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PUBLIC AND PRIVATE SECTOR PERFORMANCE IN NIGERIA: PROBLEMS, CHALLENGES AND STRATEGIES FOR IMPROVED PERFORMANCE

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ABSTRACT: *The historical background of Privatization dated back to 1970 when the Nigerian economy began to experience economic depression. The adverse impact of this economic cum development crisis became monumental in the early part of 1980, as the nation witnessed a dramatic decline in economic performance. There were no available record to show the number of public enterprises in the country today, though conflicting estimates have been given by analysts, Udoji, Ani and Onosode Panels of inquiries, whose panels recommended Privatization and Commercialization of the Public Enterprises as a way out of the quagmire and a step towards achieving faster sustainable development for the country. The analysis that follows tries to discuss privatization experiences and developments in the Nigerian economy. The objective of the study is to examine and analyze the challenges confronting privatization programme in Nigeria. The assumptions of the study are that Nigeria cannot be proposing of becoming one of the leading twenty economies in the world by 2020, (vision20:20) when there is poor performance of her public enterprises and even the performance of the private sector does not absolutely guarantee sustainable development. The study recommended that government has no business being in business, government should address the problem of infrastructural decay in the country, provide adequate and stable power supply, provide other enabling environment for high output performance of the industries in Nigeria and put restrictions on the activities of touts, double taxation and imported goods etc.*

KEYWORDS: Privatization, Challenges, Implementation, Strategies, Performance, Nigeria

INTRODUCTION

The public sector as we all know is the government owned enterprises acting on behalf of everybody with all its activities carried on by or on behalf and for the benefit of everybody. In addition, responsibilities and accountability in the public sector is to the public and decisions are taken in the interest of the public. There are no available statistics or record to show the number of public enterprises in the country today, though conflicting estimates have been given by analysts. Udoji in 1974 put it at 250 for the federal government owned, Onosode puts it at 200 as at 1981 and numerous conflicting figures by different studies. Several commissions of inquiry were set up to look into the problems of public enterprises in Nigeria. Such commissions and panels were headed by Ani, Adebo, Udoji and Onosode among others. All the commissions of inquiries agreed that private enterprises are better than the public enterprises. All the commissions of inquiry recommended privatization and Commercialization of public enterprises. Hamza Zayyed, the then Chairman of the privatization agency in Nigeria called Technical Committee on Privatization and Commercialization (TCPC) said that the total number of public enterprises for the Federal Government stood at 600 and 900 for the states as at 1992.

Despite the mixed market features of the Nigerian economy, the impact of the public sector is still high in terms of investment and infrastructure, high capital outlay, provision of sound financial structures, planning and control. But certain negative tendencies such as misappropriation of public funds and other fraudulent practices contributed to the failure of the public enterprises. Thus, the public enterprise appears to be a dominant force going by the present rates of employment, real output, gross capital formation among others indicators.

However, one basic feature of public enterprises the world over and in particular the less developing countries is inefficiency. Inefficiency leads to waste, slow growth and inordinate dependence on government support even when the activity is apparently a profitable one. This might be as a result of the already agreed fact in some quarters that there is a tendency for government ownership to bring about laziness, fraud, bureaucracy and social vices among others.

Nigeria in 1980, witnessed a total collapse of the economy and seemingly faulty economic policies. The genesis of the socioeconomic challenges was traced to the global economic recession and collapsed of the oil market. These economic problems had forced the then federal government, under President Shehu Shagari, to embark on an economic stabilization program.

In 1986 the popular Structural Adjustment Programmes (SAP) was introduced by General Ibrahim Babaginda administration which proposed an economic reform that would positively redirect and restructure the economic affairs in order to enhance efficiency. One of the major purposes of SAP was to restructure and diversify the productive base of the economy by empowering the organized private sector, pursue deregulation and privatization so as to delete subsidies and to trim the state down to size which had grown too large.

Agiobenebo (1998) was of the opinion that if market failure leads to government intervention and government has also failed, then in a sense privatization is a choice between market failure and government failure.

Privatization of public enterprises which today occupies the centre stage in the economic liberalization of the Nigerian economy is borne out of the belief that the public sector has failed. The historical background of privatization dated back to 1970 when the Nigeria economy began to witness economic depression and contraction. The adverse impact of this economic cum development crisis became monumental in the early part of 1980, as the nation witnessed a dramatic decline in economic performance.

