

Privatization Programme in Nigeria: Challenges and the Way Forward.

By

Adagba, Onah Sunday PhD

Department of Public Administration,
Faculty of Humanities, Management and Social Sciences,
Federal University, Wukari, Taraba State – Nigeria
Tel: 08064882970. E-mail: drsunnyfuw@gmail.com

&

Umar, Dauda Usman

Department of Public Administration,
Faculty Management Sciences,
Taraba State University, Jalingo, Taraba State – Nigeria
Tel: 08064063949. E-mail: umardauda25@gmail.com

Abstract

For over two decades, privatization has become a global trend, especially in Africa as an important element of economic policy to address some structural imbalances. The study seeks to espouse the challenges to the effective implementation of privatization policy in Nigeria. The study postulates that for any successful implementation of the program certain conditions need to be met. These include infrastructural facilities, alleviation of poverty and corruption. The paper adopted the positive theory as its theoretical framework and relied wholly on secondary data and concludes that inadequate infrastructural facilities, poverty and the absence of transparency in the privatization process are constraints to the achievement of any major success in the privatization program in Nigeria. Consequent upon this, the paper recommends the radical development of the infrastructural facilities in the country, the reduction of severe poverty in the country and the tackling of corruption to restore the people's hope in the program. It is only then that the exercise would receive the blessing from most Nigerians.

Keywords: Corruption, Efficiency, Nigeria, Privatization, Poverty, Infrastructural facilities

Introduction

Globally, and for more than three decades now, privatization of state-owned enterprises (SOEs) has become a key component of the structural adjustment reform process and globalization. It was seen as a means of fostering economic growth, attaining macroeconomic stability and reducing public sector borrowing requirements arising from corruption, subsidies and subvention to unprofitable public enterprises.

In line with the global trend, many African countries saw privatization as an important element of economic policy. Almost all countries in the continent are undertaking or have undertaken privatization in one form or another. It is estimated that since the 1980s, about 4000 privatization transactions have been completed in Africa with an estimated sale value of over US\$10billion (Enweze, 2001). After a period of slow start, the pace of privatization is

now accelerating in the continent not only in terms of numbers, but also in terms of size and quality of transactions. In Nigeria, the adoption of the Structural Adjustment Programme (SAP) on the advice of international financial organizations, particularly the World Bank, brought to the fore the privatization of public enterprises as a major component of Nigeria's economic reform process.

Prior to that privatization wave in Nigeria, Jerome (2008: 4) notes that there were about 600 public enterprises (PEs) at the Federal level and about 900 smaller PEs at the state and local levels. Shares of employment, value added and gross fixed capital formation of public enterprises generally exceeded those of other African countries. The estimated 1500 enterprises accounted for about 57 percent of aggregate fixed capital investment and about 66 percent of formal sector employment by 1997. According to Anyebe (2002), it is also estimated that successive Nigerian government invested over 800 billion naira (approximately US\$ 90 billion equivalent) in the PE sector over two decades, which remains one of the largest in Africa. The establishment of these PEs was given greater attention in the mid-1960s to 1970s with crude oil exploration in commercial quantities. This attained appreciable levels with the sharp increases in the prices of oil by OPEC (for which Nigeria is a member) resulting in the accumulation of tens of millions of dollars by the Nigerian government in her foreign reserve. Anyio (2008) notes that a crescendo was reached during the Second National Development Plan Period (1970 - 1974) when over one hundred new public enterprises were established in industry, commerce, construction, banking and finance, insurance and other services. The expansion of the PEs into these diverse areas of economic activities was viewed as an important strategy for fostering rapid economic growth and development.

Unfortunately, most of the enterprises were poorly conceived and economically inefficient. They accumulated huge financial losses and absorbed a disproportionate share of domestic credit and by 1985 majority of them had become an unsustainable burden on national budget. In 1986, the structural adjustment programme was adopted and privatization of these enterprises came to the fore as a major component of Nigeria's economic reform and development.

Like most reforming African countries, Nigeria also recognized the importance of privatization in the restructuring of its economy. The country thus embarked on the privatization programme as part of a broader economic reform and liberalization designed to restore macroeconomic efficiency. The reform was also aimed at promoting greater private sector participation in economic activities and included the maintenance of sound macro – economic policies, deregulation with emphasis on power, telecommunication and downstream petroleum sector. In all, it is expected that privatization will improve economic efficiency and performance. It is also expected that the privatization of the major public utilities and the establishment of the appropriate regulatory frameworks and bodies will generate allocative efficiency gains.

