Privatization of Public Enterprises in Nigeria: Challenges and Prospects

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Abstract

Public enterprises are established as a direct intervention measure of government in economic affairs, especially the need for rapid economic development. By 1980s, the quantum of resources required to sustain the public enterprises had become an unbearable burden on the affected nations. An assessment of government success or otherwise in business enterprises in Nigeria especially, makes it very apparent that the business of governance should not be mixed with the running of purely business enterprises. Thus, Privatization became the next option, as the best approach to economic transformation. By the middle of 1980s, Nigeria started to privatize its Public Enterprises as part of the conditions of the International Monetary Fund, IMF. Since then, privatization of Public Enterprises has been the priority of various regimes and fully on ground in Nigeria. For this, the paper examines and analyses the implementation of privatization of public enterprises in Nigeria. In the process, the paper discovers that privatization of public enterprises is confronted with so many challenges, which include the following: corruption, human capacity building, labour problem, disappointing subscription rate, inability of the programme to attract foreign investors, under valuation of assets, undue interference from the political class. These challenges confronted on the programme could not allow Nigeria reap the desired benefits. Therefore, the paper concludes by providing policy alternatives to enable the programme achieve more concrete benefits to Nigerians.

Keywords: Public Enterprise, Privatization, Intervention, Challenges
JEL Classification:L32, L33, L4

1. INTRODUCTION

The origin of public enterprises could be traced to the direct intervention measures of government in economic affairs, especially the need for rapid economic development. This began immediately after the Second World War. Not satisfied with the slow pace of private initiative, successive post-independence governments in developing countries have consistently thought it imperative to establish public enterprises to engage in almost every known area of human endeavour including public utilities, the economy, agriculture, commerce, social service (Bello-Imam, 2009). The failure of the market mechanism in the promotion of economic growth and development in Western capitalist countries led to the adoption of the Keynesian macroeconomic model in the 1940s which advocated government intervention in the economy to reduce unemployment and inflation rates. Keynes' thesis was conducive to state intervention in economic growth and development. The assumption of State control of the commanding heights of the economy inevitably led to public services expansion and creation of public enterprises (Bello-Imam, 2009).

By the mid-1970s, government intervention in the economy through the establishment of public enterprises failed to meet the aspirations of economic growth and development. It is on this note that the resort to privatization/commercialization was informed by several considerations. First, by 1985, the quantum of resources required to sustain the public enterprises had become an unbearable burden on the affected nations. Second, it was envisaged that a carefully planned privatization programme would be an effective strategy for improving operational efficiency, broadening share ownership, attracting foreign investment and reducing the role of the state where the private sector has the capabilities to operate more efficiently. Finally, since the beginning of the 1980s, privatization of public enterprises has become a major policy tool in both developed and developing countries following the apparently successful privatization programme in Britain. Privatization gained considerable momentum in developing countries given its endorsement by the multilateral financial institutions as a major plank of adjustment policies. The urge for privatization was further reinforced by the need to reduce government expenditure in the face of burgeoning fiscal deficits, and was also in conformity with the resurgence of “economic liberalism” in the development literature.

Yet, despite widespread privatization efforts, empirical evidence indicates that its anticipated benefits are yet to be felt in African countries. Most studies have documented the relatively poor performance of public enterprises reform efforts in Africa compared with other areas of the world in both relative and absolute terms (World Bank, 1996). However, only limited efforts have been made to identify the causes and determinants of the uniquely unsatisfactory performance of public enterprises reform in Africa relative to other environments.

Since the early 1980s, privatization has become a popular strategy of transiting from a public sector commanding heights of an economy to a private sector-led one, the world over. In most developing countries, privatization was introduced at the behest of Bretton Woods’s institutions particularly through the adoption of Structural Adjustment Programmes (SAP). The programme was pursued with vigor in many African countries. For instance, as at December 2002, Mozambique had privatized 579 enterprises, Zambia (268), Ghana (224), Kenya (188), Cote D’Ivoire (105) and Nigeria (81) (Ayodele, 2004). In recent years, several developing countries have embarked on the reform of publicenterprises, including privatization, within the framework of macroeconomic reformand liberalization. More than 100 countries across every continent, most of themdeveloping, have privatized some of their state-owned enterprises. Equally striking is the volume of transactions. Between 1988 and 1993, over 26,000 privatization transactions with sales values exceeding US$50,000 each were recorded world-wide, generating a gross receipt of US$271 billion. Of these transactions, about 900 were conducted in 1993 alone, against only about 60 in 1988. Developing and transition economies accounted for much of this tremendous growth (World Bank, 1996). Between 1988 and 1994, developing countries around the world sold about 3,300 State Owned Enterprises (SOEs), with sales revenue rising from only US$2.6 billion at the beginning of the period to a peak of US$29 billion in 1992 (World Bank, 1996).

Privatization of public enterprises came to the forefront as a major component of Nigeria's economic reform process at the behest of the World Bank and other international organizations (Jerome, 2008). Privatization started in Nigeria in 1998 as an integral and critical component of the Structural Adjustment Programme (SAP) that was initiated in 1986. Since then, privatization reform has been the only language every Nigeria's government seems to understand without resource to the enabling mix of the factors that stimulate private sector driven economy. Good governance, security, functional infrastructures, political stability are some of the enabling mix that can be of attraction to private driven sector. Nigeria business environment has become very hostile to businesses. In a diesel-driven economy, how does the government imagine the privatized public enterprises would do better than when it was not privatized (Omoankhanlen, Joseph & Ojiefo, 2010).

