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Commercialization and Privatization Policy in Nigeria: A Review

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ABSTRACT

The necessity of privatization as a policy for promoting efficient utilization of national resources for rapid economic growth is now widely recognized. Public enterprises in Nigeria were established to propel socio-economic development and to guard against the control of the economy by foreign economies. This accounts for why a large proportion of the national budget has been voted for the creation and sustenance of public enterprises. In spite of this, the performance of public enterprises has been replete with varying degree of inefficiency. The public enterprises reform was an integral part of the Structural Adjustment Programme (SAP) in 1986. This paper tries to review the performance of the commercialization and privatization policy of public enterprises in Nigeria, with a view to making assessment of progress so far. Conclusion was drawn among others that; Privatization must result in better service delivery at lower prices as desired by consumers.

Keywords: public enterprises, privatization, commercialization, Structural Adjustment policies

INTRODUCTION

There appears to be no universally agreed definition among scholars regarding the conceptual meaning of public enterprises. According to Laleye (1985) the bewildering number and types of the organizations called ‘public enterprises’, their different contents and the rationale for which they are set up account for lack of authoritative and generally acceptable definition of public enterprises. Sosna (1983) opined that there are many reasons why in developed capitalist countries, there is no single standard definition of public enterprises. Public enterprises were established at different periods, and each epoch naturally brought forth the types of public enterprises most clearly matching its own conditions. It is therefore believed that the variation in definition are informed by the ideological values, interests, dispositions and circumstances that brought public enterprises into existence. Whatever the controversy and the lack of uniformity might conjure up, we would however review the viewpoint of some scholars of public enterprises. For instance, Efange (1987) define public enterprises or parastatals as institutions or organizations which are owned by the state or in which the state holds a majority interest, whose activities are of a business in nature and which provide services or produce goods and have their own distinct management. Obadan (2000), Obadan & Ayodele (1998) defined public enterprises as organizations whose primary functions is the production and sale of goods and/or services and in which government or

other government controlled agencies have no ownership stake that is sufficient to ensure their control over the enterprises regardless of how actively that control is exercised.
However, the desirability of equitable development is now universally recognized. Deliberations have gone on for some time on how best to achieve this goal. For some time, it was considered sound economic policy for Government to establish and invest in statutory and state-owned enterprises (SOEs), particularly in the face of limited private capital and natural monopolies. Experience in most emerging market economies has, however, shown that it was no longer sound economic policy to continue to allocate substantial proportion of national resources to a few SOEs, whose performance has not justified the heavy financial outlays on them. Rather, it is a more sound economic policy to continue to devolve greater role to the market, the private sector, and this may be a better way of promoting equitable growth and development. This has led to Governments embracing commercialization and privatization as a policy for achieving that goal.
The basic reason for establishing public enterprises in all economies has been to propel development. Hanson (1972) reflecting on Turkey, Mexico, India and Nigeria noted that the establishment of public enterprises is premised on what he considered as obstacles to economic development in the post-independence states. It is also instructive to note that in Nigeria like many developing countries, public enterprises are used as employers of last resort. According to Hemming & Mansor (1988a) it is noted that state owned enterprises enable governments to pursue goals of social equity that the market ordinarily ignores. Similarly, Ugorji (1995) observed that public enterprises have also been established for political reasons. Many government undertakings are used to provide jobs for constituents, political allies, and friends. The location of public enterprises and the distribution of government employment have further been defended on the need to maintain "federal character" and promote national integration.
Other factors that accelerated the growth of Nigeria's public sector was the indigenization policy of 1972 as enacted by the (Nigerian Enterprises Promotion Decree). It was designed to control the commanding heights of the economy. The policy further provided the much needed legal basis for extensive government participation in the ownership and control of significant sectors of the economy. It also reinforced the increasing dominant of the public sector in the economy. In spite of the impetus given to public enterprises especially in Nigeria some criticisms are leveled against them. Their problems are so enormous that they have left the Nigerian public in a state of great disillusionment. These criticisms vary from lack of profitability and reliance on large government subsidies. Ogundipe (1986) once argued that between 1975 and 1985, government capital investments in public enterprises totaled about 23 billion Naira. In addition to equity investments, government gave subsidies of N11.5 billion to various state enterprises. All these expenditures contributed in no small measure to increased government expenditures and deficits.
Similarly, public enterprises suffer from gross mismanagement and consequently resulted to inefficiency in the use of productive capital, corruption and nepotism, which in turn weaken the ability of government to carry out its functions efficiently (World Bank, 1991).

