International Journal of Humanities and Social Science Invention
ISSN (Online): 2319 – 7722, ISSN (Print): 2319 – 7714
www.ijhssi.org ||Volume 6 Issue 9||September. 2017 || PP.19-30

Privatization in Nigeria: A Re-Examination

*Igbokwe Philomena Ify (Ph.D.)
Department Of Public Administration, Obafemi Awolowo University, Ile-Ife, Osun State, Nigeria.
*Corresponding Author: *Igbokwe Philomena Ify*

Abstract: *The paper examined the privatization experience of Nigeria. It reviewed the relevant literature and the policy framework for effective privatization. The objectives of the government for embarking on privatization were analysed. The paper investigated the justification for the institutional reform of the State-Owned Enterprises in Nigeria. This was based largely on the cumulative dismal performance of these enterprises. The study discovered that one of the major motives of the Nigerian Federal Government in privatization appears to be the desire to improve on the operational efficiency and reliability for public enterprises. The study revealed that major challenges in the privatization exercise are due to corruption, undervaluation, policy somersault and lack of due process. The study concluded that Nigeria must move with the rest of the world, very urgent corrective and remedial measures need to be urgently put in place to save Nigeria from the present dilemma over the current national privatization exercise.*

Keywords: *Nigeria, Privatization, Programme, Public-enterprises*

Date of Submission: 28-08-2017 Date of acceptance: 17-09-2017

I. INTRODUCTION

Privatization is the transfer of a company or organization from government to private ownership and control. Privatization, also spelt privatization (in British English), has several meanings. Primarily, it is the process of transferring ownership of a business, enterprise, agency, public service or public property from the public sector (a government) to the private sector either to a business that operates for profit or to a non-profit organization. It may also mean the government outsourcing of services or functions to private firms, for example, revenue collection, law enforcement and prison management. Chowdhury, (2006). Privatization may also describe ownership changes not involving the public/government sector. The first is the purchase of all outstanding shares of a publicly traded company by private investors. The shares are then no longer traded at a stock exchange, as the company became private through private equity. The second such type of privatization is the demutualization of mutual organization or cooperation in order to form a joint-stock company. Cooperative News (2005).

The history of privatization dates from Ancient Greece, when governments contracted out almost everything to the private sector. In the Roman Republic, private individuals and companies performed the majority of services including tax collection (tax farming), army supplies (military contractors), religious sacrifices and construction. However, the Roman Empire also created state-owned enterprises – for example, much of the gain was eventually produced on estates owned by the Emperor. Some scholars suggest that the cost of bureaucracy was one of the reasons for the fall of the Roman Empire. Parker (1991). According to Li and Zheng (2001) one of the first ideological movements towards privatization came during China's golden age of the Han Dynasty. Taoism came into prominence for the first time at a state level, and it advocated the laissez-faire principle of Wuwei, literally meaning "do nothing". The rules were counseled by the Taoist clergy that a strong ruler was virtually invisible. During the Renaissance, most of Europe was still by and large following the feudal economic model. By contrast, the Ming dynasty in China began once more to practice privatization, especially with regards to their manufacturing industries. This was a reversal of the earlier Song dynasty policies, which had themselves overturned earlier policies in favor of more rigorous state control. In Britain, the privatization of common lands is referred to as enclosure (in Scotland as the Lowland clearances and the Highland clearances) significant privatizations of this nature occurred from 1760 to 1820, coincident with the industrial revolution in that country.

More recently, from the 20th century, Great Britain privatized its steel industry in the 1960s, and the West German government embarked on large-scale privatization, including sale of the majority stake in Volkswagen to small investors in public share offerings in 1961. However, it was in the 1980s under Margaret Thatcher in the United Kingdom and Roland Reagan in the United States that privatization gained worldwide momentum. Notable privatization attempts in the UK included privatization of Britoil (1982), Amersham International Plc (1982), British Telecom (1984), Sealing Ferries (1984), British Petroleum (gradually privatized between 1979 and 1987), British Aerospace (1985 to 1987), British Gas (1986), Rollo-Royce (1987), Rover

Group (formerly British Leyland, 1988), British Steel, Corporation (1988), and the regional water authorities (mostly in 1989). After 1979, council house tenants in the UK were given the right to buy their homes. One million purchased their residences by 1986.

In Nigeria, the attempts to privatize the State-owned Enterprises was between 1989 and 1993 when the Federal government divested itself of some of its investments in some State-owned Enterprises through public offering. The legislative instrument under which this was done was the Privatization and Commercialization Act of 1988 which established the Technical Committee on Privatization and Commercialization (TCPC) as the institution to privatize one hundred and one State-owned Enterprises (SOEs) and commercialize thirty five others. The first category of enterprises consisted of some sixty seven state owned enterprises, such as hotels, breweries, insurance companies, and other similar light industries; the second category consisted of forty three enterprises including oil marketing companies, the paper mills, Nigeria Airways, fertilizer companies, the steel rolling mills, sugar companies and cement companies. The third category consisted of eleven parastatals, including the Nigerian National Petroleum Corporation (NNPC), Electric Power Authority (NEPA) later transformed to Power Holding Company of Nigeria (PHCN) which ceased to exist in 2013. In its stead, the Nigerian Electricity Regulatory Commission (NERC) was formed. The last category consisted of fourteen other parastatals including the Nigerian Railways, the Delta and Ajaokuta Steel Rolling Mills.

By 1993, when the Bureau of Public Enterprises Act was enacted, repealing the 1988 Act, the TCPC has already privatized eight-eight of the one hundred and eleven state owned enterprises. The 1993 Act established the Bureau of Public Enterprises (BPE) to replace the TCPC. The 1993 Act was repealed by the 1999 Act which recreated the BPE in addition to the National Council on Privatization (NCP) as the two main organs for the programme. The council is the legislative arm while the BPE is the executive arm. The BPE prepares public enterprises for privatization and carries out activities required for the successful privatization of public Enterprises. Various methods of privatization have been adopted in Nigeria to effect the programme such as Initial Public Offer, Sale by Competitive Bid, Sale Through Direct Negotiation to core investors, e.t.c.