Much as the reasons for privatization are shared globally, each country tries to structure privatization programme in such a way that it will take care of its socio-economic and industrial ethics for maximum benefit. Thus in Nigeria, to what extent has privatization achieved its objective of economic efficiency, performance, unemployment reduction and indeed the general improvement in the country's socio economic development and wellbeing? Although many studies on privatization in Nigeria abound, almost all of them focused on the reasons and rationale for privatization. They appraise the programme objectives and how the exercise was conducted, what was sold and to whom, by what method and for how much. Relevant works in these areas include Bala (1994), Jerome (2002), Obadan (2000) and Emenuga (1997).

It is against this background that this paper attempts an assessment of the performance of the privatization programme in Nigeria with a view to espousing the challenges and prospects. In doing this, the study relies wholly on secondary data and the personal observation of the researcher. The paper is divided into five sections. Section one is the introductory part. Section two deals with the conceptual issues of the study. Section three is the theoretical framework adopted for the study. Section four which is the main body of the paper attempts an assessment of the privatization programme in Nigeria and the last section is the conclusion and recommendations of the paper.

Concept of Privatization



The term privatization did not gain wide circulation in politics until the 1970s and the early 1980s. With the rise of government of the conservatives in Great Britain and the United States, privatization came primarily to mean two things: - (1) any shift of activities of functions from the state to the private sector and (2) more specifically, a shift from public to private of the production of goods and services (Steve 1987). Besides directly productive services, government established the legal framework of societies and regulates social and economic life and finances services that are privately produced and consumed. Thus, the first broader definition of privatization includes all reductions in the regulatory and spending activity of the state. The second most specific definition of privatization excludes deregulation and spending cuts, except when they result in a shift from public to private in the production of goods and services (Steve 1987)

According to Ohash and Roth (1980), privatization, as the name suggests, means returning public owned assets to the private sector usually where control of activity is passed from the public sector to the private sector by means of an issue of shares. To Oladele (1991) privatization is a speculated process of government disengagement from those activities, which is now undertaken or can be more efficiently carried out by others in the private sector. Thus we see here that the purpose of privatization or the transfer of ownership from the public sector to private is better management.

The definitions and perspectives from which scholars look at the concept of privatization continue to vary and Anyebe (2002) contends that despite the universality of the concept, there seem to be no consensus as to the meaning of the term. He expresses the opinion that to many Nigerians, privatization is synonymous with the relinquishment of government equity and other interest in public enterprise. While to the average Britons, it means public floating of state enterprises. According to Jackson and Price (cited in Anyebe, 2011), the menu of activities that make up a definition of privatization includes: deregulation, opening up state monopolies to greater competition, contracting out, the private provision of public services; joint capital projects using public and private finance; and reducing subsidies or introducing user charges. This position surely supports the approach of government to the whole process of privatization as contained in Decree No 25 of July 1988 and titled privatization and commercialization. This according to Anyebe (2011) suggests that some enterprises are to be

commercialized, meaning exposing those enterprises that would remain under public ownership to hard budget constraints and the discipline of the market system.

According to Kayode, (1988), privatization is the move by the public sector towards the pursuit of efficiency and effectiveness in the attainment of objectives with a dominance of financial considerations through the management practice (styles) that rewards good and penalizes poor performance. This position clearly indicates that the major problem of public enterprises is inefficiency and lack of effectiveness. However, a major criticism of this definition is that the policy will have negative effect on the lower class in Nigeria. If we have the understanding that the main objective of any business venture, especially in a capitalist society is profit maximization, then we will begin to see some gloomy side of the policy. For example, the privatized enterprises could use their power to raise prices and make consumers worse-off. This will make it difficult for lower income earners to enjoy certain key services which are necessary to sustain their well-being and by so doing widening the gap between the rich and the poor. A clear example of this perspective was the last increase in Power Holding Company of Nigeria (PHCN) tariff by the government to make it more attractive to prospective buyers before it was finally put up for privatization.

Privatizing certain strategic public enterprises such as PHCN, NNPC, Rail ways etc. raises questions on the role of the government and her “social contract with the people”. The 1999 constitution and in section 16 states that “the state shall control the national economy in such a manner to secure the maximum welfare, freedom and happiness of every citizen on the basis of social justice, equality of status and opportunity”.

The Bureau of Public Enterprise (BPE) which is the executing body of government privatization programmes defines privatization as “the disengagement of the state from those business activities that are best done by the private sector, with the overall aim of achieving economic efficiency”. It means that private goods are going to be supplied by the private sector while the public goods are to be supplied by the public sector. What then is the social responsibility of the state to its people? What role does the government play in the expansion of the productive base of the state? The point to worry about here is that the private sector is most times not willing to go into those productive sectors that requires a long range of time

for its benefits to begin to reap e.g. railways, water board etc. that are also considered strategic to national security.