EMPIRICAL FRAMEWORK

Review of relevant studies in the literature has shown that the Size of the public firms which grew too large constituted an impediment to the development of the less-developing countries especially in Nigeria. Towards the tail end of 1980s, the public firms began to experience fundamental problems of low capacity utilization, corruption, defective capital structures, bureaucratic excesses, internal crises, lack of modern production technology, inadequate working capital, poor management and lack of technical support and of all the 42 public firms investigated, only 6 (14.2 per cent) recorded capacity utilization of about 50 per cent. (Owosekun, 1991; World Bank, 1996).

Nwoye (2010) in one of her papers published in the journal for political theory and research on globalization, development and gender issues, concluded that, given the scope of the socioeconomic challenges facing Nigeria, there is every need to worry about the deteriorating state of our economic plans and actions. The issues involved, ranges from the development of infrastructure to other essential economic needs of life. Sanusi, (2000) in a paper published in Business Times on the challenges and prospects of privatization, described a variety of policies that encourages competition and emphasizes the role of market forces. In assessing the performance of the parastatals, Sanusi said that the public sector relegates the factor of accountability to the background. Having seen the obvious lapses in the management of our public enterprises in Nigeria, their causes of non-performance are not controversial.Udeaja (2001) in his study mentioned a variety of problems facing the public sector and summarised the reasons for their poor performance in Nigeria to include the following: Low capacity utilisation, High cost of production and adequate capitalisation, Poor production pattern and poor marketing of products, Lack of control in service delivery and supervision of management decisions, Conflicting objectives and lack of clear management among others.

Ajakaiye (1985) revealed that the operating losses of public enterprises amounted to N96.44 million in 1984 and may rise to about N3.7 billion in 1997. In 1983, the public enterprises sub-sector in Nigeria comprising about 96 commercial enterprises, with a total investment of N23 billion (N8 billion in equity and N15 billion in loans), returned only a paltry 2.2 per cent on investment per annum and today the performance of the Power Holding Company in Nigeria is a big disappointment despite been unbundled.

Ejiofor (2008) carried out a study and interrogated 28 parastatal management to examine the efficiency level of other firms, (excluding their own) on a five-point scale of doing very well, well, fairly well, badly and very badly. Only about four per cent said that other public firms are doing very well, another say four per cent said there are doing well, 31 per cent thought they were doing fairly well while 57 per cent concluded that they are doing badly and another four per cent rated them to be doing very badly. A method of comparative analysis was adopted and concluded that public companies were operating poorly and thus suggested policy options as a way out for increased productivity. At the end of the day, privatization and commercialization was adopted as an economic policy thrust.

In a comparative analysis, Ikwunna (2000) used simple percentages and chi square statistics to test and analyzed the performance of the state and private firms in different periods. The study concluded that over extended and complex organizational structure, recruitment using certain parameters without merit, lack of concrete performance indicators, lack of organizational planning and enforcement, heavy budgetary deficit, government firms being used as channel for political patronage and the high rate of proceed of director’s earnings are the major factors affecting the performance of the public sector. All these have given a bad image to the public sector and efficiency cannot be achieved. Public and private firms when compared in terms of cost of manufacturing the same outputs, the private firms usually outperform the public firms due to efficient management of human and material resources and absence of the usually high-level corruption which is a common phenomenon in the public sectors.

World Bank (2004) carried out a study investigating the economic challenges that come up when government have a firm control of public firms that will be handled by the organized private managers, and the various challenges to economic reforms. If properly conceived privatization can go above its level of investigations to include some level of statutory provisions based on the experience of twelve countries like Turkey, Chile, Poland, China, and the Czech Republic. It appraised the constraints to economic reform and the approaches in which some countries had addressed their challenges. The performance of each country was assessed using certain parameters put in place by the study team was adopted. Chile, Korea and Mexico made success stories and India, Senegal and Mexico with poor results. The remaining countries were adjusted as the acceptable and successful story in the study. The findings provided guidelines to follow in achieving successful public sector reform and suggested ways in which external aid can be sourced to enhance the successful implementation of the economic reform. But the report has been challenged by researchers and analysts especially from the African Perspective. In spite of Egypt, Ghana, and Senegal as African countries in the study, it is becoming clear that the issues identified in these countries do not provide the appropriate prototypes for the other African economies involved in the study.

Despite the limited coverage, Jerome (1996) argued that there are several constraints confronting privatisation in any country such as the hard nature of the privatisation procedure, absence of transparency in the execution of the reform, and the lack of structured capital markets and based on these lapses privatisation has failed to meet expectations in many countries.