Nigeria like many other developing countries, has accepted in principle the need for extensive deregulation of the economy and the privatization of most of the state-owned enterprises. As it has become clear, the implementation of the Nigerian privatization programme has encountered some difficulties owing to local socio-economic conditions. While the privatization of the smaller SOEs went on relatively smoothly, serious difficultires were encountered in the efforts to privatize most of the large state-owned enterprises, which from the point of a potential investor, both local and foreign were not attractive. Since the introduction of the privatization programme in 1987, a number of barriers and constraints emerged and these have tended to retard progress in the government’s privatization programme.

II. OBJECTIVES OF THE STUDY

The broad objective of the study is to examine the privatization programme in Nigeria. The specific objectives are to:

- Assess the relevance of State-owned Enterprises in the socio-economic development of Nigeria;
- Identify the strategies and mechanisms put in place to implement the privatization programme; and
- Analyse the challenges militating against the implementation of privatization programme in Nigeria.

III. METHODOLOGY

The contents of this paper is purely on review of relevant literature on the challenges facing public enterprises in Nigeria and the privatization option. Thus, the methodology adopted for obtaining data was based on documentary secondary data obtained from academic journals, conference papers, inaugural lecturers, articles, textbooks, the Internet and the author’s personal views.

IV. LITERATURE REVIEW

Public Enterprises

Public enterprise, a business organization wholly or partly owned by the state and controlled through a public authority. Some public enterprises are placed under public ownership because, for social reasons, it is thought that service or product should be provided by a state monopoly. Utilities (gas, electricity, etc), broadcasting, telecommunications, and certain forms of transport are examples of this kind of public enterprise.

In Europe the prevailing pattern is a mixed economy with the public enterprises operating side by side with private corporations. Although the provision of these services by public enterprises is a common practice in Europe and elsewhere, in the United states private companies are generally allowed to provide such services subject to strict legal regulations. In some countries industries such as railways, coal mining, steel, banking, and insurance have been nationalized for ideological reasons, while another group, such as armaments and aircraft manufacture, have been brought into the public sector for strategic reasons. In communist countries most forms of production, commerce and finance belong to the state; in many newly independent and less-developed countries, there is a very large public-enterprise sector.

Public Enterprises (PE) has long been an important part of public sector in most developed or developing countries of the world. In other words, besides the civil service, there has been, in virtually every modern state the emergence and development of public enterprises that combine the characteristics of public administration with some key attributes of a private enterprise. These entities are usually created because of the desire to infuse more flexibility and more efficiency in the organization of some government activities (Laleye, 2002). Another reason for establishing public enterprises, especially in developing countries, has been to stimulate and accelerate national development under conditions of chronic shortage of capital and structural defects in capital markets. Under these conditions private ownership would necessarily mean foreign ownership. Therefore, in an attempt to preserve their independence, national pride and sovereignty, those countries foreclosed market liberalization option and adopted centralized planning using the vehicle of public enterprise. The need to establish large-scale and complex bureaucracies, in form of public utilities, corporations and commissions became self-evident and inescapable.

According to Anyebe (2012), the Nigerian government has therefore, been an active player on the economic scene since independence. It has been investing directly in all strategic areas of economic activities, given the low capital formation capacity of the private sector. In the 1970s the reconstruction and development efforts as the aftermath of the civil war even led to an increased level of government involvement in economic activities, such that by 1987, the federal government was in no less than 1,500 enterprises, spanning transport, aviation, shipping, oil, vehicle assembly and manufacturing. Imimole and Izuagie (2014), stated that, the sector however, has been facing serious challenges from privatization movement since the mid-1970s as its theories and assumptions came under seven attack. The size and importance of the sector has since been declining. It now seems in some danger of disappearing altogether as Nigeria is moving away from government production through public enterprise. For example, the Bureau of Public Enterprises charged with privatization of public-owned companies had by 2010 raked in N510 billion (local currency) after selling off government stake in 145 firms.

V. THE IMPORTANCE OF STATE OWNED ENTERPRISES

Public Enterprises have specific objectives which may either be commercial, social or political. The legal personality ensures that some autonomy and flexibility are conceded in doing certain things, even though the governmental rules make it impossible to waive aside the sensitive political issues confronting these bodies. It should be noted that the generic expression of “public enterprise” brings together a huge variety of organizations which are different from one another form the point of view of their mission, there form and structure, their relation to government and their span of life. Some of these enterprises are clothed with legal personality which entitle them to right, duties, obligation and privileges. They can sue and be sued. They can acquire property, award contract and are civil and criminally liable. However, the specific characteristics that underscore their expediency is their flexibility as opposed to the usual routine, red-tapism and rigidity of mainstream of the civil service machinery. The utility of these parastatals evidently becomes paramount in a context where crisis looms large either as a result of an emergency situation or as a result of rampant and chronic uncertainty.

As far as political expediency of enterprises is concerned, it results form the ease with which government can deploy them whenever it feels the need to do so. Being part of government apparati, the parastatals make it possible for government to use them to suit each new purpose or situation, depending on the purpose or situation for which they have been set up. It is remarkable that public enterprises have developed as a result of political pragmatism. It seems therefore very difficult to identify in any coherent and systematic way, the real reasons for their existence. Experiences have shown that they play all sorts of contradictory roles that can only be justified by the social, economic and political environment. Public enterprises in the developing countries reflect the general weaknesses of the society as a whole. This is true of the reasons dictating their creation as well as of the factors affecting or determining their operation and performance because laws and regulations can organize and bring them into existence, their actual functioning is usually not controlled by law but by politics. In the Nigerian environment, public enterprises is seen as a device for tackling social, economic and political problems of the country which totally agrees with the Keynesian school of thought. Again, Nigeria’s ownership of firms could be analysed from Marxist ideology that parastatlas have been instrumental in building a peripheral capital for reinvestment and socio-economic development.

