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Parastatals And Public Enterprise: Does Government Have any Business in Business?

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Abstract
This research examined parastatals and business enterprises in Nigeria with a view to establishing if the Nigerian government needs to be involved in business or productive ventures. The emerging popularity of state capitalism begs for continuous involvement of the Nigeria government in the establishment of enterprises. However, past experiences point otherwise. The aim of the researcher was to establish implications for state capitalism, spillover effects, and causes of failed government public enterprises in Nigeria. Using the agency and theoretical orientation theoretical frameworks, and systematic review of literature, nine (9) government owned enterprises were analyzed. These included NITEL, NNPC, Ajaokuta Steel Company, ALSCON and others. It was revealed from the analysis that with the rate of failure of Nigerian government owned enterprises, state capitalism may not be feasible in the country. Also, that the major causes of the failure of these enterprises include mismanagement, corruption, poor business practices and government interference. It was concluded that there is still a chance for the Nigerian government to be in business, given the successes recorded in other countries. Recommendations made include the need to eliminate corruption, as well as the appointment of non-professionals as managers, and the adoption of success business models from countries like United Arab Emirates (UAE), Uganda and China.

Key words: *Parastatal, Public Enterprise and Business*

1. Introduction

The emergence of government intervention in the private sector was galvanised by Keynesian economics just after the great depression, and this laid the foundation for the government's ownership and involvement in productive and other ventures for the provision of social and economic goods. Although Keynesian economics advocated for the attainment of full employment through government expenditure and taxation, the government extended the frontiers of its intervention to provide key social and economic goods such as electricity, aviation, education, health, and even telecommunication. This is aside from the various levels of regulatory and compliance measures from several government agencies and institutions. The advocates of state intervention in the means of production and the control of enterprises advance citizens' welfarist maximisation as the focal point of such foray.

The extent and means through which the government enters into the ownership, control, and management of these enterprises under the guise of protecting their citizens and preventing increased avariciousness of the private sector business owners are generally captured in the tenets and propositions of state capitalism. Here, state capitalism underlines an economic system in which the state uses various tools for proactive intervention in economic production and the functioning of markets (Wright et al, 2021). This is associated with government interventions in the ownership and control of businesses, especially in emerging economies, particularly in the defunct Soviet Union, and recently in the Chinese economy (Sperber, 2019; Alami and Dixon, 2020). Utilizing the apparatus of indigenization, de-privatization, de-commercialization, nationalisation, legal takeover, forceful takeover, or a new enterprise, many governments have embraced state capitalism, thereby venturing into businesses through parastatals and public enterprises.

Within the realm of developed countries in the world, state capitalism has been relegated to the background, with the government giving the reigns of productive and allocative efficiency to the private sector. However, the government provides high-level compliance and regulatory oversight to limit unwholesome practices and protect citizens. In several of these developed countries such as France, Great Britain, and Norway, there is no distinction between state-owned and/or semi-state-owned enterprises and private companies in terms of their legal standing or the type of business ventures they engage in. For instance, the government's management of state companies is mostly driven by commercial or market-oriented considerations rather than political factors. The fundamental activities of these enterprises are intricately intertwined within the overreaching framework of competitive relationships. If the efficiency of the state-owned companies decreases significantly, and they experience substantial financial losses, a basis for a fundamental restructuring and/or divestment and privatization of certain parts of the economic entity that were previously under state ownership is undertaken.

For the developing countries in Sub-Saharan Africa and the Asian continent, the government is not only wholly responsible for establishing and sustaining public institutions and infrastructure but also frequently ventures into business enterprises under the notion of controlling prices and protecting consumers. In a country like Nigeria, the venturing of government into businesses not only created natural monopolies but ended up, in many cases, not achieving optimality in the attainment of the business objectives for which the enterprises were originally established. In other words, rather than provide the needed solutions to an existing problem, government ends up creating new ones, both in terms of productive and allocative efficiency. In this regard, examining the extent to which Nigerian government business ventures through parastatals and public enterprises have performed over the years, in an attempt to underline a justification for state capitalism, remains an area of further empirical probe, especially within the theoretical framework of entrepreneurship orientation, and agency theories.