When a public enterprise is privatized, all its users or equities are sold, in addition to the transfer of ownership and management of such enterprise, by contracting out to the private sector. This enables the private sector to compete in sectors that have been an exclusive domain of the public enterprise.

Otobo (1998) notes that such actions entail the transfer of a state department, entity or statutory body to the private sector on lease and the breaking up of the monopoly power into branches in order to stimulate competition. Stimulating competition is an attractive part of the privatization programme. In theory, competition provides powerful incentives to both product and price efficiency. But privatization (selling assets) only improves competition, if an enterprise is already in a competitive environment. So if privatization does not result in greater competition, there are unlikely to be major benefits. But to Obadan (2000) privatization is a key policy instrument in a move towards a more market-oriented economy. In such economies, privatization is a solution to a state which had become too big in terms of its costs and very ineffective in terms of its performance (Mukandala, 1998).

According to Enweze (2001) privatization is used to describe an array of actions designed to broaden the scope of private sector activity, or assimilation by the public sector of efficiency enhancing techniques generally employed by the private sector. It embraces therefore, not only the outright or partial transfer of assets from the public to the private sector, but also all arrangements designed to involve the private sector in the design, construction, operation, maintenance and financing of public services. Variants of this arrangement include management contracts, leasing, investment concessions, build-operate-transfer (BOT) and related versions such as Rehabilitate-operate-transfer (ROT), Build-own-operate-transfer (BOOT) and Build-own-operate and own (BOO). Under such arrangements generally known as public-private-partnership (PPPs) the government's role remains vital, but more focused on the provision of an adequate legal and regulatory framework.

For the purpose of this paper, privatization is the entire sale of equity of a publicly owned enterprise to private individuals or organizations or the partial sale of same such that the private individual or firm have controlling shares of the sold enterprise.

Objectives of Privatization

In the view of Obande (2011), privatization is an economic philosophy which is geared towards meeting the following objectives in Nigeria:

To initiate the process of gradual succession of the private sector of public enterprises which are better operated by the private sector.

- To ensure positive returns on public sector investment in commercialized enterprises through more efficient private sector – oriented management.
- To change the orientation of all public enterprises engaged in economic activities towards a new horizon of performance improvement, viability and overall efficiency.
- To create jobs, acquire new knowledge, skills and technology, and expose Nigerians to international competitions.
- To restructure and rationalize the public sector to substantially reduce the dominance of unproductive government investment in the sector.
- To raise funds for financing socio-economic development especially in the areas of health, education and infrastructural facilities.
- To check the present absolute dependence on the treasury for funding by otherwise commercially oriented parastatals and so encourage their approach to the Nigerian and international capital markets for their funding needs.

Theoretical Framework

Despite the extensive adoption of privatization, it has from the outset been highly controversial and politically charged. This relates to the agency and credibility problems that are unleashed by the exercise as well as its income distribution implications. In managing state owned enterprises, politicians and bureaucrats enjoy rents and are also able to exercise political patronage, for example, creation of jobs for their supporters as well as targeting credit and other benefits to them. Why then would politicians who are pursuing group – interest, and under them bureaucrats with discretionary powers be willing to commit to a privatization policy that does not favour particular groups or agree to the establishment of an impartial regulatory mechanism post- privatization? The answer from the positive theory is that privatization only goes ahead when politicians see in it clear-cut economic and political benefits. The theory adopted for this paper is therefore the positive theory of privatization by

Laffont and Meleu (1999.). In their application of the model on sub-Saharan African, Laffont and Meleu (1999) conclude that the speed of privatization is directly related to the shares that politicians or their relatives can fetch in the privatized firms to compensate themselves for the loss of the rents previously enjoyed under state ownership. Similarly, interest groups or constituencies, depending on the amount of political influence they wield, can also affect the speed and sequence of privatization as shown in Table 1 below.

Table 1.

Interest groups, threats and benefits in the Privatization process

<u>Interest groups</u>	<u>Potential threats/benefits</u>
1. Government leaders and their representatives on boards of the state owned companies, as well as bureaucrats in the line ministries	Threats include possible loss of political patronage and income. On the other hand, privatization reduces the fiscal burden and sends positive signals to the donor community.
2. Parastatal managers and employees	Risk of loss of employment and income during privatization and post-privatization restructuring.
3. Influential domestic groups including Political parties, religious leaders, labour unions, parliamentarians, academics, etc.	The unequal distribution of privatization benefits as well as “foreignization” are seen as threats by a large number of this group ex ante. Still, an expanding private sector soon begets its own support groups and views change rapidly ex post.
4. Donors and multilateral agencies	On the whole, donors and multilateral agencies see no threats in privatization, only benefits. To them privatization signals commitment on the part of national policy makers to economic reform and to efficiency in government.

