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## ELITES AND PUBLIC ENTERPRISES: THE DIALECTIC OF PRIVATE ACCUMULATION IN NIGERIA

HABIBU Aminu Jahun

Department of History,  
Bayero University, Kano

Muhammad Umar Gombe

Center for Development and Partnership,  
Bauchi

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### Abstract

*The paper discusses the machinery by which the Public Sector Enterprises sector facilitates the private accumulation of wealth by the ruling elites, from as far back as the 1960s, aptly illustrated by expositions from commissions of enquiry into the management of some public enterprises in Nigeria. The paper recommends that only a break from the dominant capitalist ethos which informs political and economic policies could minimize the corrupt, illegal prebendal activities of the ruling elites in Nigeria. The methodology employed is conceptual and secondary data used for the purposes of the paper.*

**Keywords:** Elites, Public Enterprises, Private Accumulation, Nigeria.

**JEL Classification:** JEL L32

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### Introduction

The robust interventionist role of the developmental state in Nigeria, led to the establishment of Public Enterprises (PEs) across the diverse sectors of the Nigerian economy to achieve what Anugwon (2011) calls collective good and imperatives of development. Unfortunately, the goals for the establishment of the PEs could not be substantially realized due to the massive corruption of the 1970s and beyond. This pervasive corruption spearheaded by the ruling elites, transformed the public enterprises sector into an avenue for the illegal accumulation of wealth in the country. Usman (2002) posited that this monumental prebendal activity can only take place where the public realm and public service are relegated to the background by those who control the formulation of public policies and their implementations. The private appropriation of public funds, evident in the various expositions of probes and tribunals which enquired into the management of some PEs in the country, is symptomatic of high level corruption destructive of society, accountable for the myriads of decaying infrastructures, dismal medical services, crumbling education standards etc.

Against this background, the paper discusses the machinery by which the ruling elites siphon scarce, huge public funds, away from the public enterprises sector, among others, to private accumulation of

wealth. The methodology used in the paper is basically conceptual. Secondary data from diverse sources such as books, journal articles, and newspapers were used for the purposes of the paper.

### Literature Review

The concept elites connotes power relations prevalent in a given society characterized by the division of society into the powerless majority at the bottom of the power pyramid, and a few people who wield enormous political, economic and cultural powers at the peak of the pyramid. These constitute the elites in any given society. The elites are the loci of economic, political and cultural powers. To Okeke (2016) elites are those who occupy commanding heights in the governmental bureaucracy, military, economic, political and religious spheres in a country.

The categories of elites are defined by their interlocking features. Toyo (2004) posited:

*“that in a state political power is used to acquire or sustain economic powers, that economic power is used to acquire or sustain political and cultural powers, and that cultural power goes to sustain political and economic power”*

The dominant position of elites in the power configurations of society enables them to impose their bidding on others. As for the concept of public enterprise, Asalao (2015) defines it as a business organization wholly or partly established, owned and controlled by the state. To Zayyad (undated) the public enterprises sector refers to the parastatals sector which in the 1990s consisted of about 1500 organs at federal and state levels, which approximately accounted for 30 to 40 percent of fixed capital investment and the same proportion of formal sector employment.

The concept of private accumulation refers to primary or embryonic accumulation of wealth and capital by would be capitalists. Toyo (2004) pointed that against the conventional belief that primary or embryonic capital is provided through what orthodox economics refers to as “abstinence” or “household savings”, the reality of this capitalistic activity in Nigeria is such that it is accomplished through:

*‘gains from contracts executed for and sold for government agencies, gains from percolation i.e. fraud, stealing and bribes, often involving large government property, and government property cheaply transferred through privatization (Toyo, 2004)’.*

### **Theoretical Framework**

Some Africa scholars like Richard Joseph, Peter Lewis, and Nicholas Van de Walle etc. provided a theoretical perspective for the dysfunctional behavior in the political and economic arena in post colonial Africa which enables a privileged segment of the populace to divert public resources to private ends. The theoretical construct is prebendalism, which according to Catholic Encyclopedia in Joseph (2013) is “the right of member of chapter to his share in the revenue of a cathedral”. Joseph (2013) explains the theory of prebendalism as the practice where offices:

*‘can be appropriated by office holders, who use them to generate material benefits for themselves and their constituents and kin groups’.*

Shedding light on prebendalism, Ayobolu (2012) posited that it applied when public officers

*‘felt that their positions.....entitled them to unbridled access to public resources with which they not only satisfied their own material needs but also serviced the needs or wants of sub altern clients.’*

The theoretical perspective of prebendalism, therefore, explains the prevalent behavior of the ruling elites in Nigeria who through the occupation of top public offices enables them to appropriate huge public resources for private accumulation of wealth as various probes and commissions of inquiry in the public enterprises sector revealed over the years.