Public enterprises are created for various reasons among which are the following:

(a) Provision of essential services and commodities to the citizens at relatively low cost where especially if left to private hands or enterprise, may not be available to the common man and if available may be too expensive or out of reach to the common man because at times private enterprises exploit the masses to make profit. This helps in safeguarding public interest and enhance socio-economic welfare of the citizens.

(b) Uniformity of service: With government taking change of the provision of essential services and commodities, it affords uniformity of services.
(c) Lucrative revenue: This serves as a way through which government raises revenue for the operations of its activities especially where such commodity or service is a necessity of existence. But even at that, the cost would still be bearable compared to what it would amount to if left to the private enterprises.
(d) Competition: it is also argued that there is undesirability of competition and elimination of capitalism.

VI. EVOLUTION OF THE NIGERIAN PUBLIC ENTERPRISES

It has been said that public enterprises are irreplaceable devices in tackling the social, economic and political problems of the country which are lacking in the private enterprises and this could be seen to be a thought along the same line with Keynessian ideology. Also it has been demonstrated that adherence to keynessianism had led the World Bank to grant Nigeria thirty one loans for strengthening public enterprises in the fields of agriculture, transport, electricity, education and finance (Paul, 1980). The Keynesian school of thought suggests that the public enterprises is a necessary instrument of public policy, as government intervention is dictated by the need to influence macro-economic indicators (increase revenues and incomes, increase consumption, lower the interest rate, increase public investment, etc) with a view to averting crisis of production and employment. This analysis opens the way to government intervention in countries where it has influenced policy makers. Many scholars of this intellectual persuasion have argued that public enterprises are a necessity in African countries by virtue of the very state of underdevelopment (Aboyade, 1976). Consequently, development plans were designed to articulate deliberate government intervention thorugh the instrumentality of public enterprises. The Marxist school on the other hand contends that in circumstances in which the prospects for profits are low, capitalists would be unwilling to invest, because of the high risks involved. In such cases public investments are subsidized goods and services become necessary as a way of socializing risks and costs. Although this view point has not significantly influenced policy in Nigeria, it has been used to explain the role of the public enterprise sector (Laleye, 2002).

Practically all the successive Nigerian governments have professed their strong belief and adhesion to the ideology of mixed economy. This idea has even been enshrined in the 1979 and 1999 constitutions but the concept of mixed economy is misleading. It serves as an excellent substitute in a context where capitalism is discredited because it is associated with some excesses. The loopholes inherent in capitalism make people suspicious of it and it could undermine the legitimacy of a government to affirm its allegiance to a totally free enterprise. The mixed economy is a deceitful device to preempt the questioning of capitalism and for reconciling competing interests and conflicting expectations. In other words, the concept of mixed economy find room where there is crisis of legitimacy of the concept of free enterprise and of the capitalist order at the ideological level. The concept therefore, creates a lee-way for government intervention which is however perceived as fully compatible with private initiatives. In short, the mixed economy option results in a confusion deliberately characterized by conflict of expectation and crisis of legitimacy of free enterprise. Although public enterprises have mainly concentrated on strategic spheres and on the areas of public utilities and infrastructural services, the federal government investments in seven public utilities alone represent more than 50% of the total investments in the public enterprise sub-sector. These fertile grounds for the creation of parastatals are generally characterized by the magnitude of the investments they require by the long gestation period of these investments and their non attractiveness in terms of profit maximization. But most of these federal government owned public corporations show that the government has little choice, it cannot opt out. It was not possible to privatize them as their services cannot be easily commercialized for political and economic reasons.

One other factor that has contributed to the development of the Nigerian public enterprise sector is the economic nationalism that took undisguised expression in the indigenization policy of the 1970s. The need for the policy arose from the domination of the Nigerian economy by foreign interests which gave rise to the coalition of the conflicting interests of the Nigerian bourgeoisie. The aim of the policy was to create opportunities for Nigerian indigenous businessmen to maximize local retention of profits and to raise the level of intermediate goods production. The policy, as can be seen from its objectives touches on the fundamental deficiencies that call Nigerian capitalism into question. Public enterprises played and is still playing many roles in implementing the policy. The implementation of the indigenization policy has led for instance, to government control of the major financial institutions. Examples of big banks like First Bank of Nigeria, Union Bank of Nigeria, and the United Bank of Africa illustrate this point.

Concerning the creation of avenue for accumulation of capital, it can be inferred from the actual role which parastatals have played in Nigeria. In effect, the extent to which public money finds its way into private hands is better imagined with the numerous reports of frauds and malpractices in many of the parastatals and more seriously with the reports of investigatory panels set up since the 1950s to inquire into the management of parastatlas. Parastatals therefore constitute some kind of administrative devices to support and reproduce capitalism (Elias, 1960). Again, that the need to react to crisis or emergency situations has led to the creation of many public enterprises as it does not require any lengthy preparation. Government intervene in many cases to bail private entrepreneur out of difficulty or bankruptcy, presumably because the demise of these enterprises many threaten the stability of the society. Similarly, the deterioration of food production in Nigeria has forced government to multiply river basin development authorities, the agricultural credit corporations, the agricultural development projects and other parastatals of essential commodities has led to the emergence of institutions like the Nigerian National Supply Company, and the Presidential Task Force on rice under Shagari administration. Also, the proliferation of institution of higher learning, public utilities and public enterprises in sectors where private initiative is most unlikely to intervene because it lacks the resources and because the profit prospects are not attractive, are not unconnected with an awareness of crisis situation which could have dangerous and disruptive consequences unless government intervenes directly.