1.2 Statement of the Problem

The Nigerian state is not a stranger to state capitalism and domineering state ownership of public enterprises over the years. This emerged during the indigenization and nationalisation policies of the government post-1972 and after the introduction of the Nigerian Enterprises

Promotion Decree in 1977. However, it must be noted that most of the resulting businesses and public enterprises remain defunct currently, and where government interests persist, frantic efforts are being made to privatize and completely divest from the entities. Most of those public enterprises included the Nigerian Airways, Nigeria Telecommunication Limited (NITEL), Nigeria Electricity Power Authority (NEPA), the Port Harcourt refinery, the Warri refinery, the Kaduna refinery, Nigerian Postal Service (NPS), Nigerian Railway Corporation (NRC), Nigerian National Petroleum Corporation (NNPC), the Nigerian National Shipping Line (NNSL), etc. This elicits questions on the justification and implication of government being in business, as well as if there are spillover effects of their failure to the doing business in Nigeria generally with respect to management and accountability.

The high level of corruption, nepotism, mediocrity, high-handedness, and political interference in Nigeria remains perennial despite the series of efforts by the government and the civil society to limit these. These have further been elevated to the extent of political, ethnic, and religious affiliations. These anomalies have always been there and do exist currently. Hence any form of government activity in the business arena is viewed with disdain and regarded as a waste of public resources and/or a white elephant project. This undermines the noble efforts of the governments of developing countries to provide public goods and ensure allocative and productive efficiency as practiced in developed countries. Based on this, this researcher examines if the Nigerian government has any business being in business through parastatals and public enterprises.

1.3 Objectives of the Study

The main objective of this study is to examine whether the government has any business being in business via parastatals and public enterprises. Specific objectives include:

i. To examine government public enterprises and parastatals in Nigeria and establish the implications for state capitalism.

ii. To evaluate spillover effects of government business ventures in the event of a failure or success.

iii. To establish the causes of government failure in business and proffer possible solutions.

1.4 Research Questions

i. What are the implications of government public enterprises and parastatals in Nigeria for state capitalism?

ii. Are there any spillover effects of government business ventures in the event of a failure or success?

iii. What are the causes of government failure in business in Nigeria and possible solutions?

2. Literature Review

2.1 State Capitalism

The concept of state capitalism has premeditated the government's active participation in businesses over the years, especially since the defunct Soviet Union and communist Cuba eras. Though this does not follow theoretical models, it positions the government as an instrument of compliance and regulation rather than as an instrument of allocative and productive efficiency through business ownership. This is further supported by the constant government bailouts of private businesses during the global financial crisis, during health crisis periods like during the last pandemic, or even during periods of natural disasters. This is an indication that the government gets involved in businesses through different forms. This economic or socio-economic process by which the government uses various tools to actively get involved in economic production and in the functioning of the markets is state capitalism (Wright et al, 2021).

Extending the meaning of state capitalism, it was posited that it is the involvement of the government in productive activities aimed at the potential satisfaction of human needs and wants through industrial production in bureaucratic enterprises that rationally calculates the net profits of their activities (Ingham, 2008). The author highlighted that the purpose of state capitalism is to satisfy the citizens' needs and wants. In addition to this, some authors pointed out that when this is done with the intent of making the ruling party very strong and dominant, state capitalism becomes part-state capitalism as obtained in China (Cuervo-Cazurra et al, 2021; Pearson et al, 2021). More so, this process entails configurations of capitalism where the government plays a strong role in supervising and administering capital accumulation, or indirectly owning and controlling capital. Taking this definition, state capitalism is alive and well. State-owned enterprises (SOEs), policy banks, sovereign wealth funds (SWFs), and other state-sponsored entities have become leading vehicles of global economic activity since the turn of the century in the early 2000s (Alami et al, 2022; Alami et al, 2023).

This indicates that many governments in the world are actively involved in state capitalism using different forms and initiates. The varieties used by the government are usually premised on the degree of the state's ownership of the enterprises and the influence over the running of the affairs. This can be through wholly-owned state enterprises (SOEs), state-owned enterprises with majority state capital, and state-owned enterprises with minority state capital (Musacchio et al, 2015). In other ideal types, the state could own all the shares in certain companies, use policies to promote certain firms as well as own majority and minority stakes in other companies to achieve its objectives, as is the case, for example, in China and Russia (Lane, 2008; Musacchio and Lazzarini, 2014; Hu et al., 2019). Many of these have turned out to be what is today referred to as Government Owned Enterprises (GOEs).

2.2 Government-Owned Enterprises (GOEs)

Government Owned Enterprises (GOEs) are products of state capitalism. These enterprises are also referred to as state-owned enterprises (SOEs). These enterprises are created to provide services to the vulnerable members of society and consist of enterprises in which the state exerts significant control through full, majority, or significant minority ownership. This definition includes GOEs that are owned by the central or federal government as well as the ones owned by regional and local governments (Sturesson et al, 2015).