### **Draining the Nigerian Public Enterprises**

Over the decades in Nigeria, a lot of public funds have been expended on the establishment of public enterprises and their sustenance. Jerome (2008) pointed out that between 1975 and 1988, about US\$100 billion dollars was expended to establish the PEs, and like Oliver Twist, they still require continuous massive subsidies. About 40% of non-salary recurrent expenditure and 30% of capital expenditure were incurred annually on those enterprises with net outflows from the government to the PEs sector estimated at about US\$12 billion annually (Callaghary and Wilson, 1988). Regrettably, despite the massive commitment of public funds in the public enterprises sector, their performance, generally, has been unsatisfactory and dismal. The inefficient and unsatisfactory performance of the PEs is further reflected by the fact that total investment in the sector yielded meager results, about US\$1.5 billion in dividend and loan repayment from 1980 to 1987 (Federal Government of Nigeria, 1986: 24). Buttressing this, Zayyad (undated) posited that the returns from the investment in the public enterprises sector never exceeded two percent per annum.

Against the huge public funds expended on the PEs in Nigeria, and their unsatisfactory performance, then one might be tempted to ask, were such colossal funds, really, expended on them? Since their performance does not lend credence to the expenditure of public funds on them, then does it mean that the PEs are substantially used as fronts and avenues, for siphoning away, colossal public funds to private ends by the ruling elites in Nigeria?

The next section of the paper is an attempt to shed light on how the drains of the Nigerian economy through the public enterprises sector serves the accumulation needs of a tiny segment of the populace to the detriment of Nigerians as a whole.

### **Public Enterprises as a Front for Private Accumulation of Wealth**

The nexus between the use of the public enterprises sector to drain away huge public funds and the private accumulation of wealth by the ruling elites in Nigeria, has been aptly illustrated by revelations from commissions of inquiries established to probe the activities of some PEs over the decades. Some selected cases are discussed here under.

### The Nigerian Railway Corporation

According to the report of the Nigerian Railway Corporation Tribunal set up in June 1966 under the chairmanship of Justice Adefarasin, the contract awarded to Angus Builders Ltd to build the Railway Medical Center facilitated the contract of the private nursing outfit of the then chairman of Nigerian Railway Corporation, one Dr. Ikejiani. Paripassu with the construction of the Railway Medical Center, the same contractor Angus Builders Ltd, was also building some six houses on a 1.3 acre plot at No. 96 Apapa Road for Dr. Ikejiani (Report, 1967). Interestingly, the report pointed the relationship between the then chairman of Nigerian Railway Corporation, and the managing director of the contractor, Angus Builders Ltd. They were both directors in an insurance company, Prudential Insurance Company (Report, 1967).

Consequently, The Tribunal concluded that the larger contract, the Railway Medical Centre, was subsidizing the smaller one, Dr. Ikejiani's National Clinic (Report, 1967). The significance of the Nigerian Railway Tribunal revelation is that the facilitation of private accumulation of wealth through the Nigerian public enterprises sector, by those who occupied public offices began so soon within the first decade of the attainment of independence in Nigeria.

### The Nigerian Steel Development Authority

Analysis (2002), a weekly newsmagazine (now rested) reported the case which came before Lord Justice Rix at a High Court of Justice, Queen's Bench Division, London, on 27<sup>th</sup> February 2001 between the claimant being CompaignieD'Importation Ex D'Exportation S.A and the defendants being Australia and New Zealand Banking Limited and others. The revelations from the proceedings illustrate how a public organization became an avenue for private accumulation of wealth by the elite in Nigeria.

A USSR company was contracted in July 1979 to finance and construct Ajaokuta Steel Plant by the Nigeria Steel Development Authority. Some of the bills guaranteed by the Federal Government of Nigeria (FGN) were paid over the years, with bills no. 8-15 and 20 plus unpaid interest on them outstanding. After the demise of the USSR, outstanding bills were sold by their Russian holders

to Parnar Shipping Corporation, and in turn sold to Mecosta, an outfit jointly owned by Muhammad Abacha and one, Mr. Baguda. Mecosta, thereafter, resold the bills to the Federal Government of Nigeria twice what they bought them from Parnar Shipping Corporation. The outstanding bills were purchased for German Deutsmarks DM486 million and sold for DM972 million (Analysis, 2002).