In Nigeria, the public enterprises sector includes institutions such as statutory corporations, state owned companies, mixed enterprises, commissions, departments, councils, boards, committees, directorates, authorities and educational, scientific, professional, social and cultural bodies. There is no doubt that public enterprises are relevant in the Nigerian socio-economic development, taking into consideration all the aforementioned points, and one could confidently say that, the question is not about whether or not these state owned enterprises are relevant in the Nigerian socio-economic development, rather the focus should be on how to make them more effective and efficient in the provision of essential services and commodities to the citizens at relatively low cost and providing lucrative revenue for government.

VII. FAILURE OF PUBLIC ENTERPRISES IN NIGERIA

The role of the State Owned Enterprises in the development of Nigeria has not yet been properly grasped. This is largely due to a mix-bag of paradoxes, illusions, misgivings and misrepresentation, corporate in nature, set up by the Government for entrepreneurial purposes and are state owned, being parts of government apparatus. The real performances of most of the state owned enterprises in Nigeria have left much to be desired. Many of them were not responsive to the changing requirements of a growing and dynamic economy and do not seem to possess the necessary tools for translating into reality the hope of successful commercial operations.

Given the huge investments in these enterprises, their performances are far from being satisfactory. It is the general belief of most Nigerians that most public utilities provides adequate testimonies for this inefficiency. Laleye (1986) asserted that reports of investigatory panels set up by government on all the parastatals testified to the fact that inefficiency has reached scandalous proportions. Perhaps, the huge national investments in the State Owned Enterprises justify the general outcry about inefficiency. Unfortunately, this inefficiency manifests itself in Nigeria’s moribund educational system, inability to supply portable water and epileptic supply of electricity, and petroleum product with its chaotic attendant long queue in Nigerian petrol filling stations while in the words of Akinkugbe (1996), the hospitals have become mere consulting clinics with no drugs and dressings.

Available evidence shows that the performance of public service in virtually all tiers of government in Nigeria has remained very dismal, hence the present state of underdevelopment. The dismal performance of public enterprises, like the former National Electric Power Authority (NEPA) and the Nigerian Telecommunication (NITEL) is very obvious in this regard. Mnay public enterprises in Nigeria operate under a business environment which is unique and distinct from that of the private sector which are in the same line of business. The business environment of the public enterprise could be that of a monopoly or it could operate in a competitive environment. For instance, shortly after the privatization of the telecommunication sector NITEL/MTEL operated alongside other GSM companies such as National Bank, Cooperative and Commerce Bank (CCB) etc operated alongside other privately owned banks before they went into liquidation. Some of the challenges facing public enterprises include:

(a) Conflicting objectives;
(b) Excessive control of, and interference with operational decisions of public enterprises managers by the supervising government department. This often suffocates managerial initiatives;
(c) Politicisation of employment, poor choice of product and location of the enterprises, a situation where a company is situated in an environment where the only consideration is political calculation.
(d) Absence of a competitive environment as a more demanding competitive environment tends to encourage better public enterprises performance level;
(e) Inadequate techno-managerial capacity to respond quickly to changing economic environment and
(f) Inadequate funding and late release of fund as funding of the enterprises is often tied to annual budget with its attendant bureaucratic corruption and redtapism.

According to Emeh (2012), public corporations have several problems which can affect the quality of their goods and services. In fact, most public corporations in Nigeria cannot compete effectively with private companies engaging in the same line of business. Political interference: Public corporations are government companies and sometimes the government and important government officials make them do things that may not be in the overall interests of the corporation. For political reasons, they can force the corporation to employ persons that are not qualified for the job or embark on projects that are of no real value to the corporation. Sometimes, the government corporations are forced to donate money to the ruling party for elections and other purposes. Such interference in the affairs of the corporation by the government and politicians will necessarily affect the efficiency of the organization. Political interference in the affairs of public enterprises has ruined many public enterprises in Nigeria (Anyadike, 2013).

It is necessary for the government to exercise some control over its corporations but sometimes these controls are so oppressive that the corporations are rendered inactive. In order to compete effectively with private companies engaged in the same business, a government corporation should be allowed to operate under similar conditions. For instance, if the government, for political reasons, impose price controls on its corporations and cannot control the prices of other companies engaged in the same business, then the government company cannot return as much profit as the private companies. Meanwhile, many workers in the public sector see their work as "government work". Government work, they unfortunately believe, require neither seriousness or commitment. The result is that workers do not do their work at all or do it haphazardly, the corporations consequently cannot effectively discharge their duties for which they were set up. Nwachukwu (2007), explained that Nigerian employees characteristically have a very poor attitude to work. He asserts that the average employee is "not on seat" fifty percent of the time. Most employees see white-collar job as government work in which the employee receives his monthly salary regardless of his or her input in the organization. Such an attitude will certainly be a draw back to the attainment of organizational goals.

Balogun (1983) attributes the inefficiency of Nigerian Public Enterprises to the environment in which they operate. Public Organizations are viewed by the workers as "no man's father's field" whereas Obadan (2000), identified poor maintenance culture as the bane of the Nigerian Public Enterprises. According to him, public enterprises in many developing countries, as in Nigeria, have been attacked for being economically inefficient and wasteful of resources. They make significant demands on government resources, as well as on domestic and foreign credit. Yet these demands have been associated with low profitability and inefficiency. Most of these organizations have failed to show a profit. Operating on a deficit, they proved to be massive drains and economic parasites on government resources through transfer and subsidies. In order to substantiate this assertion, as of 1998, there were 588 public enterprises owned by the Federal Government of Nigeria. This means that the Federal Government of Nigeria was responsible for over 5,000 board appointments and this constitutes an economic drain on the federal government purse. In the opinion of the International Monetary Fund (IMF), the drain of public enterprises on Federal Government budget in 1998 was equal to 5 percent of the nations' Gross Domestic Product.