The overall objectives for government-owned enterprises (GOEs) fall into the following categories: support national economic and strategic interests; ensure continued national ownership of enterprises; provide specific public goods or services (when it is concluded that the market cannot supply the same goods or services); and perform business operations in a "natural" monopoly situation (Organisation for Economic Cooperation and Development (OECD), 2021). Government-owned enterprises (GOEs) rank among the world's largest companies in the world and have a potentially critical role to play in economic growth and development (Cuervo-Cazurra et al., 2014; Cuervo-Cazurra and Li., 2021)

In Nigeria, it was the Nigerian Enterprises Promotion Decree of 1977 that led to the government gaining more control over the economy through government owned enterprises. In accordance with various reports associated with the Vision 2010 socio-economic development programme, the need to promote the ideals of government owned enterprises (GOEs) led the government to make investments in public firms in excess of $100 billion in 1996 (Adamu, 2006). In addition to this, the government exercised significant control over the petroleum, minerals development, banking, telecommunications (fixed line), power, and steel sectors of the economy. These sectors alone accounted for a minimum of 40 percent of the total National GDP (Obadan, 2000). As such, investments in companies that operate in this sector were aimed at establishing public enterprises (GOEs) to optimize the utilization of personnel and financial resources.

Nevertheless, Nigeria as a country has a long history of government-owned enterprises (GOEs). During the period from 1950 to 1960, the nationalist administrations followed the suggestion of the Fitzgerald Commission and created the Nigeria Colliery Department as a publicly owned business. In 1954, the Nigerian Ports Authority was established, and in 1955, the Nigerian Railways underwent a transformation, transitioning from a department to a corporation. From the early 1950s onwards, the expansion of public businesses has been extraordinary. Following the implementation of a federal system in 1954, there was a rise in the number of government-owned enterprises (GOEs). The number experienced an increase due to the subsequent establishment of States in 1967 (Adamu, 2006).

Furthermore, the New Nigeria Development Company Limited (NNDC) played a significant role in the advancement of state involvement in production activities. It was established in 1949 under the name Northern Region Production Board. An additional illustration in this classification is the Odu'a Investment Company, which functions in the best interests of Western Nigeria. These organizations were established as Marketing Boards to oversee the production and distribution of crops such as cocoa, groundnuts, and palm kernels, (Omoleke, 2010). In addition, the establishment of government-owned enterprises (GOEs) was facilitated by the 1999 Federal Constitution, as Section 16 of the Constitution states that the State has the responsibility to control the national economy in a way that ensures the maximum welfare, freedom, and happiness of every citizen.

However, this section pointed out that this should be done based on principles of social justice, equality of status, and opportunity. The State has the right to participate in areas of the economy other than the major sectors, but it should primarily manage and operate the major sectors. This was responsible for the Nigeria Enterprises Promotion Decree of 1977, and subsequent transmission to the Bureau for Public Enterprises (BPE), which ensured that these government-owned enterprises (GOEs) were transmuted into private companies thereafter. The onus remains that the Nigerian government has seen its fair share of government owned enterprises (GOEs) and has been involved in the business of being in business over the years.

2.3 Rationale and Importance of Government-Owned Enterprises (GOEs)

Many reasons have been advanced for the existence of government owned enterprises, and the very benefits from them. It is these reasons that underline the importance of government-owned enterprises. This also applies to the Nigerian situation. One of these reasons is the existence of monopoly power in certain sectors. This means that in some markets, there is a tendency for only one producer to fully take advantage of economies of scale, especially in services that require significant investments in a network, such as an electricity grid. In this situation, it may be necessary for the government to exercise direct control to prevent prices from exceeding the cost of producing the output (Todaro, 1989; Obadan, 2000).

Furthermore, the government's intention to achieve social fairness, particularly in terms of employment and ensuring easy access to necessary products and services is effectively addressed through the public ownership of firms, a measure that the competitive market would overlook (Obadan, 2000). Furthermore, the establishment of critical enterprises was a prerequisite during the initial phases of development, particularly when private funds were scarce. This required making significant investments in infrastructure to establish the foundation for future investments. This responsibility is always taken up by the government.

Another inevitable reason for government ownership of enterprises in many countries including Nigeria is the absence of private incentives to participate in potential economic endeavors. This lack of motivation stems from uncertainties regarding the size of local markets, economic distortions, unreliable sources of supply, and insufficient technology and skilled labor. This compels the government to step in. This accounts for the establishment of GOEs like the Ajaokuta Steel Company. Aluminum Smelter Company of Nigeria (ALSCON), Nigeria National Petroleum Company (NNPC), and others.