Commercialization and Privatization: Some Theoretical Issues
Privatization is a programme of divestiture of public enterprises (PE) introduced within the framework of macroeconomic reform. It involves the transfer of ownership and controlling share from public to private sector. Commercialization involves reform of the public enterprises (PE) sector to subject them to market discipline while still remaining a public enterprise (PE). Microeconomic theories used to justify PE reform, particularly privatization, derive from theoretical perspectives on the ownership issue drawn from property right theory, public choice theory and principal-agent analysis (Alchian, 1965; Tullock, 1965; Jenson and Meckling, 1976). The key theoretical elements underpinning the argument for a change of ownership from public to private relate to two main considerations. First, is the view that public ownership led to the pursuit of objective that detract from economic welfare maximization. Second, is that an ownership change could improve economic performance by changing the mechanisms through

which different institutional arrangements affecting the incentives for managing enterprises (Vickers and Yarrow, 1988). The logical conclusion is that ownership change leads to economic efficiency.
In both developed and developing countries, privatization and in some cases commercialization have grown in popularity and acceptability. It has also become an important instrument that government can use to promote economic development, improve the production and distribution of goods and services, stream line government structure, and reinvigorate industries controlled or managed by the state. (Rondinelli and Iacono 1996). Privatization has become an acceptable paradigm in political economy of states. It is a strategy for reducing the size of government and transferring assets and service functions from public to private ownership and control.
On the theoretical plane, four distinctive schools of thought have tried to explain variations of policies applicable to privatization. First, there is the free-market ideology of the liassez-faire classical economic theory, which favours the unleashing of the competitive profit motive by emancipating free- market pricing from the interfering hands of state regulation (Samuelson; 1980). It argues that the character of the traders and that of the sovereign are inconsistent, that public administration was negligent and wasteful because public employees have no direct interest in the outcome of their actions. Privatization according to this theory would reap the advantages of the market system and competition, namely effectiveness, productivity, and efficient service. This trend will also strengthen market forces with some degree of deregulation, economic liberalization, relaxation of wage and price controls (Ugorji, 1995).
The second school of thought is the 'public choice approach to policy and political analysis. This approach tries to explains the behaviour and provide sets of standards about what the government does. The theory assumes that people are rational, utility-maximizing individual and that economic efficiency becomes the prime criterion for judging the political, social and economic system. Consequently, all the government does is judged in terms of the impact on individual choice and economic efficiency. Public choice posits that the nature of goods and services determines whether they should be provided through the market system or through the public sector. The point is that private goods should be provided by the market whereas government should provide public goods. Like many other developing countries, Nigeria government has been seen over the years, as having gone beyond the effective and efficient provision of public goods to the provision of private goods. And it has not only failed on both scores, it has also overextended itself in its public sector commitments through the establishment of too many state enterprises and through continued financial support of those enterprises that have continued to lose money. This scenario has created unprecedented high level of public sector deficits financed mostly through heavy external borrowing, high inflation rates and balance of trade deficits. The end product of this tendency is that privatization would enable government to cut public expenditures and reduce its involvement in activities the private sector can undertake (Ugorji, 1995).
Thirdly, populist approach on the other hand argues for allowing citizens more choices in terms of sources of services they purchase. This position is geared towards community enterprises that could be more responsive to the needs of the people they serve. As privatization compels government to embrace the efficiency and effectiveness of the market, it must also embrace the community. The fourth school of thought is the pragmatist, which advocates alternative approaches to enable the government to provide services with the highest possible efficiency. They believed that private sector may operate efficiently in resource allocation and service provision; they held that some functions are essential to the public purpose. Such functions like the provision public transportation, education and health should be retained by the government and operated on the basis of the advantages that characterize the market operation. The Nigeria's commercialization policy is in consonant with this school of thought.
Arising from the above, empirical evidences points to the global acceptability of privatization policy. Rondinelli & Iacono (1996) viewed that Latin American countries such as Chile and Argentina had transferred large-state controlled telecommunications, railways, power and energy, airline, mining and oil and petroleum industries to private ownership or management during the 1970s & 1980s. Mexico has also privatized enterprises in industry from agricultural business, airlines, mining, metals, pharmaceuticals, real estate, hotels and automotive parts to fish processing, fertilizers telecommunications and banking.