Source: Laffont J.J and Meleu Marketing: A Positive Theory of Privatisation for Sub-Saharan Africa (1999)

Generally, when you consider some sectors where privatized public companies deliver services very well, you would realize that the privatization programme was successful to that extent. For example, the privatization of the Telecommunication sector was a huge success

and today, Nigerians are still enjoying the benefits of this all important service. Before then, Nigerian Telecommunications Limited (NITEL) was the government's monopoly that supplied telephone services. Also, the privatization of the sector created hundreds of thousands of jobs, subsidiary businesses and expanded the use of Information Communication Technology (ICT) and internet services all over the country. The growth of output in this sector alone contributed to increase in Gross Domestic Product (GDP) of the country then and continues to do so today.

According to Zubairu (2003), some benefits of privatization cannot be overemphasized. They include:

- i. The fiscal problems experienced right from the 1980s as a result of financing large inefficient and unproductive public investments have considerably reduced
- ii. Government can now focus more attention on other critical sectors of the economy like education, health, agriculture, infrastructural development etc.
- iii. A favourable environment for both domestic and foreign private investment has been created. The strategy of core-investor involvement has attracted additional direct – foreign investments
- iv. Privatization has also facilitated new industrial technologies and training in necessary operating skills through the transfer of technology from foreign investors, especially in the telecommunication sector
- v. Higher efficiency due to competition introduced by private sector participation forced prices down to the benefit of the consumers

Although these elaborate arguments in favour of the so called market economy are plausible, theoretical and empirical evidence abound to suggest that unregulated free enterprises may after all not work in the best interest of society. The inability of the exercise to create the required jobs in the country as one of the objectives of the privatization programme and the Great Depression of the 1930s are good cases in point. It is indeed argued, and experience has shown that the market determined efficient pattern of economic activity is not necessary (and in fact it hardly ever), neither the pattern regarded by society as equitable. Polanyi (1967) in his classic work, "The great Transformation" presents an eloquent and ominous description

of the market system. According to him, the idea of a self-regulatory market implied a stark Utopia. Such an institution could not exist for any length of time without annihilating the human and natural substance of man. Today, even the most ardent advocates of the free enterprise are quick to acknowledge the fundamental weaknesses of the self-regulatory market system and concede to the fact that to the extent that the system (free enterprises) succeeds, it generates an efficient economy, but that pursuit of efficiency necessarily creates inequalities.

According to Ojobo (2005), the need for government intervention can be justified on a number of grounds. These arguments include market failure, public good and externalities and the growth and development sector. Much of the confidence reposed on the price system by the advocates of free enterprises rest on the assumption that the market operates, in a competitive environment. But we know that perfect competition hardly exists in real life. There are a number of imperfections ranging from an imperfect knowledge of the market to the existence of monopolies which combine to grossly limit the perfect competition in the market system.

Thus following Musgrave's (1976) analytical framework, Anyio and Adagba (2013) looked at governmental responsibilities with respect to public finance which they say can be categorized into three functional areas of activities they term the 'tripartite functions' of government. These are the allocative function, the distributive function and the stabilization functions. They proffered their definitions, tools and how they are used in an economy.

In performing the allocation function, the price system may not be capable of ensuring that certain line of goods and services are produced in the required amount and quantities or even produced at all. These goods are mainly in the class of what is loosely called; public goods which include defense, education, preventive health, social welfare etc. that are collectively or jointly consumed by all members of society. Since it may be very difficult, expensive to try to exclude people from consuming such public goods, the profit-motivated private producer will not be willing to produce them. Again, even when produced, the unit of obtaining them may be out of the reach of majority of the people in the society.

Another related manifestation of market failures on the allocation of resources arises when the production or consumption of certain goods or services results in external effects (or

involve externalities) that tends to impose hardship on, or deliver benefits to persons who do not have an effective voice in determining the quality of such goods and services that will be produced. The presence of those external effects means that the supply and demand information used to determine prices and output in the market will be distorted and the market will not accurately reflect benefits received or costs incurred in the provision of these goods, thereby guaranteeing an efficient allocation of resources. Thus, the existence of public goods and externalities provide an economic rationale for the range of activities undertaken by government.

Market failure can also be related to the performance of distributive functions. In this area, the markets may fail in the sense that they may not yield the types of distribution desired by society, possibly, the outstanding market characteristic that results in significant income inequality tends to reward participants according to their productivity and in relation to the demand or market situation for that particular type of labour.