Undoubtedly, the public enterprises in Nigeria are drain pipes for public resources, hence there is disaffection and disappointment of public ownership on the part of the entire polity. The citizens thus become more receptive to the idea of superiority of private initiative hence there is advocacy for privatization. Perhaps, this also informed the Federal Military Government to promulgate Decree No. 25 of July 1988 Christened Privatization and Commercialization Decree 1988.

The Concept of Privatization

There are many definitions of privatization. Iheme (1997) defines privatization as:

… any of a variety of measures adopted by government to expose a public enterprise to competition or to bring in private ownership or control or management into a public enterprise and accordingly to reduce the usual weight of public ownership or control or management. However, in a strict sense, privatization means the transfer of the ownership (and all the incidence of ownership, including management) of a public enterprise to private investors. The latter meaning has the advantage of helping one to draw a line between privatization and other varieties of public enterprise reform. It is also the sense in which the term has been statutorily defined in Nigeria.

According to Starr (1998), privatization is 'a shift from the public to the private sector, not shifts within sectors'. He asserts that, the conversion of a state agency into an autonomous public authority or state owned enterprise is not privatization, neither is conversion of a private non-profit organization into a profit making form on its own connotes privatization. Again, the Privatization and Commercialization Act of 1988 and the Bureau of Public Enterprises Act of 1993 defined privatization as 'the relinquishment of part or all of the equity and other interests held by the Federal Government'. From the definitions above, three assumptions are discernible. One, for privatization to take place, public enterprises must be in existence to ensure the conversion. Two, there is assumption that the transfer of ownership to private individuals will propel better performance and three, the transfer of ownership and control or charge of ownership is predicated on the belief that there are problems with public enterprises.

Many countries have at one time or the other embarked upon nationalization programmes particularly in the 1960s and 1970s. However, starting from the 1980s the world underwent revolutionary change triggered by the collapse of the communist regims of Eastern Europe and the Soviet Union. Privatization swept the world, undoing many of the nationalization of the 1960s and 1970s. Many of the then nationalized corporations went through a process of privatization or denationalization.

Some of the reasons for this are that many state owned enterprises were being run at a loss by the government. They are characterized by low productivity, inefficiency, corruption and nepotism. Most of them have only managed to survive because they depend on government for patronage and subsidies. A time came when government could no longer sustain them due to dwindling resources and other challenges. The only option left for the government is to privatize most of the enterprises so as to make them more productive. Privatization, therefore, is one of the strategies for economic re-engineering embarked upon by governments to remedy or correct the problems associated with state owned enterprises. There are other measures for dealing with the problem of state owned enterprises such as joint venture and commercialization. Privatization is, however, the most common strategy adopted by governments to improve the delivery of services by state owned enterprises.

There are different methods of privatization:

(a) Strategic core investors

According to the guidelines of the exercise in Nigeria, it is clear that strategic core investors are very crucial. At the center of privatization of large state enterprises are the strategic core investors, particularly where the objectives of government is to enhance technology flow, raise immediate proceeds for other project and encourage foreign direct investment (FDI). Care must, however, be taken to ensure that the investor does not engage in post-privatization assets stripping as this would defeat the very essence of the programme. A core investor takes a more proactive role in the enterprise he is investing in. the core investor will typically buy a majority or a significant percentage of the equity of the target company in order to secure either control or a significant voice in the company. His objective is to influence the way in which the company is run. The choice of which company to invest in is usually based on the belief that the target company has potentials that can be unlocked by the application of particular qualities; typically funds from new capital, particular management skills and access to markets that the core investor has access to. Thus, a core investor takes on a much more interventionist role than a small investor does. In so doing, he merges the role of the shareholders with that of management; he wears two hats.

(b) Initial public offer and/or multiple listings

This option is favoured, if the objective is to achieve widespread ownership as well as to broaden and deepen the capital market. The success of this option however depends on the liquidity constraints in the economy at the time of privatization.

(c) Tenured lease by management contract

In this method, government negotiates with and hands over the utility to a specific technical investor for a period ranging from 10 + 25 years. The investor is expected to restructure the utility, improve its income-generating capacity by injecting new technology and make block or piecemeal lease payments to government. It implies that a public partner (federal, state, or local government agency or authority) contracts with a private partner to operate, maintain, and manage a facility or system providing a service. Under this contract option, the public partner retains ownership of the facility or system, but the private partner may invest its own capital in the facility or system. Any private investment is carefully calculated in relation to its contributions to operational efficiencies and savings over the term of the contract. Generally, the longer the contract term, the greater the opportunity for increased private investment because there is more time available to recoup any investment and earn a reasonable return.

(d) Unbundling of large utilities into separate operating entities

Unbundling of large utilities into separate operating entities for subsequent sale, or initial public offering/listing is favoured where the utility involved is a large corporation. In Egypt and Nigerian, electricity corporations were unbundled into three units, i.e. generation, transmission and distribution. It is important to note that one or more of the points earlier mentioned could be employed in the privatization of the Nigerian utilities. It must, however, be appreciated that the more transparent the exercise is, the easier it is for observers (local and foreign) to assess the seriousness of government, and be reassured as to the reasonableness of the price. This may have informed the style adopted by the Bureau of Pubic Enterprises (BPE) in calling for open international bids for some of the target utilities in Nigeria.

Privatization in Nigeria

Running of enterprises in Nigeria have proved to be too challenging for the Nigerian government. Most of the SOEs are being run at a loss. This loss is either due to corruption, lack of transparency, dishonestly, or that government lack the necessary skills, expertise and even time to successfully run them. The continued susternance of those loss-making enterprises by the government is draining the resources of the government which is desparately needed to provide good governance, security, defence and other essential services to the people.