The primary objective of this paper is to examine the challenges of privatization of public enterprises in Nigeria. It focuses on some of the impediments to a successful privatization programme in Nigeria with a view to drawing possible lessons of experience from the past efforts. To achieve this objective, this paper has been structured into seven sections. Following the introduction is section two that addresses the conceptual issue involved in public enterprises and privatization; section three examines the rationale behind the adoption of privatization policy in the country while section four presents the privatization policy in Nigeria. Implementation of privatization exercise in Nigeria is discussed in section five, challenges arising from the programme are discussed in section six, section seven concludes the discussion and later provides possible policy alternatives to enable the programme achieve more concrete benefits to Nigerians.

2. Concepts of Public Enterprises and Privatization

Public enterprises have no authoritative and universally accepted definition. Scholars define the concept by bringing together the basic distinguishing features of the range of organizations that are classified generally as public enterprises. Felix (2005) defines public enterprises as a public institution established to perform certain activities requiring business like administration. Public enterprises are a legal body created by an Act of Parliament or Decree to provide essential economic and social services to the people. It is government owned commercial but monopolized enterprises for the promotion of the welfare of the people. Furthermore, Public enterprises are an organization created by a government charter that allows people to associate together for a common purpose under a common name. The charter gives the corporation certain privileges, including the right to buy and sell property, enter into contracts, sue and be sued, and borrow and lend money.

A public enterprise is an organization that is set up as a corporate body and as part of the governmental apparatus for an entrepreneurial-like objective (Mouftaou; 1985). Mouftaou (1985) further conceptualizes public enterprises by bringing together the basic distinguishing features of the range of organizations that are categorized as public enterprises which include the followings:

(i) A public enterprise is an entity with explicit or implicit specific objectives. Men, money, and materials are supposed to be utilized in the pursuit of these objectives. In addition, as an organization, a public enterprise would be expected to have its own internal power or authority, structure and its own methods of operation.

(ii) A critical dimension of government involvement in public enterprises has to do with its financial commitment. The capital ownership does not have to be exclusively public. The government may only control the majority of the shares, leaving other stakeholders to hold the remaining shares.

(iii) As a corporate body, a public enterprise has a legal personality separate from that of the government that establishes it. It can own property, enter into contracts, and sue and be sued. In recent developments across the World, this feature is being stressed as a key element of public enterprises.

(iv) A Public enterprise has entrepreneurial or entrepreneurial-like objective, which connotes a business orientation. However, this should not be equated with profit making. The experience in many countries indicates that the aim is to promote efficiency, cost-consciousness, and cost-reduction.

The implications of the fact that public enterprises are part of the government apparatus are numerous. Three of these implications should be highlighted. First, a public enterprise is by virtue of its intricate relationship with government, an instrument of public policy; its primary mission is in connection with governmental objectives and programmes, and it is therefore, naturally under governmental control. Second, by its nature, a public enterprise mostly utilizes or manages public resources, especially public money. This means that attention must be paid to mechanisms for enforcing accountability. Third, the combination of financial and economic objectives with social and political aims invariably makes it difficult to devise appropriate performance measurement instruments. Where profit or losses are not invoked to indicate good or bad performance, what other indicators will be relevant to assess financial and economic results? There are no easy answers to this question (Mouftaou, 1985).

Resorting to the establishment of an entirely distinct organization is predicated on the need to borrow a leaf from private enterprise organization and management. This stance is based on the assumption that some private enterprise principles and practices (e.g., commercial law and management practices) can be transferred into public management with positive consequences for performance.

Meanwhile, the concept of privatization is an emotive, ideological and controversial one, evoking sharp political reactions. Its political origin, meaning and objectives are not ambiguous. Otive (2003) cited Iheme's definition of privatization as:

> "…………..any of a variety of measurers 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 later 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."

In a similar vein, Starr (1998) defines privatization as a shift or transfer of ownership of public enterprises from the public to the private sector, not shifts within sectors. Brook Chamber (2008) defines privatization as to encompass a wide range of options for involvement of private capital and management in the running and operations of public enterprises. It may involve the total transfer of public ownership and asset structures to private companies or conversion of public enterprises to private entities or incorporation of new private entities in place of public enterprises or public-private participation in the running of public enterprises, which can be by management transfers, leases, operational concessions, development leases etc. In the opinion of Obadan (2000), privatization is an economic policy which in a narrow perspective entails the transfer through the sale of public assets or enterprises to the private sector. It is an instrument for realizing productive and allocative efficiency and higher economic growth. From the definitions above, three things are clear. First, for privatization to take place, there must be in existence public enterprises, which need to convert into private enterprises. Secondly, there is the reasoning that private ownership or control or management would be better than public ownership. Finally, privatization is premised on the fact that there are problems with public ownership of enterprises and privatization is part and parcel of a reform agenda to turn around these enterprises so that they can deliver goods and services more efficiently and effectively. This kind of reasoning is ideologically loaded and cannot be substantiated by the existential reality of Nigeria.