Haveman (1976:43), highlighted that, the market provides very large incomes to those whose labour commands a high price and those who possess particularly valuable skill and capital.

In a society where the bulk of prevailing inequality is brought about and sustained by inequality of access to opportunity, a market determined income structure might tend to grossly misrepresent (understate) the reality. Hence, government will be fully justified to intervene with a view to adjusting the distorted income profile. Although it may be argued that factor incomes emerging from the market system adequately reflect societal preferences, these (preferences) definitely do not take into consideration the question of social justice or equality and that is the genesis of government intervention in the areas of income distribution.

Another reason for government intervention has to do with government's desire to harness available resources in a comprehensive and coordinated manner to hasten the pace of development. Government interventions are therefore crucial in developing economies where not only imperfections, the finance systems (money and capital markets) are usually in the early stages of development.

Again the failure of the market to price factors of production correctly is further assumed to lead to gross disparities between social and private valuations of alternative investment

projects. In the absence of governmental interference, therefore, the market is said to lead to mis-allocation of present and future stock of resources.

Proponents of government intervention in developing countries argue that the uncontrolled market economy not only subject these nations to economic stagnation and fluctuating prices, but also makes the economy highly susceptible to external domination. Thus, government intervention is generally considered an essential and integral part of development programmes, for market forces by themselves cannot overcome the deep-seated structural rigidities in the economies of the developing countries (Helfgoth & Schieros-Camp 1970:11). In turn, these realities contribute to, and sustain the idea that ‘the state shall take an active, indeed decisive role in the economy. By its own acts of investment and enterprise, and by its various controls, inducements and restrictions, over the private sector the state shall initiate, spur and steer economic development.’

Therefore, government intervention in many areas or facets of the economy is not only desirable but also inevitable hence government naturally should be the main architect of policy issues that should move the economy forward.

Bhattacharjy (1996) summarized the goals of privatization to include improvement in the efficient resource use via increased competition, economic diversification as firms seek new opportunities in traditional and new sectors, increased investment in infrastructures and utilities and an increase in the tax base of industries. Privatization as we are experiencing seems to be just for government to establish a reputation on the one hand, and on the other, signal to potential investors the direction of government continual policy. More predictable policies improve the planning horizon of agents and thereby reduce the risk related to investments and reasoning posits privatization as necessary steps in the establishment of a full-fledged market economy (Wildu and Ferliat 1997:105).

But the question that persists in the mind of inquirers is how to carry out privatization in the face of an ill prepared private sector.

Employment creation is also one of the basic objectives of the economic reforms. Empirical evidence and research findings reveal otherwise. Garibaldi Brixcova (1998:296-703), has shown that privatization involves reallocation of jobs between newly privatized firms and the public sector, a process that involve a rise in unemployment and a fall in real wages.

Most existing literature have shown that job losses or destruction in the public sector is assumed to be exogenous and independent of the labour market. Shonekan, 1998 observes that the surge in imports on the account of trade liberalization however, meant increase competition for local manufacturer. Many of them who could not compete were forced to go out of business. This of course affected a number of poorly managed establishments, which in turn laid off their workers thereby aggravating unemployment. That situation has continued unabated, more than two decades after the take-off of privatization programme in Nigeria. Shonekan in another study showed that the breakdown of centrally planned economies led to the disorganization in public enterprises and with the large output decline led to massive jobs destruction.

It has been rightly documented that since the economic crisis of 1987, the problem of unemployment has been on the increase and the magnitude of problem have often given a false picture hence the state did not feel compelled to give it deserved attention. But as Okigbo (1986) observes unemployment initially was viewed by the ruling class as a normal failure of the economic structure. Graduate unemployment created by the same economic crisis is now given attention because of its threat to political stability. Bonat (1989:13) who buttressed the above assertion further observes that the government has placed its faith on the organized private sector for curbing the situation. But the unemployment rate rose to 65 percent in 2006 (FOS 2006). Anyio (2008: 19 - 20) gave an elaborate discourse on the issue of unemployment in the aftermath of privatization. According to him, the national unemployment rate was estimated by FOS as 4.3 percent of the labour force in 1985, increased to 5.3 in 1987 before falling to 5.3% in 1988 as a result of the measures taken under SAP. Most of the unemployed were city dwellers as indicated by the urban jobless rates of 8.7% in 1985, 9.1% in 1986, and 7.3% in 1988. This further reiterates the fact that unemployment actually increased with increased privatization. Besides, with the massive retrenchment witnessed under privatization, the poverty incidence rose from 38.1% in 2002 to 54.8% in 2004 and 90.8% in 2006 (FOS 2006).