Statement of the Problem

The issue of privatization has occupied the attention of economist and policy makers especially in less-developing countries and has generated wide international discuss. The discussion and analysis show that privatization if properly articulated and implemented may result to substantial benefits, improved efficiency, investment, budgetary savings and resources for the improvement of a nation’s economic conditions.

The problems of public firms prompted virtually all less developing countries to embark on privatization and commercialization as a way out of the quagmire. The exercise has assumed an important attention on the policy agenda of the less developing around the divestment agenda towards state enterprise reorganization and liberalization of the economy. Despite all the various policies put in place to drive home privatization in Nigeria, there are problems and challenges constituting an impediment to the successful implementation of the reform programme.

Objectives of the Study

1. The objective of this study is to examine and analyze the challenges confronting privatization programme in Nigeria.

2. To suggest appropriate policy recommendation to enhance effective and efficient privatization programme in Nigeria.

RESEARCH METHODOLOGY

To achieve the objectives of the study, privatization has occupied the attention of economist and policy makers especially in less-developing countries and has generated wide international discuss. In view of these perceived challenges, this study adopts the descriptive and content analysis approach to review, examine and analyze challenges confronting the smooth implementation of the privatization programme.

Method of Data Collection and Sources of Data

The data for this study is basically empirical review and analysis from secondary sources.

Review and Analysis of the Problems and Challenges of the Nigeria Economy in the 1980's to Date

The 1980's witnessed steady economic deterioration and seemingly faulty economic policies. At the beginning of the 1980s, the country had entered difficult times. Scarcity of foreign exchange had set in. By the mid-1980s, reality had dawned on the nation's economy. Retrenchment of workers was rampant in both private and public sectors. There was inflation, very high levels of unemployment affecting both skilled and unskilled workers, and low levels of plant capacity utilization. The origin of the socioeconomic difficulties was generally traced to the global economic recession which opened with the decade of the 1980s. Earlier, these socioeconomic problems had forced the Federal Government, under President Shehu Shagari, to embark on an economic stabilization program. It is against this background that the Structural Adjustment Programmes (SAP) was also proposed as a kind of reform which would affect the goals, administration, and management of most of the public sector enterprises for purposes of efficiency (Federal Republic of Nigeria, 1986).

In 1981, the Nigerian economy went into recession (an economic crisis marked by falling oil revenue, declining industrial output which was reflected in the inability of the Nigerian economy to finance imports, a weak agricultural sector, trade arrears worth billions of dollars and a stalement in talks to reschedule the countries crippling external debt) until recently when the debts were settled and the remaining percentage written off by the Paris Club of creditors. Subsequently in 1985, profit losses went up from N96.44 million to about N3.7 billion in 1990's and was also reported that the amount of the joint investment in these parastatals was put at N23 billion. However, government equity investment in them has only yielded paltry of 1.39 per cent returns on investments. The problems of public firms prompted virtually all less developing countries to embark on privatization and commercialization as a way out of the quagmire. The implication is that the efficiency performance would eventually lead to improved productive capacity. Another issue is that public enterprises in Nigeria accounted for up to 20.5 per cent of country's external debt in 1990. Government subvention constituted about 15.89 per cent of the total investment in public enterprises, while loans and equity shareholdings accounted for 35.21 per cent and 48.89 per cent respectively and this will reduce the budgetary drain from public firms (TCPC, 1995).