Loss-making apart, the enterprises were a great disappointment to the people they were meant to serve in terms of goods and services delivery. And of course, the forces of localization and technological breakthrough have rendered the practice of government involvement in business concerns to be obsolete. Again, traditional economic reasons for justifying state involvement in economic activities no longer exists. Technological and other developments have made it possible to introduce competition into activities formerly thought to be natural monopolies. This negating the justification for the existence and survival of large public monopolies. Again, most African countries embarked upon measures aimed at reduction in public expenditure and governance cost as a matter of dictates from international donors and creditors (Barbara and Mukandia, 1994).

Gamaliel Onasede in 1981 led a presidential commission on parastatals which revealed that the problems confronting public enterprises in Nigeria include:
(i) defective capital structures resulting in heavy reliance on the national treasury for financial operations (ii) mismanagement of funds and operations; (iii) corruption; (iv) misuse of monopoly powers; and (v) bureaucratic bottlenecks within SOEs on the one hand and between them and their supervising Ministries on the other hand. Appointment of management team based on political considerations and political interference in management also contributed to the dismal failures of SOEs in Nigeria. As a result of all these, SOEs were unprofitable and maintained a consistent record of increasing loses and dependence on government subsidy for survival. Most of these enterprises also suffer from managerial ineptitude.

Given all these factors, privatization became imperative. Moreso, various studies conducted in foreign jurisdictions have shown that privatization in broadly competitive markets has, in a large number of cases across all the types of countries, yielded better results than the alternative of state ownership. Most of these studies examined the financial and operational performance of enterprises before and after privatization and found that, in many instances, privatization has improved performance in terms of productivity and profitability of firms. And where privatization has in a number of cases, fallen short of hopes placed on it, it is because the programme was not accompanied by effective deregulation of entry and effective competition. Even in such cases, it seems that on the average, privatized firms have not performed worse than the state-owned ones, apparently because of the agency problems of state owned firms.

Goals of Privatization

One of the objectives of privatization programme will normally be to achieve efficiency and development of the economy, in reality other considerations like political, social or financial benefit could also influence the government when embarking on the programme and these objectives to a large extent would determine the method or methods to be applied. Goals of privatization therefore could be efficiency and development of the economy, efficiency and development of an enterprise, budgetary and financial improvements, income distribution or redistribution and political considerations. Also in developing economies, justification for privatization includes the need to accelerate economic development.

The general objectives of privatizing government enterprise include:

i. to ensure positive returns of investment in public enterprises
ii. to permit efficient management of such enterprises and maximum utilization of resources.
iii. to generate funds for financing socio-economic development in education, health and improve the infrastructures.
iv. to re-orientate the enterprises slated for privatization towards a new horizon of performance improvement, viability and overall efficiency;
v. to re-organize and rationalize the public sector of the economy in order to reduce the impact of unproductive investments in the sector;
vi. to reduce the financial dependency or reliance of the government enterprises on government for grants and inculcate the habits of accessing funds from the capital market for their operations;
vii. to create new and more employment opportunities;
viii. to serve as a means of gaining new knowledge, technical know-how and capabilities and to expose a country to a competitive world.

Challenges of the Privatization Programme

The dilemma over the current national privatization exercise greatly bordering on the highly questionable sale, concessioning and transfer of the various public enterprises and public assets in the country is greatly very unfortunate. The nationwide hue and cry over the sale, concessioning and transfer of the various public enterprises and public assets such as the Nigerian Telecommunication Company, the Nigerian Ports Authority, the Airports, the National Arts Theatre, the Cement Companies, the Steel mills, the Refineries etc at give-away prices is largely to be traced to the simple fact that the sale, concessioning and transfer of the public enterprises and public assets were in the main neither based on nor backed by any credible and appropriate technical valuation of the entities.

The following are some of the challenges faced in the privatization exercise:

Corruption

According to Asaolu (2005), for any national privatization exercise to be deemed credible and honest, it must of necessity in its entirety be based on and backed by appropriate and technical valuation methodologies, modalities, systems and approaches. As such, any national privatization exercise not meaningfully based on nor backed by appropriate and technical valuation methodologies, modalities, system and approaches should prima facie be regarded as being dubious and questionable. There have been allegations that portrayed the Bureau for Public Enterprises (BPE), the agency responsible for the exercise as being wasteful and deficient in transparency and accountability. In 2007, for instance, it allegedly spent a whopping N56.1 billion out of N117.216 billion it realized from sale of public enterprises that year. Reports showed that it incurred N2.019 billion as transaction cost on N98.084 billion on N132.58 billion realized in 2006 and N56.1 billion on N117.22 billion in 2010. The BPE compromised on due process in the sale of public enterprises. This cast doubts on the integrity of the BPE and by extension the entire exercise.

Apparently there was to be only one account to lodge the proceeds of privatization. In the aftermath, eight different accounts have been found. More disturbing, of the 301 billion that was realized, less than 50 percent of the money actually reached the privatization proceeds account. This clearly shows that something had gone wrong with the privatization policy of the Federal Government. The Senates Adhoc Committee set up, in response to the odious scheme to investigate the entire privatization programme from 1999, found the entire exercise recking of “executive recklessness”. Several members of the public have called for the prosecution of the officials involved for their alleged part in the privatization saga.

Poverty

There is no doubt that public enterprises are relevant in the Nigerian socio-economic development taking into consideration that the focus should be how to make them more effective and efficient in the provision of essential services and commodities to the citizens at relatively low cost and providing lucrative revenue for government. But the situation as it is today is the perception that privatization has impacted negatively on the poor and made the workforce more vulnerable. While benefiting the rich, the powerful and the privileged. It increases the gap between the rich and the poor.

Policy Confusion and Failure

Confusion and failure will ensue from a situation where government make policies arbitrarily and change equally arbitrarily. Hence the need to ensure that every policy decision is preceded by a clear articulation of its objectives and a thorough examination of its implementation, to probable consequences and possible remedies.