In Asia, private sector had started to participate in providing urban shelter, social services and physical infrastructure. In the 1980s in the Republic of Korea, Indonesia, Thailand and the Philippines sold or solicited private investment in state-owned manufacturing and public service enterprises. In some Communist countries such as Poland, Hungary, the Czech Republic, and some of the republics of the former Soviet Union, the government privatized some state-owned enterprises after the collapse of the communist regimes. The success story of privatization reform were also recorded in western industrial countries such as United Kingdom, France, Italy, Spain, Austria, Sweden, Portugal, Netherlands, Germany, the United States, Japan and Canada. These countries have reformed their state-owned enterprises to achieve administrative and economic objectives. Countries of the developing world are not left out of this crusade of privatization.

Quite a number of public sector enterprises are operated without respect to financial costs or returns. Not all such investment is expected to yield immediate financial returns as some of the benefits are social rather than private in character that is, they accrue to society as a whole rather than exclusively to particular or denominated individuals (Okigbo, 1998). Some services yield benefit to the community generally as well as to individual citizens. In the production of most of other private consumer goods and services, it is easy to determine whether the outlays are justified or not lay virtue of the financial returns to investment. It suggests therefore that the production methods must be efficient and that the price change should at least cover the costs of operations. Therefore, commercialization which differs from privatization is one of the policy thrust of the reform of state-owned enterprises.

Operationally, Nigerian commercialization and privatization Decree No 25 of 1988 defines commercialization as “the reorganization of enterprises wholly and partly owned by the government in which such commercialized enterprises shall operate as profit-making ventures and without subvention from government”. The decree also distinguishes between full and partial commercialization. The fully commercialized enterprises are expected to operate on a commercial basis to raise fund from the capital market without any form of government guarantee, such enterprises are expected to use private sector procedures in the running of their business. It is expected that such enterprises would require no government subvention because of their high social service content; their operation cannot be left to individual shareholders. A typical example is the Nigerian National Petroleum Corporation (NNPC) which is a pivot to the national economy. Partial commercialization is those enterprises with high social service component. Such enterprises are expected to generate enough revenue to cover their operating expenditures. The government may therefore give them subventions to finance their capital-intensive projects. It should be noted that both full and partial commercialization does not require that government would divest her equity holdings. Essentially commercialization exercise also calls for a “performance contract” to govern the post commercialization financial relationship between government and the commercialized enterprises.

The contract requires:

1. Specifying long-term objectives of the enterprise;
2. Establishing agreed (between the enterprise and the government) performance criteria;
3. Having an agreed level of enterprises performance; and
4. Having a performance bond that specifies penalties for not meeting agreed levels of performance or rewards for surpassing them. In sum, a performance contract establishes a two-way relationship between the government and commercialized enterprises.

Commercialization and Privatization of Public Enterprises in Nigeria: An Overview

Commercialization and privatization have become one of the most important elements of the continuing global trend of the increasing use of markets to allocate resources. The objectives of privatization worldwide include the following: to raise revenue for the state; promote economic efficiency; reduce government interference in the economy; promote wider share ownership; provide the opportunity to introduce competition; subject Public Enterprises to market discipline; and develop national capital markets. In Nigeria Public Enterprises were established invitually every sector of the economy, driven initially by the desire to use them as a means for achieving rapid economic development. Indeed, for some time it was considered sound economic policy for Government to establish and invest in statutory corporations and Public Enterprises. The pace accelerated in the 1970s in the wake of enormous revenues from oil. By the end of the 1970s there were over 1800 Public Enterprises in Nigeria, from traditional public utilities to banking, insurance, hotels, transportation, cement, sugar, and petroleum (both up-and down-stream). By 1986 the level of government investments in its Public Enterprises was estimated at N36.5 billion. It estimated that Public Enterprises consume about N200 billion annually by way of grants import duty waivers, tax exemptions, etc. In 1998, Public Enterprises enjoyed about N265 billion, as given in Table1

Table 1: Transfers to parastatals and agencies, (1998 amount (Nbn) % of Total)

	₦	%
Subsidized foreign exchange)	156.5	59
Import duty exemptions	12.5	5
Tax exemptions/arrears	15	6
Unremitted revenues	29.5	11
Loans/guarantees	16.5	6
Grants, subventions, etc.	35	13
Total	265	100

* at N22 instead of N86 to the dollar prevailing in 1998.
Source: Bureau of Public Enterprises, Status Report June 2003 P.4.