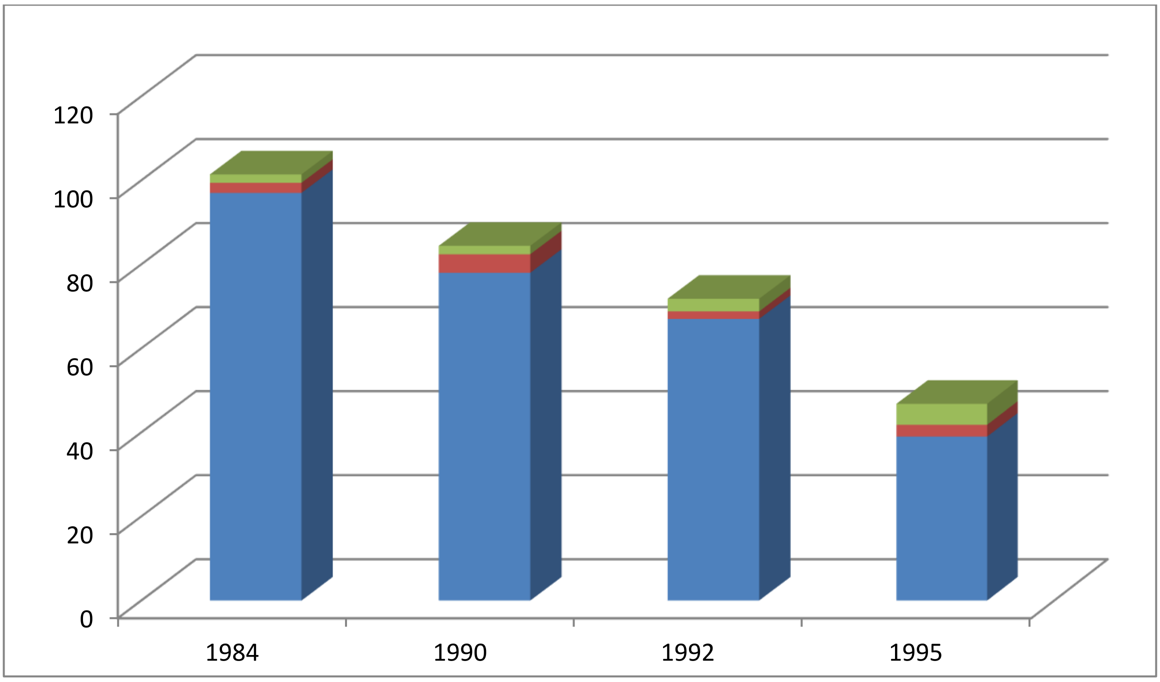

Fig. 1: Profit Losses by Public Enterprises in Nigeria (1984-1995)

Source: Authors Computation (2016)

It was observed that the operating losses of public enterprises amounted to N96.44 million in 1984 and may rise to about N3.7 billion in 1997. FIG.1 also indicated the operational and profit losses encountered by state owned enterprises and based on the above; much concern was justified for the continued existence of these enterprises in Nigeria. However, the public enterprises have been criticised for their poor performance. In Nigeria, investigation revealed that public sector was endangered by challenges corruption, impunity, low capacity utilisation, lack of modern spare parts and out-dated production technology, lack of technical support, among others.

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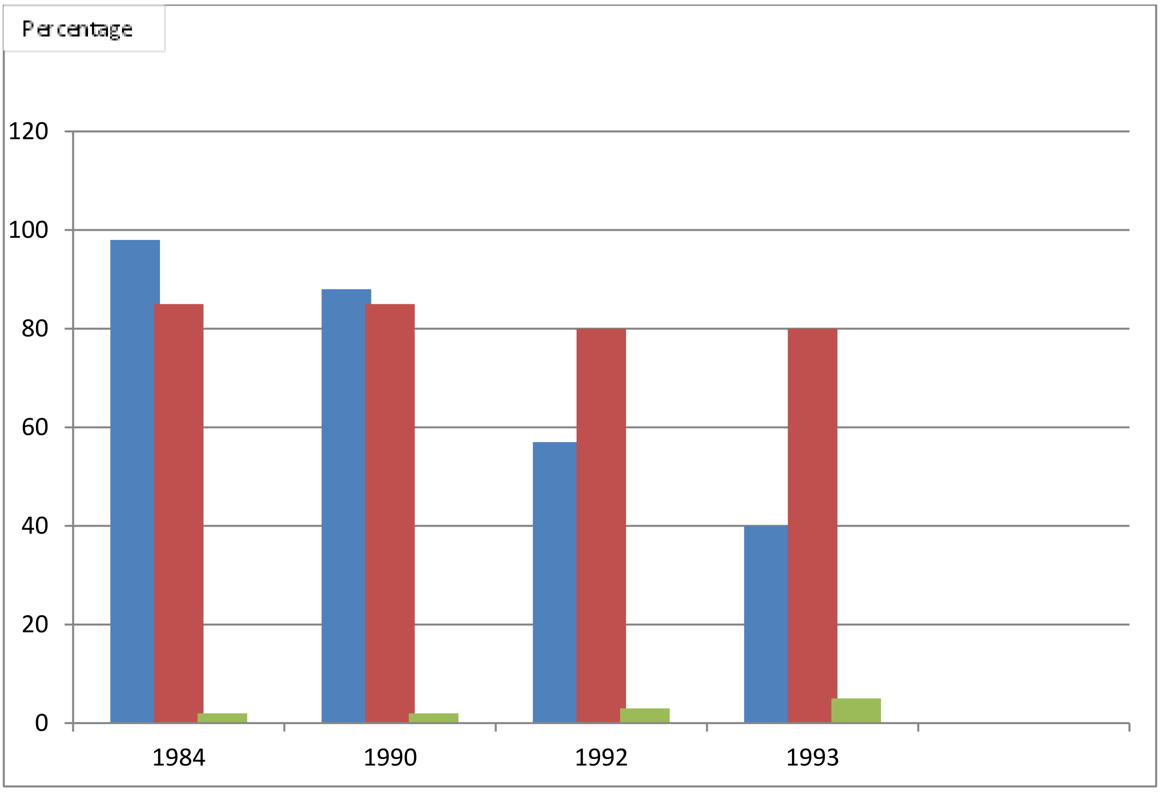