Furthermore, certain items that yield significant societal advantages are typically distributed free of charge or at a price lower than their production cost. Since the private sector lacks the motivation to manufacture such goods, it becomes the responsibility of the government to ensure their manufacture and distribution. The government may pursue redistribution by strategically locating enterprises in areas with low private initiatives. Additionally, some governments may be motivated by ideology and the desire to gain national control over strategic sectors or multinational corporations that may not align with the interests of African countries. This control may also extend to key sectors for planning purposes (Todaro, 1989).

2.4 Performance of Government-Owned Enterprises (GOEs)

Government Owned Enterprises (GOEs) are not entirely under-achievers as portrayed in many theoretical expositions. As of 2015, global reports showed that government-owned enterprises were dominant in primary sectors, accounting for 11% of global primary sector activities, 18% in transportation, 28% in finance, 21% in electricity and gas, 6% in manufacturing and 5% in telecommunication (OECD, 2017). SOE assets were valued at $45 trillion in 2018, about half of global GDP, up from around $13 trillion in 2000 (International Monetary Fund (IMF), 2020). In a study of 40 countries (excluding China) in 2015, GOEs were valued at USD 2.4 trillion and employed over 9.2 million people (OECD, 2017). Another estimate credits GOEs for 20% of the investment, 5% of employment, and up to 40% of domestic output worldwide in 2018 (International Finance, (IFC), 2018). In terms of their distribution across countries, GOEs are important market actors in both high- and low-income settings, although their economic weight is most significant in transition economies where their added value can be as high as 30% of GDP (World Bank, 2017).

New forms of government-owned enterprises such as Sovereign Wealth Funds (SWFs) are used in channeling public wealth into stock markets. This yields positive results when operated transparently and on normal commercial lines as has been shown in Norway (Wolf, 2007). This implies that the different types of GOEs are used in creating public goods, reallocating resources, providing essential infrastructure, and enhancing the government revenue base. However, these can turn sour, and assume frightening shapes when GOEs are involved in motives beyond profit and refuse to harmoniously align with 'free market' precepts. For some, the latter occurs more frequently in emerging economies, where political factors still matter at least as much as economic fundamentals for the performance of markets. (Bremmer 2010). In such instances, GOEs continue to accrue losses and suffer declines in productivity. To some degree, these problems are endemic to the sectors in which state enterprises have been concentrated historically, that is in strategic and declining industries. Some issues happen due to inefficiencies and misallocation of capital by state financial institutions (Wolf, 2007). This is an indication that regardless of the many benefits that can be derived from government-owned enterprises, there are also losses associated with it.

2.5 Causes of Failure of Government-Owned Enterprises (GOEs) in Nigeria

The performances of the Government Owned Enterprises (GOEs) in Nigeria have been unsatisfactory. A significant number of these entities could not adapt to the evolving needs of a thriving and dynamic economy and appeared to lack the essential skills needed to transform the aspiration of prosperous business operations into tangible outcomes (Omoleke, 2010). Despite the substantial investments made in these enterprises, their performances are nevertheless unsatisfactory. The prevailing consensus among the majority of Nigerians is that government owned enterprises (GOEs) are characteristically inefficient. The inefficiency of most of these public enterprises is demonstrated by their poor performance (Omoleke, 2010).

In a study, the findings of government-established investigatory panels on various parastatals indicated a significant level of inefficiency, which had become scandalous (Laleye,1985) The substantial government investments in state-owned enterprises (SOEs) provide a valid basis for the widespread criticism of their inefficiencies. Regrettably, these issues are evident in Nigeria's stagnant educational system, inadequate provision of clean water, inconsistent supply of energy, and very long queues at Nigerian petrol filling stations due to the haphazard distribution of petroleum supplies (Rahman, 1982; Omoleke, 2010; Nasir, 2017). In addition, hospitals have transformed into simply consulting clinics lacking essential medications and dressings. These deficiencies caused organizational goals to be compromised and imposed significant challenges on society (Omoleke, 2004; Akinkugbe,1996). The inefficiency of government owned enterprises (GOEs) can be attributed to several factors. First, is conflicting objectives as previously mentioned, which contribute to GOE inefficiencies. Second is excessive government control and interference in the operational decisions made by GOE managers, which stifle their ability to take initiatives. Lastly, the politicization of employment and poor choices regarding the products and locations of these enterprises further exacerbate their inefficiency (Obadan, 2000).