3. Rationale behind the Adoption of Privatization programme in Nigeria

In contrast with the private sector-led growth development strategy of the Second National Development Plan, the oil boom of the early 1970s enhanced the public sector commanding heights of Nigeria's economy. This translated into government venturing into all the sectors of the economy with a view to engineering the development process (Ayodele, 2004). However, scholars have observed that the major rationale behind the adoption of privatization is that public enterprises worldwide have failed to live up to expectations. They consume a large portion of national resources without discharging the responsibilities thrust upon them. The current move towards economic liberalization is partly informed by the gross failure of PEs to live up to expectations.

In Nigeria, public enterprises have gulped substantial resources. According to Ayodele (2004), evidence from Vision 2010 report shows that as at 1996, government had invested over US$100.00 billion on these enterprises. As at December 2000, the total liabilities of these enterprises were estimated to be ₦1.1 trillion, with accumulated losses of ₦92.3 billion. According to Bello-imam (2009), data obtained from various government departments and estimates reveal that in 1998, Nigerian Public Enterprises (PEs) enjoyed about ₦265 billion in transfers, subsidies and wavers, which could have been better invested in our education, health, infrastructure and other social sectors. This amount represented 57.6 and 54.4 percent of the gross federally collected revenue and total expenditure respectively in the year (BPE, 2000). The need to address the chronic budget deficits and heavy external debt burden through careful and imaginative management strategies made privatization of public enterprises inevitable. A 1998 study based on data from various government departments in Nigeria shows that public enterprises (PEs) consumed as much as ₦265 billion in one year. In past years, the Adebo (1969), Udoji (1974), Onosode (1981) and Al-Hakim (1984) Commissions assessed and determined that PEs are responsible for huge waste in funds. This fact has made it necessary to set up privatization programmes (BPE, 2002).

In this respect, Nigerian allies, friends, international organizations, most especially International Monetary Fund (IMF) advised the managers of this great nation to direct its scarce resources to addressing the problem of poverty through investment in health, education infrastructure facilities and rural development that will benefit millions of Nigerians. Several benefits of privatization identified by scholars, politicians, administrators is another fundamental rationale behind the adoption of privatization in Nigeria, which include: reduces government bureaucracy, reduces state monopolies and ensures level playing fields, reduces bad management, corrects defective capital and financial structures, increases competitiveness, increases the quality of goods and services, reduces corruption and control by government, increases staff quality and supervision, improves market analysis, frees up government funds for more pressing problems, creates employment, re-invigorates the local businesses, attracts direct foreign investments, expands capital markets, redistributes wealth, improves technological transfer, enhances trade control regulations.

Other reasons that have been advanced for embarking on the programme which Mukandala (1998) has summarized to be a solution to a state that had become too big in terms of its cost and very ineffective in terms of its performance; and all these at the expense of the private sector. Theoretically, privatization is favoured for reasons of efficiency; maximization of government revenues; developing domestic capital markets; and lastly expansion of foreign investment.

These apart, many countries, Nigeria inclusive, embarked on the exercise in abiding by the directive of both the World Bank and the International Monetary Fund (IMF). Despite these lofty benefits of the privatization policy identified above, It is obvious that the implementation of the policy has been confronted with a lot of challenges since Nigeria has embarked on the programme. These challenges could not allow the successful implementation of the programme, which also denies Nigeriansto reaping the benefits of the policy as stated above.

4. Privatization Policy in Nigeria

Many countries including Nigeria embarked on privatization and other market oriented reforms to pull them out of the structural imbalances. Omoankhanten, Joseph and Ojiefo (2010) observe that Chile introduced privatization programme in 1974. United Kingdom implemented a rigorous privatization programme during the regime of Thatcher in the 1980s. The 1990s witnessed the implementation of privatization programmes in many countries of the former eastern bloc like Russia, Romania, and Czechoslovakia.

Government approach to the reform of the public enterprises in Nigeria was embodied in the Privatization and Commercialization Decree N0. 25th of July, 1988 as part of the Structural Adjustment Programme (SAP) of the then military government with the setting up of a Technical Committee on Privatization and Commercialization (TCTC) under the leadership of Dr. Hamza Zayyad with a mandate to privatize one thousand and eleven (111) public enterprises and commercialize thirty four (34) others. By the end of 1992, Seventy three (73) public enterprises were privatized (Omoankhanlen et al; 2010). Based on the recommendation of the TCTC, the Federal Military Government promulgated the Bureau for Public Enterprises Act 1998 which repealed the 1993 Act and set up the Bureau for Public Enterprises (BPE) to implement the privatization programme in Nigeria. In 1999, the Federal Government enacted the Public Enterprise Privatization and Commercialization Act 1999 which created the National Council on Privatization (NCP) under the chairmanship of the Vice President with the following functions:

(a) Making policies on privatization and commercialization.
(b) Determining the modalities for privatization and advising the government accordingly
(c) Determining the timing of privatization of particular enterprises
(d) Approving the prices for shares and the appointment of privatization advisers
(e) Ensuring that the commercialized and privatized public enterprises are managed in accordance with sound commercial principles and prudent financial practices.
(f) Interfacing with the public enterprises, together with the supervising ministries, in order to ensure effective monitoring safeguard of the managerial autonomy of the public enterprises (Omoankhanlen et al; 2010).