FIG.2: Output Losses and Size of the Public Sector in Nigeria (1984-1993)

Source: Authors Computations (2016)

FIG.2 indicated the output losses of the public enterprises. The output performance of the firms in 1984 showed an increase to over 80 per cent growth in output while the size of the firms was also over 80 per cent. But beginning from 1990 to 1993 the public enterprises began to decline in performance. The problems of performance of these state firms in Nigeria were further worsened by the global economic recession and the collapse of the oil market. By the end of 1980, the public sector, which had grown too large began to shows serious signs of defective management and poor output performance. Recently in 2016, the Nigeria economy went into another round of economic recession having the same faulty economic policies from the ruling All Progressive Congress party led by Mohamadu Buahri.

Privatization Programme in Nigeria: A Brief Review

Privatization was introduced in Nigeria by the act of parliament in 1988, establishing privatization and commercialization which thereafter established the Technical Committee on Privatization and Commercialization (TCPC) in Nigeria chaired by Dr. Hamza Zayyad with a mandate to work on 111 public enterprises. In 1985, it was reported that the amount of the joint investment in these public enterprises and parastatals were put at N23 billion, however government equity investment in them only yielded a paltry of 1.39 per cent returns on investments. These negative performances therefore called for these parastatals to be privatized. The policy officially came into existence in July1988; the federal military government initiated the promulgation of the privatization and commercialization decree no. 25 of 1988 by the Babangida administration. The privatization policy was an integral part of the popular economic reform policy called Structural Adjustment Programme (SAP) of June 1986. The Nigerian government being impelled with the economic reforms for the state-controlled enterprises launched the SAP programme aimed at restructuring and diversifying the productive base of the Nigerian economy. This could be achieved by reducing the flow of public funds to unproductive state enterprises, as well as liberating the economy in search of the benefit of free market forces. Consequently; the adoption of the SAP policy brought two contending policy paradigms into the Nigerian policy arena. They are the state directed policy option and the market directed policy options. In its own philosophy, SAP meant dismantling of state ownership and control of economic activities in Nigeria, dismantling of administrative control of economic activities in Nigeria. It emphasizes the installation of market forces to regulate processes; as well as the reduction of state-owned enterprises in the economy.

In its macro objectives, SAP meant the reduction of the dominance of the unproductive investment and enhances the growth of the private sector. The objectives were to achieve fiscal disciplines and balance of payment viability; efficient liberalization and globalization by removing any impediments. Furthermore, SAP was aimed at privatization or rationalization of public assets, commercialization of public enterprises. While launching the SAP the then President Ibrahim Babangida promised Nigerians that some public enterprises would be privatized while others would be commercialized. Technical Committee on Privatization and Commercialization (TCPC) now became Bureau of Public Enterprises (BPE) was set up to supervise the deregulation of such selected firms.

On the scope of reference, it follows that some enterprises would be:

i. Fully privatized enterprises

ii. Partially privatized enterprises.

iii. Fully commercialized enterprises.

iv. Partially commercialized enterprises.

v. Concerns to remain as public institutions.

Based on the aforementioned, by March 1986 six enterprises mainly in the agricultural sector which have been neglected for years were put up for sale. They are as follows:

a. National Animal Feed Company.

b. National Poultry Production Company.

c. Nigerian Dairies Company.

d. Mandara Dairy Company.

e. Market Cattle Ranch.

f. Kano Abattoir.

And in its schedule II, the following were listed for partial commercialization:

i. Nigeria Airport Authority (NAA)

ii. National Electric Power Authority (NEPA) now Power Holding Company of Nigeria (PHCN).

