their unions – the Academic Staff Union of Universities (ASUU) and the National Association of Nigerian Students (NANS) have put up a counter-argument, that education is a social good, which must be publicly-funded. However, the agenda of the commercialisation of university education remains crucial for the state. Recently, a committee was set up by the Federal Ministry of Education to examine the financing of Universities. The committee in its report recommended the payment of fees which is to range from a minimum of 18 000 naira to 50 000 naira, depending on the courses being offered (Sunday Concord, September 8, 1996). Presently, the issue of tuition fees constitutes one of the terms of reference of a committee on higher education set up by the Federal Government to review higher education in Nigeria. General Sanni Abacha, Nigeria's former Head of State, repeatedly argued that the government can no longer continue to fund university education alone; alternative funding means have to be evolved, which include the payment of tuition fees (The Guardian, December 6, 1996).

It is worthy of note that in 1992, ASUU proposed alternative funding strategies for universities and tertiary education generally in Nigeria. These include, the introduction of an education tax, which is to be 2% pre-tax profit of all companies operating in Nigeria, since those companies, like the state, are also direct beneficiaries of the product of higher institutions in Nigeria, the ceding of landed properties and estates by the Federal Government to higher institutions and the revitalisation of the consultancy services of the institutions (see, Jega, 1994).

Although the government accepted the proposal of an education tax and indeed promulgated a decree to that effect, however, the collection and management of this fund has left much to be desired. No University or tertiary educational institution has benefited from this fund. Also, the government has refused to cede landed properties to the Universities. In essence, the issue is not whether alternative funding means are available or not, obviously there are, without necessarily taxing an over-sapped populace unduly; unfortunately the dubious agenda of the state under pressures from the World Bank is that tertiary education is essentially a private good for which the consumers must be made to pay. In the logic of the state and the World Bank, charging exorbitant tuition fees appear to be the only viable alternative of funding tertiary education. Indeed, this is a sad commentary for a nation like Nigeria which has one of the highest illiteracy rates in the world and which pretends to be yearning for economic and technological progress.

## **Conclusion**

There has been a concerted attempt by the Nigerian state to subject the delivery of social welfare services to the principle of marketisation. Apart from the deregulation of the telecommunications sub-sector and the corporatisation of both NITEL and NEPA, the Federal Government in December 1996, announced its decision to fully privatise those two public utility corporations (Daily Times, December 6, 1996). Education is also under serious threat of commercialisation.

Preliminary studies conducted in Africa confound the claim of the World Bank in its own research (see, Galal, Jones, Tandom & Vogelsand, 1994) that privatisation has any meaningful welfare impact on the social sector in developing countries. Logan & Mengisteab argue that privatisation has damaging consequences for health care delivery in sub-Saharan Africa (Logan & Mengisteab, 1989). According to them, it can only lead to spatial disarticulation and social class inequalities in health care delivery in Africa. Ayandele contends that privatisation threatens rural electrification and water supply projects (Ayandele, 1994), while Horturitz (1992) in the case of South Africa suggests that privatisation will limit the provision of telecommunications services in the country. He therefore suggests that there is need to develop an infrastructural base to serve and extend telephone services to the African majority before privatisation can occur. The truth is that privatisation, like SAP, is a dominant class project designed to facilitate capital accumulation, rather than radiating welfare to the majority of the African people. The policy therefore, to use the words of Francis Stewart (1992), may not be consistent with the long-term development needs of Africa especially in the area of social welfare services.

Despite the current attacks and recriminations on the state in Africa, the state will continue to play a crucial role in the provision of social welfare services. The challenge therefore is on how to restructure the state (and its agencies), to make it more efficient and socially responsible in the provision of social welfare services, rather than privatise it. This challenge obvious throws up some broader issues, that is, the questions of good governance, accountability and responsiveness in Africa.

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