The Act also established the Bureau of Public Enterprises (BPE) as the secretariat of the National Council of Privatization. The Bureau, being the Secretariat of the National Council on Privatization (NCP) is vested with the following mandates:

i. Implement the NCP's policy on privatization
ii. Prepare public enterprises approved by the council for privatization
iii. Advise the council on further public enterprises that may be privatized
iv. Advise the council on the capital restructuring needs of the public enterprises to be privatized
v. Carry out all activities required for the successful issue of shares and sale of assets of the public enterprises to be privatized
vi. Oversee the actual sale of shares of the public enterprises to be privatized, by the issuing houses, in accordance with the guidelines approved from time to time by the council
vii. Make recommendations to the council on the appointment of consultants, advisers, investment bankers, issuing houses, stockbrokers, solicitors, trustees, accountants, and other professionals required for the purpose of privatization
viii. Acquire, hold and manage movable and immovable properties.
ix. To ensure the success of the privatization exercise, taking into account the need for balance and meaningful participation by Nigerians and foreigners in accordance with relevant laws of Nigeria
x. To perform such other functions with respect to privatization as the council may, from time to time assign to it (Omoankhanlen et al; 2010).

Omoleke and Adeopo (2005)identify the broad goal of the privatization programme under the President Obasnjo administration which was expected to make the private sector the leading engine of growth of the Nigerian economy. The government intended to use the privatization programme to reintegrate Nigeria back into the global economy, as a platform to attract foreign direct investment in an open, fair and transparent manner. The specific objectives are:

i. to send a clear message to the local and international communities that a new transparent Nigeria is now open for business;

ii. to restructure and rationalize the public sector in order to substantially reduce the dominance of unproductive government investment in the sector;

iii. to change the orientation of all public enterprises engaged in economic activities towards a new horizon of performance improvement, viability and overall efficiency;

iv. to raise funds for financing socially orientedprogrammes such as poverty eradication, health, education and infrastructure;

v. to ensure positive returns on public sector investments in commercialized enterprises, through more efficient private sector oriented management;

vi. to check the present absolute dependence on the treasury for funding by otherwise commercial oriented parastatals and so, encourage their approach to the Nigerian and international capital markets to meet their funding needs;

vii. to initiate the process of gradual cession to the private sector of public enterprises which are better operated by the private sector; and

viii. to create jobs, acquire new knowledge, skills and technology, and expose Nigeria to international competition (NCP, 2000).

5. Privatization of Public Enterprises in Nigeria

Privatization programme is part of the economic measures adopted by Buhari/Idiagbon regime to address the structural problems confronting the country's economy. Decision to privatize some PEs particularly in the agricultural sector was taken. Towards this end, 18 PEs were privatized between 1984 and 1986. Privatization programme that started in 1988 had undergone four noticeable stages as briefly discussed below:

Phase I (1988-1993): According to Omoankhanlen et al (2010) and Ayodele (2004) under the Phase I privatization programme, one thousand and eleven (111) public enterprises were to be either fully or partially privatized. These were enterprises in which the Nigerian Government invested jointly with foreign or private Nigerian investors. With the exception of the cement and the oil marketing companies, the capitalization of most of them was small. Enterprises with huge capital intensive, which hold vital positions in the economy could not be privatized for various reasons ranging from financial insolvency to negative net-worth.

By October, 1989, a sum of ₦89 million had been realized from the privatized firms. By March, 1991, the government had realized a total of ₦275 million from the sale of about 147.2 million ordinary shares in 22 companies. As at the end of 1993, only 55 PEs were privatized by TCTC, using various techniques of privatization with ₦3.3 billion realized from the sales. Besides the 5 PEs stepped down for full commercialization, 11 PEs were also categorized as not requiring any further action due to non-readiness and duplication in the provision of the Decree. The remaining 22 PEs were put under active preparation for future privatization (Ayodele; 2004).

Phase I and II privatization exercises however, had unqualified success. The implementation of the policy was criticized for several reasons: imbalance regional distribution of share, hijacking of the process by high profit investors, undervaluation of some assets, inability to attract foreign participation, absence of market competition, lack of a reliable regulatory body, implementation delay. All these generated high-level mistrust among the major shareholders: the labour union, government officials, enterprises management and even the public. In the phase II privatization programme in Nigeria, the steam of privatization was completely lost between 1994 and 1997. Several reasons have been adduced for this. Firstly, the protracted political crisis that engulfed Nigeria made privatization practically impossible in some parts of the country. Secondly, the numerous implementation problems of the first phase of privatization made government lose interest in the programme. Thirdly, there is this fear of meeting up with the required managerial and technical expertise (Ayodele; 2004). For these, contract leasing was considered more admissible than divestiture. The lease arrangement was for ten years. Government commitment to these issues was very weak as such, not much was achieved on the programme. This period (1994-1997) was regarded as period of privatization inertia.

As a way of learning from the first phase, the second phase was tagged "**Guided Privatization and Commercialization**". For effective implementation of this phase, it was divided into two schedules, with each schedule further divided into two parts. However, the fact that the original time table was developed by the military and the implementation was undertaken by the democratically elected government that found it difficult to invoke policies by autocracy undermines the smooth implementation of the programme. Legal and technical problems were also encountered. These above reasons and other obstacles made the time table to be adjusted.

The new arrangements grouped the enterprises to be privatized into three phases. The first phase was expected to be completed by December, 1999 while thirteen enterprises were invoked and were originally scheduled to hold in 2001. Enterprises slated for privatization under the second phase were 42 enterprises originally scheduled to hold in July, 2001 at the outset. Nineteen companies subjected to diagnostic review but not privatized in phase one were also added into this phase. This brought the enterprises slated for privatization under this phase to 59. The third phase was to commence between the 2-3 years of programme implementation.