Among others, while NNPC and NITEL were listed for full commercialization.

In a related development, late President Sani Abacha while presenting his budget of transition speech was of the opinion that, to consolidate the gains of privatization in a market directed economy and to encourage foreign investment restated the government decision to embark upon "guided privatization policy" of some existing key public enterprises such as NITEL and NEPA.

The programme of privatization in Nigeria has as its main motivation the reform of the parastatals and other companies in which the government had equity participation. It is not ownership structure that is solely important, but it is the logic behind decision making process and effective and efficient implementation of this economic reform.

Despite all these, the matter did not provoke much public debate and comment until the former military Head of State General Ibrahim Babangida on his budget speech of 1986, categorically declared privatization as an economic policy thrust to revamp the economy from imminent collapse. The Nigeria regulatory agency known as Technical Committee on Privatization and Commercialization (TCPC) was then given a directive to work on about 111 public enterprises and 1993, having earlier privatized 88 out of the 111 enterprises listed in the decree; the TCPC thereafter concluded its assignment and submitted a final report. Based on the recommendation of the TCPC to the government, the federal military government enacted the Bureau for Public Enterprises Act of 1993, which cancelled the 1988 Act and set up the Bureau for Public Enterprises (BPE) to implement the privatization program in Nigeria.

In 1999, the federal government enacted the public enterprises (privatization and commercialization) act, which gave birth to the National Council on Privatization chaired by the then Vice President, Alhaji Atiku Abubakar.

The function of the council includes to:

i. Initiate laws that will streamline privatization and commercialization of public sector;

ii. Establish the modus operandi for privatization and advising the government accordingly;

iii. Design a framework or timeline for the privatization of the public enterprises.

iv. Approve and set the prices for the purchase of shares and the recruitment of privatization consultants.

v. Ensure smooth implementation of the policies on every commercialized public enterprise.

vi. Act as a bridge between the public firms, supervising ministries and the general public in order to ensure effective monitoring and evaluation of the exercise.

An act of parliament enacted in 1999 also set up the Bureau of Public Enterprises (BPE) as the secretariat of the National Council on Privatization in Abuja. The job description of the bureau includes among others to do the following:

a. To ensure efficient implementation of the council's policies and decisions on privatization and commercialization of public enterprises;

b. To Prepare comprehensive list of all public enterprises approved by the National council for privatization and commercialization;

c. To advise the National council on the capital needs of the enterprises to be privatized;

d. To ensure financial transparency, discipline, accountability and probity of all commercialized enterprises;

e. To make policy recommendations to the council on the appointment of professional adviser and consultants or any other service required and connected therewith;

f. To ensure the successful implementation of privatization and commercialization through monitoring and evaluation of the exercise.

Methods of Privatization in Nigeria

On the process of implementing the privatization programme in Nigeria the TCPC adopted various methods of privatizing some of the Nigeria public enterprises. Such as public offer for sale of shares, private placement, sale of assets, management buy-out, deferred public offer, leasing and contract management. Nigeria has adopted internal privatization, also known as "employee or management buyout," is another method of privatization. This is one of the methods adopted by the Nigerian government so as to encourage wide share ownership on the workers so as to show commitment and improved performance because they are already familiar with the particular firm and its structure, but the problem with this method is that little revenues are created for the government. This method of privatization creates incentives especially if strategic private investors take over the ownership of the firms. New employees usually don't have the needed finances to invest which is essential to large proportion of public firms in less-developing countries.

The First Phase of Privatization Programme in Nigeria

In response to the public outcry over the dismal performance of statutory corporations and state-owned enterprises, several study groups as earlier mentioned in chapter one was instituted to evaluate the process. The committees examined the factors responsible for the inefficiencies of these enterprises and recommended privatization of public enterprises based on their degree of inefficiency that led to the crisis of confidence in the economy. The outcome of these panels' report showed the failure of the Public sector to fulfill the mandates that are purely business in orientation. During the first phase of privatization, it was widely accepted that Public sectors never added value to the economy but reduced value through wastage, corruption, and over dependence on the public treasury for assistance (TCPC, 1995; Udeaja, 2001).