2.6 Theoretical Framework

Two important theories align with this research, especially in viewing the role of the government in the ownership and control of business enterprises. These theories include the theory of entrepreneurship orientation and agency theory. Both theories provide substantial propositions that tend to explain why government should be actively involved in business enterprises and the possibilities that this participation could result to success or failure.

First, the agency theory is novel in explaining the principal-agent relationship in organizations. However, in government-owned enterprises, the agency theory is considered a theory of contracts, primarily depicting government ownership arrangements as being sub-optimal (when compared to a private firm with dispersed ownership) due to conflicting objectives between the government and government-owned firms (Wright et al., 2021), expropriation (Grosman et al., 2019), or lack of accountability toward the de facto principal, in this instance, the citizens of the country, in the same manner as institutional investors often lack accountability to savers (Cuervo-Cazurra et al., 2023), and minority government ownership is considered beneficial due to the longevity of investment and less interference (Inoue et al., 2013).

This posits that in government-owned enterprises (GOEs), the principal-agent relationship should have been between the managers of these companies and the citizens of the country, rather than between the managers and the government. By this, these citizens are considered as de facto shareholders whose business interests are to be protected and must be pursued within the context of the objectives of the enterprise. It is stated that when government owned enterprises are modelled in this regard rather than being modelled in the government-manager business relationship, there is the likelihood of accountability, proper allocation of resources, reduction in expropriation, and more profitable investments. This increases the chances of survival and growth for such government-owned enterprises. Based on this, it is assumed that successfully run government-owned enterprises around the world are managed within the ambit of this agency theory that ensures that the conflicting interest of government is totally constrained and made weak.

On the other hand, the theory of entrepreneurship orientation positions that the source of a government-owned enterprise's competitive advantage lies in the execution of its business model mechanism (Covin and Wales, 2011). This implies that the superior execution of the business model mechanism, constituting the value opportunities, core resources, management logics, and value activities, empowered by equity-linked performance-based entrepreneurial incentives, provides the firm a sustainable competitive advantage in the GOEs (Anderson et al, 2009). The business model that was proposed for GOEs is the enterprises' value creation and appropriation mechanism linked to the buyer/customer value chain that enhances the buyer/customer performance or lowers the buyer/customer cost (Basso et al, 2009; Covin and Wales, 2019). This hinges on the success of government-owned enterprises on knowledge management and innovation that originates internally and is nurtured to give the enterprise a competitive edge. This theory provides the notion of an entrepreneurial government and positive interactions between the government and entrepreneurs within the government-owned enterprises, hence leading to rewarding productive activities that hitherto are offered to the public at reduced costs (Romero-Martínez et al., 2010; Tang et al., 2017).

Both the agency and entrepreneurship theories posit that government has business being in business only when the ownership structure is pivoted in the absence of conflicting reports. The enterprises are run with no or minimal government interference, and that they are entrepreneurial organizations that are innovative and productive, rather than one that depends on the resources and direction of the government. There are successful government-owned business models such as ARAMCO in Saudi Arabia, Petrobras in Saudi Arabia, Ethiopia Airlines in Ethiopia, Emirates Airlines in United Arab Emirates (UAE), and Ibom Air owned by a sub-national Government, the Akwa Ibom State Government, which have been shown to have been operated based on the propositions of these theories. These successful examples will be discussed later in this research.

2.7 Review of Empirical Studies

Several studies have attempted to depict the hows, whys, and rationales for government involvement in productive businesses. In World Bank (1981) and World Bank (2021) which examined state-owned enterprises (SOEs) across different countries globally, it was reported that the implications of inefficient SOEs for development are significant and that there are studies that had shown that if SOEs were just 5% more efficient, the Gross Domestic Product (GDP) could be 1–5% higher. In a study by Omoleke (2010), who investigated six (6) public enterprises in the South-West of Nigeria, aimed to determine their role in providing economic goods and the contradictions that hindered their performance. According to the researcher, State-Owned Enterprises (SOEs) are distinct corporate organizations established by the Government for entrepreneurial objectives. Statutory entities possess legal personality and have the ability to enter into contracts, as well as acquire and transfer property. As a result, the government sought to privatize some of these SOEs to improve efficiency and delivery. This was because all the examined public enterprises operated inefficiently.