The privatization exercise in this phase was seemingly slow as a result of the desire of the government to ensure maximum transparency in the process as well as introduce measures that will sensitize the people to participate massively (Omoankhanlen et al; 2010). The implementation of the programme did not go as expected. Many of the enterprises slated for privatization could not be completed. In addition to the privatization of these enterprises, 19 enterprises were subjected to diagnostic reviews while 15 other enterprises also divested. Most of these could not be completed because of implementation problems which include bureaucratic delay and poor handling of the first phase in terms of rejecting the allotment of shares to some Nigerians because of Federal Character and delay in paying returned monies to the affected individuals also contributed to low participation from the public (Ayodele; 2004).

The third phase is focused on major enterprises in the monopoly sectors of economy such as NEPA now PHCN, petroleum refineries and NNPC subsidiaries, and NITEL. Government realized that privatization may not produce maximum benefits unless some sectors reforms and restructuring are carried out alongside divestiture. For this, the BPE undertook some policy reforms and formulations, legal/regulatory framework was designed so as for the programme to yield positive result.

For better understanding, discussion on phase III of privatization and commercialization of public enterprises in Nigeria will be divided in to two parts. The first part of this phase started in December, 1999 when the democratically elected government under the leadership of President Obasanjo picked interest in the privatization exercise. In this phase, Nigeria raked ₦552 billion from the sales of public enterprises from 1999 to 2007. According to a report of the Bureau of Public Enterprises, 147 privatization transactions including ports, hotels and telecommunications were undertaken by the agency during the eight years. The highest privatization proceed of ₦228.26 billion was realized from the 24 transactions conducted by the agency during the five months of 2007 which is about ₦93billion more than the ₦134billion earned from 39 transactions during the entire 2006. It also revealed that ₦14.655 billion was earned in 2000 from six (6) transactions while eleven (11) and thirteen 13 transactions concluded in 2001 and 2002 yielded ₦12.147 billion and ₦13.284 billion respectively, into the coffers of the government (Tunde, 2008).

Besides, Tunde (2008) also analyzed the proceeds from sale of government enterprises and shares, which produced ₦301 million and ₦50.749 billion for the government in 2003/2004 and 2005, respectively. The flagship transactions of the BPE during 2007 were the Port-Harcourt Refinery and Kaduna Refinery which were sold for Bluestar Oil Services Company for ₦70,831 billion and ₦20.20 billion respectively. Government enterprises or institutions such as the National Arts Theatre, Lagos; International Trade Fair Complex, Egbin Power Plc, Tafawa Balewa Square, and Ajaokuta Steel Complex were concessioned for ₦35.84 billion, ₦40 billion, ₦35.353 billion, ₦9.5 billion and ₦6,576 billion to Infrastructica, Aulic Nigeria Limited, Korea Electric Power Corporation/Energy Resources, BHS International and Global Infrastructure Nigeria Limited respectively.

In 2006, the government earned ₦54.325 billion from the sale of Sunti Sugar Company Limited to Supertek Limited. ₦54.325 billion from Nigeria Telecomunications Limited (NITEL), ₦6.54 billion from Nigeria Newsprint Manufacturing Company Limited, ₦.093 billion from Abuja International Hotel (Le Meridien), ₦3.010 billion from National Clearing and Forwarding Agency (NACFA) and ₦2.160 billion from Stallion House among several others. Nicon Hilton Hotel and Eleme Petrochemicals Company Limited topped the sale of enterprises in 2005. Both were sold for ₦13.539 billion and ₦18.808 billion to Capital Consortium and Idorama Group respectively.

Table 1: Proceeds of Privatization of Enterprises from 1999 to 2007

S/N	Year	Number	Gross proceed ₦
1	2000	6	14,655,117,000.00
2	2001	11	12,146,528,000,00
3	2002	13	13,283,809,000.00
4	2003	2	301,000,000.00
5	2004	7	50,749,806,000.00
6	2005	45	98,084,185,000.00
7	2006	39	134,739,735,279.23
8	May 2007	24	228,260,017,846.90
	Total	147	552,220,198,126.13

SOURCE: Bureau of public Enterprises [BPE] retrieved from Economic Confidential 2008 Email: info@economicconfidential. Com, accessed 24/12/2012

From the above transactions in the privatization exercise, it is evident that it helped the government raise funds to: narrow down the budget deficit; pay back public debts; avoid new borrowings; support social sectors as education, health, power and rural development. However, since 2007, the privatization exercise in phase III is seemly slow as a result of the various scandals that followed the sale and aborted sale of public enterprises in Nigeria between 1999 and 2007.

Part two of phase III of privatization exercise began in 2007 when President Umaru Ya'Adua took over from President Obasanjo. Privatization of public enterprises since then has been slow due to the various scandals that surrounded the sale and the aborted sale of public enterprises in Nigeria between 1999 and 2007 as earlier mentioned. This development led to the government's determination of investigating and auditing the activities of the Bureau of Public Enterprises. This phase, in the privatization exercise in Nigeria, is regarded as **'auditing of privatization of public enterprises'.** This auditing period gave Nigerians the opportunity to know that the entire privatization exercises had been characterized by greed and corruption for personal gains and not for the common good of Nigerians. In early 2008, President Umaru Ya'Adua upturned the fraudulent sale of Port-Harcourt Refinery and Kaduna Refinery.