A ready example of this is the sale of Egbin Power Plant, this was affected by policy inconsistence and reversal on government. Commissioned in 1985, at 1,320MW, Egbin is the largest power plant in the country, it comprises six 220MW independent gas-fired steam turbine units that can also run in heavy oil, also known as low pour fuel oil (LPFO) in the petroleum industry. Like several industrial facilities, in which the Federal Government invested considerable resources in the 1970s and 1980, Egbin by the late 1990s was performing epileptically. Lack of regular maintenance programmes meant that the plant operated at sub-optimal levels and was unable to generate sufficient electricity for the national grid. The situation was made worse by disagreement between NEPA and the combined forces of Shell and the Nigeria Gas Company, over the price of gas supplied to the palnt. Shell and NGC were often compelled to shut out gas supply or limit the amount of gas to Egbin. Where it was available, the quality of gas and build up condensates in the Escraves – Lagos Gas Pipeline to Egbin could also impede its performance. The Egbin problem continued until former President Obasanjo in 2006 chose to contract the services of Marudbeni to rehabilitate some of the plant’s boilers units. They submitted a quotation of $547 million but before the contract could be awarded, Korea Electric Power Corporation (KEPCO) which owned an identical plant in Seoul, South Korea, made representation to the Federal Government to repair the same units at a significantly lower cost of $24 million. KEPCO got the job and did a good job. However, the transaction was not concluded before President Obasanjo left the office and his successor, Late President Umaru Yar'Adua, stopped everything relating to privatization in the power sector.

Insincere And Unrealistic Targets

The manifestation of this is seen more in the case of the power sector privatization. What baffled Nigerians and the business community was the excruciating delay in meeting the time lines spelt out in the roadmap for power sector reform inaugurated by the government in August 2010. The plan (unrealistically) estimated, infact some said it as falsely estimated, the capacity of sole national transmission power grid at 4,500 MW and projected that improvement and upgrades would raise this to about 5,000 MW by April 2011. Experts say the grid delivers less than that. It also set out December 2010 as target date for the receipt of bids by firms to manage Transco, the sole transmission firm among the 18 successor firms that the Power Holding Company of Nigeria was broken into. The bids were received many months later just as the bids for the six Generating Companies are just being received when the sale of the companies was to have been concluded by March 11, 2010. it is a shame that all the timelines for the privatization of the 19 companies were missed. Even the Egbin Thermal Power plant earlier mentioned, that was partly sold some years before was not finalized on time because the government was raising new issues with the core investors KEPCO.

Findings of the Study

Nigeria like many other developing countries also embarked on privatization programme and the reason for this are not different from what are obtainable in other countries as justification for embarking on the programme. As a result of corruption and inefficiency characterized by SOEs and the fact that their continued existence constitutes drain on the available scarce resources, Nigerian government had no choice than to divest from them and encourage private investment and management.

Privatization is thus necessary to enable government to concentrate resources on its core function and responsibilities while enforcing rules and policies so that markets can work efficiently. The objective was to make government leaner and more efficient, reduce waste and corruption, and free up resources tied down by public enterprises and consequently improve service delivery to the people. Privatization in Nigeria was therefore supposed to introduce new capital, technical and managerial efficiency in the privatized enterprises, thereby reviving them, creating new jobs and not unemployment as is the case in Nigeria, and adding value to the Nigerian economy.

The disappointment caused by policy failure is a great challenge to the privatization programme. A clear case at hand, in furtherance of its privatization policy, the government in the year 2005, came up with the Electric Power Sector Reform Act, which not only sought to privatize the sector but also to deregulate it by opening the sector for private sector participation in the area of electric power generation and distribution. The expectation behind this is that such a strategy would make the sector to be efficient as far as power supply is concerned bearing in mind that the sector has been very inefficient and disappointing in that regard due mainly to the monopoly enjoyed by the State-Owned Enterprise, NEPA and then PHCN. A lengthy period of state ownership, without the forces of competition or the incentives of the profit motive to improve performance eventually resulted in excessive costs, low services quality, poor investment decision and lack of sensitivity in supply of electricity to customers both corporate and individual, little wonder why corporate businesses are leaving Nigeria to invest elsewhere, where power (electricity) will atleast be stable. Again, NEPA/PHCN became too slow in adapting and adopting modern technological development in generation, transmission and distribution of power.

In Nigeria, the weakness of capital market regulatory institutions makes it possible in most cases for few elites to buy up these SOEs, thus resulting in widening the gap between the wealthy few and the many poor. One may ask if the privatization programme made any impact on the economic development of the country? In answering this question, it is important to examine whether the programme has made any impact on the profitability of the privatized firms. There is also need to know whether or not privatization has made them more efficient and how that efficiency has translated to reduction in the prices of goods and services offered by these firms as well as how far the firms have contributed to employment, income redistribution and reduction in poverty level.

Recommendation

Very urgent corrective and remedial measures need to be put in place and in sufficient dosage to save the Nigerian privatization programme from total collapse. It is too late to reverse the entire process, and unless requisite remedial measures are urgently, honestly and meaningfully put in place, the entire privatization exercise will go to waste.

After A Re-Examination Of The Privatization Programme, The Following Recommendations Are Suggested:

The government should ensure condusive business environment, since this is one of the factors responsible for the failure of privatization. The challenges experienced in the provision of good roads, electricity, security msut be addressed. These factors naturally would militate against development and industrialization. If the cost of doing business in Nigeria is so high, just like the power sector is gradually making investors to have a rethink in doing business with Nigeria because of lack of electricity or epileptic power supply. Providing good environment becomes imperative if such reform programmes being implemented for instance in the power sector is to be successful. No business can thrive in an environment devoid of peace and security.