Furthermore, Kim and Ali (2017) examined the efficient management of state-owned enterprises (SOEs) with the aim of determining opportunities and challenges. The researchers noted that despite a wave of privatization in the last 3 decades, SOEs still contribute significantly to the economic growth of both developed and developing countries (Robinett 2006). The researchers reported that SOEs account for about 30% of gross domestic product (GDP) in the People's Republic of China (PRC), 38% in Vietnam, 25% in India and Thailand, and about 15% in Malaysia and Singapore (OECD, 2017). Also, in 2005, they accounted for more than 50% of Gross Domestic Product (GDP) in Tajikistan, Turkmenistan, and Uzbekistan and about 20%–40% in other Central Asian countries respectively (World Bank Group, 2014). The researchers posited that if they include those firms in which the state owns more than 50% of their total shares, directly and indirectly, at the national or sub-national level, then 10% of the world's largest firms (204 enterprises) could be classified as SOEs with a net worth amounting to $3.6 trillion. This value is three times the size of Apple Inc in terms of market capitalization presently. This indicates the importance attached to government owned enterprises, and evidence that government still has business in being in business.

In another study, Mutize and Tefera (2020) conducted a scientific analysis of the contentious view on the possibility of creating efficient governance mechanisms in SOEs. The researchers explored the effective cost for governance failures in SOEs in Kenya, Zimbabwe, South Africa, and Ethiopia. The researchers concluded that the determinant factor to the success of SOEs in African countries is underpinned by the response of central governments to the challenges of SOEs. As such, there is always the need for structural reforms, good governance, clear objectives, and efficiency for such enterprises to thrive in order to benefit the country. The researchers suggested that as a lasting remedial action, knowing which entities and when to offload them through privatisation is an option in addressing the governance challenges in African SOEs. For strategic SOEs, the researchers recommended that governments should consider listing them on public stock exchanges.

3. Methodology and Design

Both quantitative and qualitative methods were adopted in this study. In order to examine parastatals and public enterprises in Nigeria with a view to exposing if the government has any business being in business, the researcher used examples of government owned enterprises that have failed or succeeded in the country. Systematic review of literature was focused on examining the following Nigerian government owned enterprises, defunct or active: Ajaokuta Steel Company, Nigeria Airways Limited, National Electric Power Authority (NEPA)/Power Holding Company of Nigeria (PHCN), Nigeria Telecommunication Limited (NITEL), Nigeria National Petroleum Company (NNPC), Aluminum Smelter Company of Nigeria (ALSCON), Nigeria Railway Corporation (NRC), Nigeria National Shipping Line (NNSL), and the three (3) refineries.

These government-owned enterprises represent government public enterprises and parastatals in Nigeria, and these were analysed socially, financially, and economically. This analysis was supported by data from the World Bank reports on government-owned enterprises in African countries (2018-2022), and qualitative reports from the Organisation for Economic Cooperation and Development (OECD) on government-owned enterprises in African countries. Analysis was done quantitatively using tables and percentages, with comparisons made where possible. The focus was entirely on past and present government-owned enterprises (GOEs) in Nigeria in the past five (5) decades.

4. Result and Discussion

Each of the identified government-owned public enterprises in Nigeria was analyzed based on the year established, nature of government ownership, sunk cost, status, spillover effects, and reasons for failure or success. These parastatals and public enterprises are presented in Table 1.

Table 1: Analysis of Government-Owned Enterprises (GOEs) in Nigeria

GOEs	Year Established	Nature of Govt, Ownership	Sunk Cost	Current Status	Spillover effects	Reasons for Failure
Ajaokuta Steel Company	1979	100% owned	$10 billion	Abandoned and Moribund	High importation of steel; loss of revenue; loss of direct and indirect employment; stagnated metal sector; negative trends in mining sector; dented potential to become global economic and industrial power. Loss of technology transfer. Foreign currency lost to importation.	Mismanagement; corruption; poor funding; lack of infrastructure.
ALSCON	1989	70%	$3.2 billion	Moribund	Loss of revenue: loss of employment: delayed development of the Nigerian Gas Project: Underdevelopment of the Nigerian Automotive Industry. Loss of technology transfer. Foreign currency lost to importation.	High gas pricing, mismanagement, politics, failed privatisation and clash of interests.
Nigeria Airways	1958	100%	₦22.68 billion	Defunct and fully liquidated	No national carrier till date; inability to settle pension arrears of former workers; loss of revenue from aviation; underdeveloped aviation sector; Loss	Mismanagement; politicization of government business; overstaffing and corruption