On April 4, 2005, Ajaokuta Steel Co. Ltd (ASCL)/National Iron Ore Mining Co. Ltd (NIOMCO) that was under concession agreements with Global Infrastructure Nigerian Ltd (GINL); a subsidiary of Global Steel Holding Ltd (GSHL), took over the management of ASCL and NIOMCO. In April, 2008, this concession agreements were terminated by the federal government as a result of discrepancies noticed in the transactions. Thus, GSHL/GINL took FGN to arbitration in London which later resulted into negotiated settlement out of arbitration for US$200,000 payable by the Federal Government. It was revealed that Bureau of Public Enterprises failed to find out that Global Steel Holding Ltd is a "PAPER" company that has no resources to run those two companies.

In 2012, Senate probe of the Bureau of Public Enterprises (BPE) and the National Council on Privatization (NPC) revealed how the nation's national common wealth has been high-jacked by a cabal of con men. The scandal range from the abuse of due process; deliberate failure and refusal to follow laid down rules; undervaluing of enterprises before privatization; criminal collusion and gang up against the public interest; asset stripping and outright looting of the national patrimony (Punch; Dec. 5, 2012).

The revelations from 2012 Senate hearing were truly scandalous. It was revealed in the Punch Newspaper of December 5, 2012 that the Aluminium Smelting Company of Nigeria, ALSCON, which was set up with $3.2 billion, was sold to a Russian firm, Russal, for a paltry $130million. Similarly, Delta Steel which was established at a cost of $1.5 billion, was sold to Global Infrastructure for just $30million. The report also discovered illegal and fraudulent sale of the five percent stake of the federal government in Eleme Petrochemical Company Ltd in violation of the provision of the Act. The report further recommended the cancellation of the sale of Daily Time Plc to Folio Communications based on the fact that the company did not qualify as a core investor with requisite financial capacity to turn around the fortune of Daily Time. Folio Communications used the property of Daily Time as collateral to raise a loan with which it paid for DTN. This transaction indicates that DTN might have been grossly undervalued. The sale of Transcorp Hilton and Sheraton Hotels and Towers were also recommended for cancellation. It was further revealed that Jimoh Ibrahim forged documents and a Memorandum of Understanding; MOU, which he used to acquire 70 percent of the National Insurance Company of Nigeria, NICON. He was accused of "use of false representation, name dropping, multitudinous false claims of representing a highly placed individual" to take over NICON.

Part three of phase III of privatization exercise in Nigeria basically focuses on the privatization of Power Holding Company of Nigeria (PHCN). The constant cloud of suspicion which hung over the federal government's privatization programme of the power sector to preferred investor came to an end in October, 2013. As a major highlight of Nigeria's 53rd independence celebration, and perhaps, the cornerstone of President Jonathan's Transformation Agenda, the federal government handed over 14 of the 18 Power Holding Company of Nigeria, PHCN to their New owners on October 1st 2013. It was reported in the Tell Magazine of October 14, 2013 that the six GENCOs were sold to Mainstream Energy, headed by Sani Bello, a retired colonel, who took over Kanji Hydro and Jebba Hydro; Geregu went to Femi Otedola's Amperion Power; and Tony Elumelu, the owner of Transcorp/Woodrock Consortium, got Ugheli. The other

GENCOs sold are Shiroro Hydro, Olorunsogo and Egbin. The DISCOs were sold to: West Power and Gas, Eko DISCO; NEDC/KEPKO, Ikeja; 4Power Consortium, Port Harcourt; Vigeo Consortium, Benin; Aura Energy, Jos; Kann Consortium, Abuja; Intergrated Energy, Ibadan and Yola; and Sahelian Power, Kano. Government retained control of the Transmission Company of Nigeria, TCN, which is being managed by Manitoba Hydro, a Canadian firm.

According to Bureau of Public Enterprises (BPE), of the 14 successor companies scheduled for hand over $2.5 billion, about ₦404 billion was realized as preceed. Of the amount, $1.2 billion came from the DISCOs while the GENCOs raked in $1.2 billion (Tell Magazine, October 14, 2013). The BPE also confirmed that the federal government set aside about ₦384 billion to settle labour liabilities. As at December, 2013, more than one month after the handing over of these companies to successor companies, the issues of pension, gratuity and terminal benefits remained unsettled. There is feeling in some quarters that the federal government sold the companies at a giveaway price after investing $20 billion, about ₦3.2 trillion between 1999 and 2013 in the search for a stable power supply in the country.

6. Challenges Arising from the Programme

Since the beginning of democratic administration in May 1999, the Bureau of Public Enterprises has been dynamic with the sale of public firms to local and foreign private interests. The policy of the government is to make Nigeria a private sector-driven economy where the government will regulate but leave business to those who can run it. In view of this, we have successfully examined and analyzed the privatization exercise since the beginning of the programme in Nigeria. In the process, it is discovered in this study that the programme is confronted with a number of challenges as impediments to the success of privatization exercise. These include:

i. Corruption: Corruption has remained the omnipresent obstacle that has eroded the very essence of the privatization exercise in Nigeria. The fundamental component of corruption is that the very basics of privatization laws and rules are often partially relegated or entirely discarded for expediency or self interest in the conduct of the exercise (Brook Chambers; 2008). Brook Chamber further observes that the form of corruption is ever dynamic and all conquering. Superior technical bids most times do not decide the successful bid for a firm. Selected core investors are suddenly incapable of paying for firms after being certified as technically and financially sound. Companies with small asset turnover are concessioned to handle larger public agencies, bigger than their capacities. Financial records of privatized firms are often not audited or at best incoherent. Due diligence is conducted at the data room of the BPE instead of a full physical and financial audit of the government firm creating room for manipulations and distortions. Landed assets of substantive or principal government corporations are manipulated and converted as those of subsidiaries. Asset acquisition agreements or share purchase agreements are often lopsided or inchoate leading to unnecessary court litigations.