In Anyio's discussion, the policy of privatization as evident in whole sale commercialization and outright sale of what collectively belongs to the public to few individuals is a serious negation and dereliction of the sacred duty of government to provide gainful employment to

her citizens especially when one considers the fact that about 90% of jobs in Nigeria come from the public sector which is now being eroded. Many state owned public enterprises now privatized were designed originally as veritable channel and vehicles for job creation but they are now being relegated to the background for reasons of wanting to move with the global train, while being propelled by the exploitative hurricane of capitalism and holding firm to the doctrine of efficiency.

To add, the greatest undoing of the current privatization exercise has been its inability to provide equitable shareholding among Nigerians as a means of empowering them. According to Kyari (2006) in an article about the president's economic reforms "our reforms of the last seven years and their exploitation might as well have been dictated by the politburo of a communist state" when he cited Boris Yeltsin's Economic Reforms as Presented by Chrystia Freeland in a Book "Sale of the century: the inside story of the second Russian Revolution in Russian as in Nigeria, the authorities tried to build their capitalism not through fostering creativity and entrepreneurship but facilitating the capture of states assets by a well-connected selected few.

It is usually expected that the private sector, involvement in the ownership of some sectors of the economy would help promote economic prosperity and also provide for more employment opportunities to the vast population of the country. But in the Nigerian context, the reverse has been the case, privatization has not helped in solving the problem of unemployment, but rather it has further thrown many more Nigerians into the unemployment market as the privatization of any company has as its first agenda the retrenchment or displacement of many people from their jobs. There is no doubt that the kind of capitalism we have seen in Nigeria for more than a decade, just like Russia, is one that lacks not just a human face, worst, it is one that wears the face of a hideous beast (Haruna 2006). Rather than to ensure job security and employment generation, there is sufficient evidence to prove that the current privatization policy is one of the greatest culprits of job losses i.e. throwing Nigerians into the labour market prematurely and swelling the ranks of the labour market. Privatization as practiced in Nigeria is not that which have the interest of the masses at heart, instead of being pro-poor: it is rather anti-poor and pro-rich. It is designed to make the rich

richer and the poor poorer. It is like this because it is an offshoot of the capitalist system which is skilled in exploitation and profit maximization at the expense of the ordinary man.

The Challenges of the privatization exercise are not only in its inability to create the necessary jobs but has other challenges.

One other such challenge is the issue of our sovereignty. Many countries including Nigeria embarked on privatization and other market oriented reforms to pull them out of some structural imbalances. However, since privatization in developing countries (including Nigeria) emanated largely from international creditors, many scholars are of the belief that it could be a form of economic exploitation. These views cannot be discarded as majority of the companies being privatized are purchased by foreign companies. There is the attendant civil security implication.

Another challenge is the level of poverty in the country. The World Bank which could be described as the originator of privatization also has its reservations, particularly in the poor developing countries. Ohive (2007) quoting the World Bank, said, “Most privatization success stories come from high income and middle-income countries. Privatization is easier to launch and more likely to produce positive results when the companies operate in a competitive market, friendly policy environment and a good capacity to regulate. The fact still remains that Nigeria still lacks behind in the areas mentioned. Nigeria, by international and domestic standards is still a poor country. Ohive further asserts that the poorer the country, the greater the odds against privatization producing the anticipated benefits and the more difficult the process of preparing the terrain for sale.

The World Bank’s Annual Human Development Index is a comparative measure of life expectancy, education and standards of living for countries worldwide. Based on the 2004 calculated figures of 0448, Nigeria was ranked in 2006, 159th out of 177 countries and 76th out of 102 developing countries for which the index was calculated. This is to affirm that the country was not actually set for the privatization it embarked on thus affecting its success so far. The Central Bank of Nigeria quotes the 2004 poverty rate of 5 4.4 percent. While the World Bank slates that more than 70 percent of Nigerian still live below poverty level. The retrenchment that accompanies privatization in Nigeria aggravated poverty and shows that it is not human development oriented and this negates a key objective of the programme. The

sale of public enterprises to a few privileged Nigerians and mostly for political rewards, for friends and relations have only succeeded in making a few people rich at the expense of the vast majority. According to Adejugbe cited in Ohive (2007), this in addition to other anti-poor policies had made unemployment higher and poverty deeper despite the recorded improvement in growth indicators.