					of technology transfer. Foreign currency lost to importation.	
NNSL	1959	51% before 1961; 100% post-1961	More than $6 billion	Liquidated	Underdeveloped shipping sector; no national fleet; delays in local content development; loss of employment; loss of revenue. Loss of technology transfer. Loss of foreign currency.	Mismanagement, corruption, and political patronage. Poor business practices.
GOEs	**Year Established**	**Nature of Govt, Ownership**	**Sunk Cost**	**Current Status**	**Spillover effects**	**Reasons for Failure**
Nigerian Refineries	1965, 1978 and 1980	100%	$25 billion	Moribund	Importation of petroleum products; loss of foreign exchange; perennial fuel scarcity; underdeveloped petrochemical sector. Cost of subsidy	Mismanagement, corruption, government interference, bureaucratic bottlenecks
NEPA	1972, then 2005 as PHCN	100%	₦35 billion	Defunct/ Unbundled/Privatized	The power sector remains moribund; stunted manufacturing sector; delayed industrialization; high cost of doing business; and increased demise of SMEs. Cost of subsidy.	Mismanagement, corruption, poor business practices, government interference
NITEL/ MTEL	1985	100%	₦12.9 billion	Defunct/ Liquidated	A boom in telecommunication; growth in services sector;	Mismanagement and corruption
NRC	1912	100%	NA	Active	Development of rail transport; increased rail infrastructure; connecting urban areas	Mismanagement and corruption
NNPC	1977	100%	NA	Active	High importation of	Mismanagement

					fuel; loss of revenue from theft of petroleum products; underdeveloped gas sector	, government interference, lack of transparency and corruption

Source: Author's Compilation from various sources

The first of these government-owned enterprises is Ajaokuta Steel Company. This was a novel public enterprise that would have opened the doors of industrialization in the country. However, after 45 years (1979-2023), this company which was projected to produce 2.6 million tons of steel per year, has failed to commence operations. The project was to cost $1 billion when the contract agreement was signed in 1976, but as of today, it has cost the Nigerian government $10 billion in sunk cost. This translates to $15 trillion at the current exchange rate. Given that it is steel that builds the modern economy, and the project is moribund, the Nigerian government has failed in this project. This is regardless of the current promises and efforts to resuscitate this public enterprise.

Aluminum Smelter Company of Nigeria (ALSCON) remains one of the failed government owned enterprises. The huge potential of the project was untapped, and the sunk costs are colossal, $3.2 billion or ₦4.8 trillion, Today, the enterprise remains moribund even with several government efforts at divesting. Again, there is the Nigerian Airways Limited which was established in 1958 but became a fully owned government business in the 1970s when the Nigerian government acquired the shares of the British Overseas Airways Corporation (BOAC). The enterprise was fully liquidated in 2004 leaving liabilities amounting to more than ₦22.68 billion for the government to settle. The Nigerian government has yet to settle these liabilities, 20 years after. Regardless of the failure of this government-owned airline, there are success stories from other countries such as Ethiopian-owned Ethiopian Airlines and United Arab Emirates (UAE) owned Emirates Airlines.

There is also the liquidated Nigerian National Shipping line which cost the Nigerian government over ₦900 billion. The country has no national fleet, with foreign vessels taking a greater proportion of revenue from the maritime sector outside Nigeria. This is yet another failed government enterprise in Nigeria. There are the three (3) Nigerian refineries which appear to be one of the greatest failures of government owned parastatals and public enterprises. Here, one of the reasons advanced for government owned enterprises, that is, to control prices and protect consumers remain defeated. Nigeria is one of the highest producers of crude oil, as well as importers of refined crude products. These refineries remain moribund despite billions of United States dollars sunk in to revive them.

One of the perennial problems of Nigerians is that of epileptic electricity supply, and this would have prompted the government to establish NEPA. However, this public enterprise could not achieve any other objectives. Nigerians still pay heavily for darkness, industries are operating at lower manufacturing capacity utilization, and the divestment of the government in the power sector was not holistically consummated. The government is still in the business of generating, pricing, and distributing power in Nigeria despite the failure of NEPA/PHCN. In countries like France and South Korea, the governments run successful state-owned power enterprises like Electricte de France and Korea Electric Power. There was also Nitel/Mtel which earned the government liabilities over ₦12 billion. However, it must be pointed out that it was after the liquidation of some aspects of this government-owned enterprise and the partial privatization (which has remained moribund), and the subsequent deregulation of the telecommunication sector that Nigeria attained important milestones in mobile telephony and internet penetration. This has also catalyzed the services sector which contributes more to domestic output.

Finally, there is NNPC and Nigeria Railway Corporation (NRC). Both government enterprises are active although there are plans by the government to divest from NNPC by listing the enterprise in Nigeria Exchange Limited (NGX). Regardless, these two public enterprises have faced numerous challenges, with NRC becoming operational again after years of operational hibernation, and NNPC compounding the petroleum products distribution problem rather than solving it.