The report of Senate Committee investigated the activities of the Bureau of Public Enterprises and National Council on Privatization reported in the Punch December 5, 2012 is a clear evidence on how the whole of privatization exercise was characterized with fraudulent acts. The case of Ajaokuta Steel Rolling Mill is a shocking instance. Delta Steel Company, Aladja was also sold for less the 20% of their actual market value. Oshogbo, Jos and Kastina steel rolling mills are not functional today after they were sold at scrape prices to organizations that do not have the capacity to manage and turn them around. There have been massive assets stripping in these steel rolling mills to pay for their reserved prices. After the disposal of stripped assets, these companies repatriated their "profit" back to India. Daily Times was sold at undervalued price.

ii Human Capacity Building: Brook Chamber (2008) observes that human capacity development is one of the cardinal roots of all economic policies. Policies are better implemented by experienced and trained personnel. From practical experience, a considerable number of BPE staff do not understand the concept of privatization. While the upper echelon staff are well versed having gathered considerable experience from training and work history, what happens if there is a sudden lacuna for experienced personnel on privatization matters?

iii Labour Problem: Another impediment that hinders the success of privatization programme in Nigeria is labour problem. As observed by Omoleke and Adeopo (2005), employment in public enterprises is seen as employment in the mainstream of the civil service. Problem arises when privatized and the new owner could not reach an agreement with the labour unions on the employee – employer relationship. This is often the case as the public remuneration is normally structured as "Social Safety Net" (SSN) and not based on productivity. More importantly, the new owners often inherit a large work force that most of the time calls for downsizing on purchase. Apart from the fact that the impact is enormous on the social status of those that are laid off as a result of privatization, the unemployed market becomes saturated,Due to this fear of loss of job, and the attendant social effects, organized labour unions do everything possible to prevent the sale of the major enterprises. The fear is not only in the loss of job but also in the fate of the retired workers as the design of SSN scheme for such people end up in the pages of the dailies. These summed together caused the warning strike embarked upon by the Nigerian Oil workers in expressing their rejection of the move to privatize the Nigerian National Petroleum Company (NNPC) and its subsidiaries. The workers of some other major sectors like energy/power and tele communication have been on several occasions threatening same in the dailies. Closely related to this is the problem of salary arrears as well as the unfunded pension liabilities that can mar the implementation of the programme. The auctions of the Egbin Power Plant to KEPCO, a Korean firm, Kaduna refinery to China National Petroleum Company and Port-Harcourt refinery to a local consortium was marred by several protest by the labour unions that were opposed to the sell-off of these enterprises because of the fear of losing their jobs. Most of the enterprises are owing months of pension arrears. According to BPE (2002), the NITEL have unfunded liabilities of ₦43 billion while NEPA now PHCN alone had about ₦50 billion. That of Nigerian Railway Corporation is far from these. The issues of pension, gratuity and terminal benefits have remained unsettled on the recently concluded privatization of Power Holding Company of Nigeria, PHCN to successor companies.

iv. Disappointing Subscription Rate: The first two phases of the second round of privatization in Nigeria have been fraught with some problems. The major one is the disappointing subscription rate in most of the enterprises sold through public offer. According to Ayodele (2010), the subscription rate ranged between 49.7 percent (NAL Merchant Bank) and 96.2 percent (Unipetrol Plc). The low subscription rate was even after most of them had been extended several times. The 100 percent subscription rate of the Benue Cement Company Plc and Nigercem Plc was for the core investors alone, public offer was not part of it. Evidence from the second phase of the privatization further shows that the Tourist Company of Nigeria recorded a subscription rate of 1.98 percent among several other enterprises with poor subscription rates. Reasons adduced for these dismal performances are the federal constituency allocation that restricted the total allotment to one person (a policy that discourages individuals that wanted to buy in bulk) and the shoddy way the BPE handled the first phase. People were discouraged about the way applications were rejected, subsequent warehousing of shares to state government, and the non-payment of returned money.

v. Inability of the Programme to Attract Foreign Investors: The privatization programme in Nigeria was unable to attract credible foreign investors. The serious hiccup of the process is inability to attract technically and financially sound core investors. This led to a situation where one foreign core investor bought two or more companies; e.g., the Blue Circle Plc serving as the core investor for Ashaka Cement Company and the West African Portland Cement Company (WAPCO). The controversy about the technical competence of many other core investors is also noticeable. Many of the selected core/strategic investors lacked financial standing. The Investor International (London) Limited (IILL) is a good example. The IILL after emerging as the core investor for the NITEL could only pay the mandatory deposits of $131.7 million out of $1.317 billion. Even the reserved bidder, Telnet Consortia, could not pay the bided price, although under the guise to refuse to negotiate with the BPE. The African Properties Nigeria Limited (APNL), the preferred bidder for NICON Hilton Hotel failed to pay the purchase price of 51% holdings of NICON's share of $61,710,000.00 by the specified deadline while the IBTC Consortium could not meet the technical requirement of NCP, thereby leading to the cancellation of the reserved bidder (Ayodele; 2004).

vi. Undervaluation of some Assets: Other implementation problems of privatization programme in Nigeria include undervaluation of some assets, absence of market competition, lack of a reliable regulatory body, problems of unanticipated delays, unco-operating attitude of management and unions, bureaucratic bottlenecks in preparing the companies for privatization, non-compliance with sales terms, lack of clear understanding between the implementing organization and the legislature, among other factors. All these generated high-level mistrust among the major shareholders.