An important prerequisite for the success of any privatization programme is infrastructure. But this is lacking in Nigeria. Our infrastructure is at an appalling level and cannot support, any privatization let alone enable the reaping of any success. Our roads are bad and add severe costs to transportation; power is epileptic and there is inadequate water supply. According to Adejugbe (2012), “if basic infrastructure that aid production is still in the poor state that they are, the private sector can do no magic to turn the economy around because there is a limit to the facilities that they can provide for themselves.” In 2006 the IMF country report on Nigeria lent credit to this position when it stated that Nigeria still lagged behind in infrastructure spending.

Related to the above is the challenge posed by corruption to the whole privatization exercise in Nigeria. The indivisibility clause of our law requires that facilities such as roads, railways, streetlights etc. be provided by government and financed through taxation. However, the greed and corrupt nature of most of our leaders in their quest to amass ridiculous wealth has made the role of government in this direction almost impossible. Thus the genuine and ultimate efficiency of the programme has left so much to be desired. Nwoye (2012) posits that one of the most important issues in privatization is the concern for transparency and accountability. Nigeria is characterized by distrust and suspicion. If privatization is carried out with sincerity of purpose, almost every group will give support to it. Suspicions of corruption in the whole privatization programme, lack of a separate auditing mechanism and inadequate legislative oversight functions or the collaboration of legislators in the process have continued to be a disturbing phenomenon in the implementation of the exercise.

Conclusion and Recommendations

Privatization is the selling of a part or the entire equity of a publicly owned organization to private individuals or organizations such that the control of the public enterprise is transferred from the government or any of its agencies to private hands. The paper thus looks at the



challenges posed to the achievement of privatization with particular emphasis on the issue of job creation and the achievement of efficiency. The paper concludes that there are many challenges that stand on the way to achieving any privatization objective and these challenges include the lack of transparency and accountability in the exercise right from the beginning, inadequate infrastructural development as a prerequisite for any privatization programme, level of poverty, and the inability to create a level playing competitive environment thus jeopardizing our national security etc. All these factors have hindered the achievement of any tangible benefit from the privatization exercise more than a decade after its take off. It is therefore recommended that:

- i. Government should embark on a massive infrastructural development of the country. Our roads, epileptic power supply etc. add additional costs to business operations and hinder any meaningful expansion that creates jobs.
- ii. When selling our public enterprises government should carefully consider our sovereignty and security implications before doing so. Most of the sold PEs were bought by foreign companies with the attendant security implications.
- iii. Related to the above, one of the necessary conditions for the achievement of any economic policy or programme is peace. The current wave of insecurity, violence and crisis does not allow for the continued and effective implementation of the programme. Security issues should thus be tackled for peace to return to Nigeria. This will further attract foreign direct investment into Nigeria.
- iv. Corruption should be tackled with every sense of seriousness in Nigeria. Corrupt practices by public officials add to costs in doing business in Nigeria. Public officials involved in this should be severely sanctioned and brought to book.
- v. An independent monitoring agency should be established to monitor and report sharp practices in the implementation of the privatization exercise. It should be independent of the implementation organ i.e. the Bureau for Public Enterprises (BPE).
- vi. Related to the above, separate auditing and legislative oversight committee, should be established to help in the monitoring process. The most important issue in privatization is the concern for transparency and accountability.

References

- Anyebe, A.A. (2002) *Readings in Development Administration*, Zaria, Nigeria, Shereef Salam Press
- Anyio. S.F. (2008), Privatisation and Unemployment Reduction in Nigeria, A Ph.D. Faculty Seminar Paper Presented at the *Department of Public Administration, Ahmadu Bello University, Zaria, Nigeria*
- Anyio F.S and Adagba O.S (2013), Nigeria's Fiscal Policy and the Worsening Poverty and Unemployment Levels in the Fourth Republic, *ABU Journal of Public Administration, Vol 2 (2), October*
- Bala, J.J. (1994), *The Impact of Privatisation on Distributional Equity*. In Ramanadham, V.V (Eds), *Privatisation and Equity*, London and New York: Routledge
- Beck, et al (2005) Bank Privatisation and Efficiency in Nigeria, Empirical Evidence *Journal of Banking and Finance* 29(8 – 9).
- Bonat, A.Z. (1989) Structural Adjustment and the Problems of Unemployment in Nigeria. Paper Presented at Conference on Reviewing the Effects of the Structural Adjustment Programme in Nigeria, Department of Public Administration, Ahmadu Bello University, Zaria
- Emenuga, C. (1997) Implementing Privatisation through the Stock Market: Lessons From Nigeria. Economic Research Paper No. 32. Africa Development Bank
- Hareman, R. (1976), *The Economics of Public Sector*, 2nd Edition, New York: John Wiley.
- Haruna, M. (2005) Economic Reform: The Change Option: *Daily Trust*, Wednesday, Nov. 8
- Jerome, A. (2002) *Public Enterprise Reform in Nigeria: Experience from the Telecommunications Industry*, AERC Research Paper No. 129, African Education Research Consortium, Nairobi Kenya
<http://www.aercafrica.org/documents/rp.129pdf>, Retrieve 2020 – 06 - 13
- Jerome, A. (2004) Technical Efficiency in Some Privatized Enterprises in Nigeria. *African Journal of Economic Policy*, 11(1) 17 – 34.
- Jerome, A. (2008) Privatisation and Enterprise Performance in Nigeria: Case Study of