Knowledge is Power! Government should set up a body of experts in relevant fields to assess and value the various public enterprises listed for sale (that is where they are available and for the benefit of those who may want to embark of such programmes) and fix a commensurate price. Government should also establish an agency staffed with reputable experts in relevant fields and persons of high integrity to monitor the performance and operations of the privatized enterprises to avoid sharp practices that will be detrimental to the economic welfare of the nation. Again, the government should look inward, especially in the higher institutions of learning where thousands of researches have been carried out in the area of privatization and utilize such researches. The promulgation of fair trading legislation that would usher in healthy competition among the privatized is imperative. A good example is the experience in mobile telecommunication, prior to the privatization exercise, the telecommunication system of Nigeria was a disaster. The success in the GSM network has been nothing short of phenomenal, the current state of the telecommunications sector in Nigeria was inconceivable before the privatization programme. So, as Nigeria seeks as a nation to overcome its most significant economic challenge i.e. infrastructure, particularly power, transportation and health, Nigeria can learn and apply the experience in the telecommunication sector.

Several attempts have been made to tackle the menace called corruption, and if Nigeria as a nation must succeed, it must be more honestly committed to the war against corruption. At the root of Nigeria's problematic privatization programme is corruption, greed, lack of seriousness, unpatriotism, political interference, indiscipline, lack of respect for law and due process, impunity and the likes. The State-Owned enterprises in Nigeria failed in the first place basically as a result of corruption on the part of management. It is this same menace called corruption that manifested again in the exercise intended to sell the utilities. The undervaluation, compromise, asset stripping, non-accountability and wastefulness can only be explained and understood on the basis of corruption.

VIII. CONCLUSION

There are many challenges in Nigeria's privatization rogrammes. But then, privatization can only be delayed not avoided. The world is moving towards becoming a global village, Nigeria must move with the rest of the world or be sadly left behind. The privatization policy is almost irreversible, not withstanding all the pitfalls, delay and inconsistencies. However, this is a welcome development considering the balance sheet of the public enterprises and the huge investments in these enterprises. In order to save the nation from the scandalous inefficiency of the SOEs privatization is a good option but then privatization must be carried out in a transparent manner and msut be sincerely implemented.

To achieve equitable distribution of Nigeria's wealth so that the majority of the people could benefit from the programme, not the economic bouyance of the few elites, leaving the majority grassroots wallowing in poverty, sensitive state enterprises should only be partially privatized under Joint Venture Agreement between government and private investors where investments and profit earned by the enterprise could be shared under an agreed formula. The State/Government may also enter into service contract with private investors, whereby the state holds title to those public enterprise which by extension will reduce the burden of the government and minimize the high rate of unemployment.

REFERENCES

[1]. Aboyade, O. (1976), "Nigerian Public Enterprises as an Organisation Dilemma". In Ayida, A.A. (ed.) Public Enterprises in Nigeria, Nigerian Economic Society, University of Ibadan Press, Ibadan.
[2]. Akinkugbe, O.O. (1996), The Riddles of Health care in Today's Nigeria, Ibadan, Spectrum Books Ltd.
[3]. Aneybe, A. A. (2012), Development Administration. A Perspective on the Challenge in Nigeria, Shereef Salam Press, Zaria.
[4]. Anyadike, N. (2013). The need to make Nigerian public enterprises work, Journal of Humanities and Social Sciences 18, 3, 68-75.
[5]. Asaolu, T.O. (2005). Nigerian Privatization Programme: Issues, Constraints and Challenges, Ife Juris Review, vol 2, part 1, 20-34.
[6]. Balogun, M.I. (1983) Public Administration in Nigeria: A developmental Approach, Londin, the Macmillan Ltd.
[7]. Chawdhury, F.L. 92006), Corrupt Bureaucracy and Privatization of Tax Enforcement. Pathak Samabesh, Dnakar
[8]. Elias, T.O. (1960), Report of Commission of inquiry into the administration, Economics and Industrial Relations of the Nigerian Railway Corporation, Lagos.

[9]. Emeh, I.E. (2012) Understanding the poor performance of Nigeria public enterprises focusing on the theories of administrative weaknesses, interdisciplinary journal of contemporary research in business. Institute of Interdisciplinary Business Research.
[10]. Iheme, E. (1997), the Incubus: The story of Public Enterprises in Nigeria. The Helmsman Associates, Abuja.
[11]. Imimole, B. and Izuvagie, L. (2014), "Corruption in Nigeria: Implications for National Dvelopment" in I. Walter and I.R. Momoh (eds.) Governance, Peace and Security in Africa. Ambik Press, Benin-City.
[12]. Laleye, M. (2002) "Public Enterprises" in L. Adamolekun (ed.), Public Administration in Africa: Main Issues and Selected Country Studies, Spectrum Books, Ibadan.
[13]. Laleye, M.O. (1986), The Role of Public Enterprises in the Development of Nigeria. Unpublished Ife Ph.D. Thesis.
[14]. "Musselburgh Co-op in crisis as privatization bid fails" Co-operative News 2005-11—01.
[15]. Obadan, M.I 92000) Privatization of Public Enterprises in Nigeria: Issues and Conditions for success in the Second Round. Ibadan NCEMA, Monograph series Nos. 1, & 4.
[16]. Parker, D. (1991), "Privatization ten years on; a critical analysis of its rationale and results" Cranfield University School of Management.
[17]. Paul, C. (1980), Nigerian Public Enterprises as an Organizational dilemma: Administration for Development in Nigeria, Lagos, African Education Press.
[18]. Starr, P. (1998). "The meaning of Privatization" at http//www.paulstarr.

International Journal of Humanities and Social Science Invention (IJHSSI) is UGC approved Journal with Sl. No. 4593, Journal no. 47449.

Igbokwe Philomena Ify . "Privatization in Nigeria: A Re-Examination." International Journal of Humanities and Social Science Invention(IJHSSI), vol. 6, no. 9, 2017, pp. 19–30.