It follows that the primary objective of the SAP-based privatization policy was to reduce government expenditure on parastatals, as a part of the overall strategy of shrinking the public sector and strengthening the influence of market forces in coordinating virtually all aspects of the nation's economic activities. So, SAP placed a drag on government expenditure such that government budget has always been deficits in Nigeria would not exceed 3-4 percent of GDP. Based on the above, Nigeria adopted the first phase of privatization and commercialization policy in July 1986, within the framework of the World Bank/IMF SAP. The first step in the complementation of the exercise was the setting up of commissions and analyst to review and accordingly streamline all public firms in Nigeria. Government subsequently promulgated decree no. 25 of 1988, which gave legal mandate to the various group and agencies kick the privatization and commercialization programme in Nigeria.

In conformity with provision of the decree, an 11-man technical committee was set up on the 27th August 1988 to supervise Nigeria's privatization process. According to the decree, the programme was to ensure that:

i. To reorganize and rationalize the public sector in order to reduce the control of unfruitful investments in the sector,

ii. To ensure efficiency improvement through performance, viability and re-orientation of public sector.

iii. Reduce dependence in the government treasury for funding and make the sectors commercially oriented commercially oriented firms.

iv. To establish the procedure of gradual cessation of the state enterprises sector that can be best managed by the organized private sector led managers.

The decree also identified 111 public enterprises for either full or partial privatization enterprises, while another 35 enterprises were to be commercialized. Under full privatization, the government was to completely divest its equity interest in public enterprises, whereas under partial privatization, it was to sell off only a proportion of its equity in the affected enterprises.

Thus, within the frame work of the decree and guidelines provided, all existing public enterprises which possessed high potentials for effective operation (productivity, profitability and efficiency) were to be commercialized with government divesting its equity to a maximum of 40 per cent. For effectiveness, there were to be public evaluation committees to monitor the attached enterprises' activities and evaluate their performance for reward/penalty. While implementing the privatization exercise, the TCPC privatized 55 enterprises using five different methods of privatization which includes public offer for sales of shares; private placement; sale of assets; management buyout (MBO); and deferred public offer. The Federal Ministry of Agriculture and Rural Development privatized a total of 17 agricultural and agro-allied enterprises between 1986 and 1988 while the National Freight Company Limited from the Federal Ministry of Transport was privatized. Government divested itself of the 18 enterprises through the sale of assets method. Also, five public enterprises had earlier been commercialized while 18 others were put on hold and 22 enterprises left to be privatized were said to be on preparation stage. The reasons ranged from fraudulent duplication in the provisions of the degree to reasons given by the implementation agency. (TCPC, 1995).

In all, thirty-five public enterprises were privatized through the public offer at the Nigerian Stock Exchange because these enterprises qualified for listing on the stock exchange. Over 1.5 billion shares were sold to private individuals and institutions and association. Seven enterprises were privatized through private placement of equity shares to institutional investors, core investors, which demonstrated strong technical skills to manage those enterprises. The sale of asset approach was adopted for twenty-six enterprises whose unimpressive track records and future outlook look hopeless (Obadan, 2002). These public enterprises could not be listed at the floor of the Nigeria stock exchange because they did not meet the listing requirement by public offer of shares or private placement. However, the federal ministry of agriculture and transport had earlier sold 18 firms out of them before the establishment of the TCPC in 1988. Only one enterprise was privatized through management buy-out – National Cargo Company limited.

The Second Phase of Privatization in Nigeria

Between 1988 and 1993 the privatization exercise was suspended, by the late General Sani Abacha. However, towards the end of 1998, the new transition government of General Abusalami Abubakar, reaffirmed commitment to ensuring that the privatization programme succeed and thus lunched the current second round of the privatization Exercise. The legal frame work for the second privatization programme was established through decree no.28 of 1999. The decree provides for a reorganization and design of an appropriate institutional framework to include the establishment of the National Council on privatization (NCP) and reestablishment of the Bureau of public Enterprises as the main organ for the implementation of the privatization Programme. The decree provides for the privatization of 25 public firms involved in providing core services to the national economy such as oil, cement, banking, agro-allied, motor vehicles assembly and hotel activities. It further provides for the partial privatization of 37 firms ranging from telecommunications to sugar companies.

In November 1999, the-second-round privatization programme effectively began with the scheduling of some companies for full privatization under phase one of the resume programme. These are companies already listed on the stock exchange apparently to give the government more time to prepare others for privatization. In previous privatization exercise, which was based on nationalization and did not attract foreign direct investment (FDI), the present exercise opened the country’s door to foreigners in other to attract foreign support in the areas of capital, management skills, technology transfer, and technical assistance. The provision of the decree allows strategic / core investors to have maximum of 40 percent while 60 per cent would go to the investing Nigerian public. In order to address the issue of concentration of shares in a few hands, no individual is expected to acquire more than I percent equity in any firm whose shares were offered for sale. By January 2000, the privatization of public firms in the first batch of the second round was in progress. However, the first batch of the exercise has been marred with complaints of lack of transparency in the transaction. Allegation have been made that the transaction was shrouded in secrecy and that majority of the investing public were ignorant of the sale of government shares.