From above, out of the nine (9) government public enterprises examined, only 2 or 22.2% remain active. This is an indication that the government in Nigeria has perennially failed in the business of being in business. As such, it can be stated that the government in Nigeria is not attuned to be successful in state capitalism, as many of their attempts have ended in such enterprises becoming defunct, moribund, and liquidated. Not only that but there is also an enormous loss of resources by the government in the process, which hitherto would have been utilized for other vital purposes. This implies that regardless of the popularity of state capitalism, the trend and records of the Nigerian government in setting up parastatals and public enterprises, and successfully managing it is currently a mirage. This situation is portrayed through the World Bank report on government-owned enterprises in Africa published in 2021, which posits that Nigeria is increasingly incurring liabilities and debt from the operation of state-owned enterprises (World Bank, 2021). This was stated to have systemic implications for Nigeria's public finances and the economy.

Additionally, not only did the government fail at many of these enterprises, but there were also spillover effects that limited or delayed potential. The government lost vast amounts of revenues which would have accrued to their accounts, if these enterprises were managed effectively and efficiently. Also, some sectors like the manufacturing sector, mining sector, maritime, power, and aviation sectors, suffered negative collateral damages which affected the development of these sectors. Not only this, the loss of many of these enterprises threw many employees into the labor market, hence exacerbating the already dire unemployment situation in the country. There is also a high cost of doing business because of high energy costs from buying and maintaining large capacity generators and high cost of imported diesel, and the increasing underdevelopment of sectors such as mining and automobile which would have benefited tremendously from a robust steel production business if Ajaokuta Steel company and ALSON were properly managed.

Finally, four (4) main causes were established from the analysis of the government owned enterprises in Table 1. These include mismanagement, corruption, government interference and political considerations, and poor business practices. These summarize the agency problems that may have arisen in the failed public enterprises and the continuing challenges faced by the active ones. In these enterprises, it is the government that appoints the managers who are usually affiliates and stooges of political associates. These appointed managers are not professionals; hence they only follow the directions of the government that appointed them to such positions. As such, their allegiance is to the government rather than the citizens, hence a distorted principal-agent relationship. This leads to mismanagement, incessant government interference and high level of corruption. Again, due to the unprofessional management, there is absence of innovation through entrepreneurship, since individuals want to please only the paymaster. This is typical of NNPC which has failed to prevent scarcity of petroleum products such as Premium Motor Spirit (PMS) in the country over the past 3 or 4 decades in Nigeria. This enterprise has limited capacity, the needed professionalism, and will power to foster global best business practices.

5. Conclusion and Recommendations

State capitalism has remained very popular among nations, as seen with the growth of the number of government-owned enterprises since the 2000s. This means that there is business in government being in business especially to control supply, avoid scarcity, limit unfavorable competition, eliminate monopolies, provide vital public goods, and protect end users from incessant price changes. While many countries like China, Brazil, and Ethiopia have excelled in some form of public enterprise, the Nigerian situation remains dire, especially considering the many failed government-owned enterprises, and colossal resources wasted in the process. There remain doubts that the Nigerian government has some business still being in business, given that the causes of the failures recorded included excessive government control and political considerations, mismanagement, high levels of corruption, and poor business models. Regardless, many other governments across the globe have achieved several levels of success in mining, aviation, transportation, steel, manufacturing, and other sectors. It is still possible for the Nigerian government to move to the league of governments that can affirm that they have a business being in business if the following solutions presented in the form of recommendations are implemented:

i. The government should appoint only professionals and technocrats to manage government-owned enterprises. This should be after rigorous selection process that is independently conducted by reputable professional firms.

ii. The government should focus on businesses that they have a comparative cost advantage rather than being involved in many ventures and using them as fronts for political associates.

iii. The government should study closely and adapt the business models used in successful enterprises owned by other governments, such as Ethiopia's Ethiopian Airlines, UAE's Emirates Airlines, Saudi Arabia's Aramco, Russia's Gazprom, and even Ibom Air owned by Nigerian sub-national government, Akwa Ibom State. Some good business practices can be adopted or adapted in establishing a flourishing national carrier, or in making NNPC profitable consistently, etc.

iv. Government should separate business from politics if it wants to have any chance of successfully executing profitable business practices and models for its owned enterprises.

v. All the above solutions will never be fruitful if corruption is treated kindly. Independent institutions and apparatus should be used in tackling corruption.

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