- Some Privatized Enterprises, *AERC Research Paper 175*, Nairobi: African Economic Research Consortium
- Polanyi K (1967), *The Great Transformation: The Political and Economic Origin of our Time*, Boston, USA: Beacon Press Books
- Anyio F.S (2008) *Privatisation and Unemployment Reduction in Nigeria*, Ph.D. Seminar series, Department of Public Administration Ahmadu Bello University, Zaria.
- Kayizzi-Mugerwa, S. (2002), *Privatisation in Sub-Saharan Africa: On Factors Affecting Implementation*, *Wider Discussion Paper No. 2 2002/12. World Institute of Development and Economic Research*, Helsinki, January
- Kayode, A. (1986) *Public Enterprises and the SAP Policy and Implementation In Philips and Ndakure (eds.)*, Ibadan: MISER
- Kyari, A. (2000) *Daily Trust Newspapers*, October 13th.
- Lalfont, J.J. and M. Meleu (1999), *A Positive Theory of Privatisation for sub-Saharan Africa*, *Journal of African Economies*, 8:30 – 67.
- Obadan, M.I. (2000) *Privatisation of Public Enterprises in Nigeria: Issues and Conditions for Success on the Second Round*, Ibadan, National Centre for Economic Management and Administration
- Obande, E.A. (2011) *An Assessment of Privatisation of Public Enterprises in Nigeria: A Case Study of NITEL: Prospects and Problems*. An unpublished Post Graduate Thesis(MPA) Department of Public Administration, Ahmadu Bello University, Zaria
- Ode, A.M (2011) *Privatization of Public Enterprises and Productivity: Nigeria's Dilemma*, *Journal of Emerging Trends in Economics and Management Sciences (JETEMS)* Vol.2 No. 6, 490 – 496.
- Oduola, A.F (2001), *Social Economic Implications of Privatization of Public Utilities Companies in Nigeria*, NCEMA Policy Analysis Series, Vol.7 No
- Ohive, I. (2007) *Privatisation in Nigeria*, Centre for Democracy and Development, Nigeria.
- Ojobo, A. (2005), *The Impact of Privatisation Policy on Labour in Africa. A Political Economy Approach*, *The Nigerian Journal of Administrative Studies* Vol. 3, No. 1, Department of Public Administration, A.B.U., Zaria.

- Okigbo, PNC (1986), *Theoretical and Methodological Issues Relating to Unemployment*, Nigeria, Economic Society Annual Conference, Kaduna
- Oladele (1991) Cited in Obande E.A. (2011), *Department of Public Administration*, Ahmadu Bello University, Zaria
- Otobo, E. (1998) In Adamolekun L. (ed.) *Public Administration in Africa: Main Issues and Selected Country Studies*, Ibadan Spectrum Books Ltd.
- Shonekan, E.O.A. (1998) The Nigerian Economy in the Twentieth Century: Problems and Prospects in Governance. *A Journal of the Institute of Governance and Social Research* Vol. 1 No. 1
- The Punch Newspaper* (2007) June 13, Challenges of Privatization in Nigeria.
- University of Oxford (2009), Death surge linked with mass privatization. Archived from the Original on 2014 – 07-02. Retrieved 2015 – 06 - 28
- Wildu, G.M and Ferhaf (1997) *Public Enterprise Reforms and Privatization*, African Development Report, New York:Oxford University Press
- World Bank (2007), *World Development Report*, Washington D.C

Brief bio-data of the Authors

Dr. Adagba, Onah Sundayis a lecturer in the Department of Public Administration, Federal University - Wukari. He is currently an Associate Professor whose areas of specialization are in Public Policy, Personnel and Development Administration.

Umar, Dauda Usman (B Sc, MPA) is the Public Relations Officer (P.R.O) of P.W, a reputable construction company based in Jalingo, Taraba State. He is currently a Doctoral student in the Department of Public Administration, Taraba State University, Jalingo. His areas of interest are Public Policy and Development Administration.