In truth, what was being done was to uproot Nigeria as we knew it, especially from the 1970s, when import-substitution industrialization at least created jobs around Nigeria. The process of privatization which the Obasanjo years foisted on Nigeria, has led to the cheap sale of many strategic national assets; stripping of valuables from these assets; de-industrialization and the loss of hundreds of thousands of jobs; and the entrenchment in the economic and political space of Nigeria, the worst specimens of humans without patriotism, but an obscene gluttony and greed for theft and more theft.

vii. Undue Interference of Political Class: A very central part of the crimes committed against Nigeria, under the guise of privatization, which undermined the success of the programme was the way General Olusegun Obasanjo literally dashed away companies, without respect for the processes put in place. Nasir El-Rufai, who was one of the most controversial privatization Czars, told the senate that Obasanjo and Atiku Abubakar meddled and tried to bend the rules. The Punch of December 5, 2012 revealed how President Obasanjo usurped the role and powers of the National Council on Privatization contrary to the Public Enterprises Privatization and Commercialization Act of 1999.

When El- Rufai exited from BPE, in the context of the bitter struggle between the President and his Vice, Obasanjo literally overthrew the established order of the privatization programme, by directing that Irene Chigbue, then head of BPE, to seek approvals for privatization directly from him instead of the National Council on Privatization. So unencumbered by rule and procedure, the man turned national assets into a personal fief that could be dashed to whoever pleased him. There were incredible stories of bribes allegedly paid by individuals who took part in the gobbling up of some of our national assets.

7. Concluding Remarks

The paper has x-rayed the motive behind the establishment of public enterprises as a direct intervention measure by the government in economy. However, it is then discussed in the paper that public enterprises have performed below expectation. Thus, Nigeria's precarious fiscal and monetary posture could no longer sustain the requirements of its public sector enterprises, particularly since they performed below expectations in terms of their returns on investments and quality of services. Towards the end of 1980s, the public enterprises, which had grown too large, began to suffer from fundamental problems of defective capital structures, excessive bureaucratic control and intervention, inappropriate technologies, gross incompetence and blatant corruption.

In this respect, Nigeria quickly in late 1980s initiated the policy of privatization and commercialization of public enterprises. It is also gathered from the study that privatization is more complex and the implementation of the programme in Nigeria is faced with so many challenges, which undermined its success. These challenges identified are linked to the peculiar situation of Nigeria. These identified challenges are discussed and finally the paper provides the way forward so that the programme can bring forth benefits for the country and certainly galvanize and ensure optimal value of privatization to the Nigerian economy in the longer term.

For Nigeria to record success in the privatization of public enterprises, for the programme to bring forth benefits for Nigeria and Nigerians, and for the programme to be free from the above mentioned challenges, the government should ensure that efforts are made to correct the wrongs of previous privatization exercises because privatization could provide enormous gains to Nigerians. But this will only be materialized when it is done transparently and privatized companies or entities are sold to proven persons who have the requisite resources to run and manage them effectively. In this respect, we therefore recommend the following policy options:

(a) There should be political will on the part of government with strong commitment and determination, making sure that adequate and effective mechanism is put in place so that transparency and accountability are entrenched in the exercise. Due process must be well observed when implementing the programme. The Bureau of Public Enterprises, National Council on Privatization and government need to improve on anti-corruption strategies so as to reduce the menace to a zero tolerance level. It is reassuring that the result of the biding is still subject to the NCP's approval. Thus, utmost care must now be taken to ensure that we are not moving from a ruinous monopoly to a disastrous oligopoly. The BPE and NCP should further scrupulously scrutinize the companies that won the bids. Investigators and auditors should be called in to ascertain their technical, financial and administrative competence to run and invest in the company slated for privatization.

(b) Since privatization is meant to attract foreign investments to expand local markets, there is the need for political and economic stability for privatization exercise to attract foreign investors. Thus, a conducive environment should be provided as an assurance for security of investment and smooth operation so as to enhance and promote profits.

(c) There is a definite need to build capacity among all privatization staff, stakeholders and consultants. This will involve regular training seminars, cross border training exercises etc. Special funds should be budgeted or be allotted to capacity building among privatization staff and consultants. In-house or external courses can also be organized with financial experts such as Euro money.

(d) To solve the labour problems, government and BPE need to design and implement the conceived Social Safety Net Scheme effectively. This will even be a positive signal to the workers of the other companies already slated for privatization and thereby reducing their opposition to the programme.

(e)Bureau of Public Enterprises (BPE) and National Council on Privatization (NCP) should put in place a strong mechanism to make sure that asset of public enterprises slated for privatization are not undervalued. This should be done by contracting the job to three or more reputable property value firms appointing bill proper record of value of assets of all enterprises slated for privatization. This must be time to time made known to the public.

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