Fortunately for Nigerians, after payment of the first tranche of DM486 million by the Central Bank of Nigeria on behalf of the Federal Ministry of Finance in May 1996, the second tranche payment was blocked by the receiving bank, MerrillLymah, after suspecting Mecosta of money laundering (Analysis 2002)

### Nigeria Airways Limited (NAL)

The case of Nigeria Airways Limited (NAL) as reported in Thisday of 30<sup>th</sup> November 2003, as:

*''one steered in a paradox. While the airline is wallowing under the valley of death, with the liquidation noose closing in menacingly, those who had one link or the other in the past are wallowing in stupendous wealth''*

Also, Thisday (30/11/2003) pointed that the report of Justice ObioraNwafa Judicial Commission of Inquiry set up in 2001 to probe the management of the airline between 1983 and 1988 unearthed how individuals, groups and organizations enriched themselves at the expense of the airline. Consequently, some former supervising ministers of NAL and managing directors, legal practitioners and bankers, as well as an airline and travel agencies were found to have corruptly enriched themselves at the expense of the airline to the detriment of Nigerians in general and the Nigerian government was called to recover about US \$400 million and #300 million from them either jointly or severally.

### Some Privatized Enterprises

The opaque deals perpetrated in some of the PEs discussed above, which facilitated the accumulation of wealth by the ruling elites was reinforced by the privatization exercise of 1999 to 2007. Some of the privatized enterprises were undervalued so that they could be bought very cheaply by privileged Nigerians.

Table 1: Valuation Of Selected Privatized Enterprises

S/N	ENTERPRISE	VALUED AT	SOLD AT
1	Delta Steel Company	\$1.5 Billion	\$30 Million
2	Ajaokuta Steel Company	\$ 1.5 Billion	\$30 Million
3	NICON Insurance Corporation	Worth over ₦6 Billion	Bought with fake MOU and fake cheques
4	ASCON	\$3.2 Billion	\$130 Million
5	Nigeria Reinsurance corporation	\$50 Billion	#1.5 Billion

Source: Olorode (2013) (Sahara Reporters 7<sup>th</sup> September)

As table 1 provides the valuations of some selected privatized enterprises and the amounts they were disbursed of, it is apparent that whatever yardstick of valuation was adopted by the Bureau of Public Enterprises (BPE), it is palpable that the enterprises were deliberately undervalued to be sold at a pittance. This gross undervaluation is also evident in the sales of Kaduna and Port Harcourt Refineries in 2007 to Bluestar Consortium for \$721 million, shortly before which the colossal sum of \$1.1 billion was expended in the rehabilitation and turnaround maintenance of the refineries. The public uproar against the sales of the refineries led to their cancellations by the incoming Yaradu's administration in 2007 (Daily Trust 13<sup>th</sup> July, 2007)

In respect of the privatisation of NITEL and M-TEL to Transnational Corporation (Transcorp), Ibrahim (2015) posited that the corrupt processes of selling NITEL to Transcorp "was more than a Christmas gift". While NITEL (with fixed network) was sold to ILL at \$1.3 billion in 2001 (even though they could not pay), the same enterprise was sold (with fixed network, wireless network and satellite facility) to Transcorp for \$500 million in 2006. After the acquisition of NITEL by Transcorp, the prebendal use of such enterprises to accumulate private wealth was evident as the managing director of Transcorp, Mr. Toni Iseghohi and two others were charged to have looted about \$110 million in NITEL (Ibrahim, 2015).

The above revelations are such that the dogs would not eat and they buttress Bassey et al (2014) who pointed that some of the richest Nigerians included those who either occupied public offices themselves, or by their proxies, reinforcing Ntalaja-Nzongola (1989) who posited:

*'that members of Nigeria's ruling class privatised the state itself in the sense that state resources including state enterprises, are used not to promote the public good, but to serve private ends''.*

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## Conclusion and Recommendations

The interventionist role of the developmental state in Nigeria led to the establishment of public enterprises mostly in the 1960s, 1970s and 1980s for the imperative of accelerated development. Consequently, large amounts of public funds were expended in the public enterprises sector. Yet these did not lead to improved welfare of Nigerians, because the public funds supposedly invested in the sector were, and are still, drained away to serve the private accumulation needs of those who occupied/occupy commanding positions in the public enterprises sector along with their supervisors and business partners.

Despite the dissatisfaction of the state of affairs in the sector, privatization which was supposed to make some of the public enterprises more efficient and cost effective still provided an avenue to facilitate the private accumulation of wealth by the ruling elites in the country. Some of the privatized enterprises were grossly undervalued so that they could be acquired for a pittance.

Any political economy based on such a shaky foundation of diverting scarce public resources for the private accumulation of a tiny segment of the populace, is a time bomb awaiting minor proximate causes to explode the entire edifice on which the political economy is perched. How can such a political economy based on inequality and impunity fail to breed violent extremism which erupted since 2009 in North-eastern Nigeria, ethnic violence in different parts of the country, resource control and cessations agitations in other parts of the country.

In Nigeria, the capitalist ethos which drives economic and political direction plays a crucial role in the private accumulation of wealth. Therefore, only a break from the prevailing capitalist ethos will ensure a substantial reduction of the prebendal activities of the ruling elites who appropriate public funds for private accumulation purposes.

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