Problems and Challenges of Implementing Privatization Programme in Nigeria

The TCPC on the process of embarking on Public Enterprise reforms in Nigeria encountered some crucial problems which are economic, political and ideological in Nature .In First Phase of Privatization, it was observed that Public Enterprises have not added value to the economy rather they have consistently reduced value through wastage, mismanagement and over dependence on the public treasury. In the Second Phase of Privatization, the decree (law) allows strategic / core investors to have maximum of 40 percent while 60% would go to the investing Nigerian public. In order to address the issue of concentration of shares in a few hands, no individual is expected to acquired more than one percent equity in any privatized enterprise whose Shares were offered for sale. By January 2000, the privatization of public enterprises in the first batch of the second round was in progress. However, the first batch of the exercise has been marred with complaints of lack of transparency in the transaction. Allegation have been made that the transaction were shrouded in secrecy and that majority of the investing public were ignorant of the sale of government shares.

The subsequent exercise generated series of controversies and crisis of confidence that are still raging on in which most senior government officials and law makers in Nigeria are seriously fingered and accused of manipulating the privatization programme to their selfish interest and at the detriment of Nigerians. Development partners especially the World Bank, have been accused for imposing the privatization of public enterprises and natural resources in Africa especially Nigeria as a condition for development assistance and debt relief. They are accused of telling impoverished and less developing countries to turn their public services over to private owners and to sell off their strategic assets and key firms such as oil and gas, mining, telecommunication, transport, and water companies, which are also said to be conditions for debt relief. Nigeria debt profile stood at over $32.3 billion, where servicing is estimated to gulp as much as $2.91 billion in 2003 but thereafter the Paris club of creditors wrote off the debt after satisfying the conditions spelt out for the debt forgiveness.

SUMMARY OF FINDINGS

The review and analysis revealed that Privatization was a carryover of the popular Structural Adjustment Programme (SAP) introduced in 1986 and an imposition of the international capitalist ideology. In First Phase of Privatization, it was observed that Public Enterprises have not added value to the economy rather they have consistently reduced value through wastage, mismanagement and over dependence on the public treasury. In the second phase of the exercise which kicked off in 2000, showed lack of transparency in the transaction. The transactions were shrouded in secrecy and majority of the investing public were ignorant of the sale of government shares. The also further revealed that the reform programme generated series of controversies and crisis of confidence in which most senior government officials, politicians and law makers in Nigeria were seriously fingered and accused of manipulating the privatization programme to their selfish interest and at the detriment of Nigerians.

The public enterprises remain ill managed while the private investors are still subject to time-consuming regulatory processes and uncertain policy environment. They have both failed the country and reduced drastically the standard of living of Nigerians. This is because the public sector is the parameter used to mirror the deteriorating nature of our Nigeria economy. They have also remained a clog on the wheel of economic progress and industrial growth of the Nigeria economy.

The socio-economic and political development of Nigeria portrays a political structure, which remains largely undefined. After many failed experiments at democratization, it has become difficult to settle on a system that would meet the diversity of the Nigeria society. This has also affected the direction of the public sector since there have been consistent changes in top management to reflect the changes in the political leadership.

Policy Recommendation

1. Since corruption, Nepotism and other fraudulent practices are the key virus destroying the economy of Nigeria, government should speed up actions towards the fight against corruption and ensure that certain core values such as transparency, accountability, prudence and professionalism should be made our watch word.

2. Privatization will reduce waste of economic resources, generate revenue from the sale of equities and shares for infrastructural development.

3. Professional economic team should be set in all aspect of government policy making to make review ensure efficient and proper economic planning for the country.

CONCLUSION

Since the objective of the study is to examine and analyze the challenges confronting privatization programme in Nigeriaand make policy recommendation on the way forward. The performance of the public firms in Nigeria up to date has not been encouraging. Nigeria must establish a viable and stable macro-economic frame work in the context of a stable political system to permit the resumption of growth; and as a result, it's deteriorating nature of its social indicators. Nigeria needs to refocus its economic growth towards poverty reduction.

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