As at December 2000, the total liabilities of thirty-nine of these Public Enterprises were in excess of N1.1 trillion, with accumulated losses of N92.3 billion (FGN 2003:6). It is estimated that successive Governments in Nigeria have invested up to N800 billion in these enterprises, but annual returns on this have been below 10 percent (FGN, 2000). In addition to these low returns, the low quality of service delivery, the non-alignment of supply to demand and the secondary or negative multiplier effects on the economy of their poor performance became a cause for concern. For example, it is estimated that the nation may have lost about $800 million due to unreliable power supply by NEPA and another $440 million due to inefficient fuel distribution (FGN, 2000). Diagnoses showed that, like in many other developing countries Public Enterprises in Nigeria suffer from fundamental problems of defective capital structure, excessive bureaucratic control or intervention, inappropriate technology, gross incompetence and mismanagement, corruption and crippling complacency which monopoly engenders (FGN, 2000; Alayande, 1999; Obadan and Ayodele, 1998). This thus provided the imperative of privatization and commercialization. In July 1988 the Federal Government promulgated the Privatization and commercialization Decree (now Act) No. 25 (CPD) in which it outlined the major objectives of the commercialization and privatization policy in Nigeria. These are to: reorient the Public Enterprises toward performance improvement; aimed at attaining viability and overall efficiency; reduce the dominance of unproductive investments in the PE sector; check the absolute dependence of the Public Enterprises on the Treasury for funding; and dispose of Public Enterprises that provide goods and services which the private sector can better provide. These objectives are thus a summary of global objectives of privatization stated above. Nigeria's public enterprises reform was a four-pronged programme of partial commercialization, full commercialization, partial privatization and full privatization. Full commercialization shall be where the affected public enterprises as to be operated as a fully commercialized enterprise, setting its prices appropriately so as to operate at a profit. Such enterprise was not to receive any government subventions and could raise its necessary investible funds through the capital market, but will still remain 100% government owned. Partial commercialization shall be where the enterprise is expected to operate in a way to cover at least its operating costs from its own sources. The balance could be provided in the form of capital grants but on a justified basis. Full privatization is where there would be full divestiture of all government equity interests. And partial privatization is where the government sells only a proportion of its equity interests. The Technical Committee on Privatization and Commercialization (TCPC) was established and charged with the responsibility of implementing the programme. Under the (PD most of the Public Enterprises producing utilities (electricity, water, communication and transportation) were to be fully or partially commercialized, while those producing social services and other commodities were for full or partial privatization. A total of III Public Enterprises were identified for full or partial privatization. A total of 111 Public Enterprises were identified for full or partial privatization and another 35 were for full or partial commercialization. These are listed in Appendix Table 1. In 1994 the TCPC was replaced by the Bureau of Public Enterprises (BPE). In July 1999 the National Council on Privatization (NCP) was inaugurated and charged with responsibility to: approve policies on privatization and commercialization; approve guidelines and criteria for valuation of Public Enterprises for privatization and choice of strategic investors; approve Public Enterprises to be privatized and commercialized; approve the prices for shares or assets of the PE to be offered for sale; approve the appointment of privatization advisers and consultants, and review, from time to time, the socio-economic effect of the programme and decide on appropriate remedies (FGN, 2000). The programme was to be in three stages as follows: *Phase One* – to be completed by December 1999-June 2000, included commercial ad merchant banks and cement companies that were already quoted on the Stock Exchange, and petroleum marketing companies. *Phase Two* - to include hotels, motor vehicle assembly plants, fertilizer, sugar, paper, steel, media, and insurance companies. This was to be completed between February and December 2001. *Phase Three* – to include NEPA, NITEL, NAFCON, Nigeria Airways, petroleum refineries, aluminum, and machine tool. This was to be completed between September 2000 and December 2001. Five main approaches were evolved for the privatization programme: public sale of shares through the Stock Exchange. Private placement, for enterprises in which government holdings were so small that shareholders could not be persuaded to make a public offer of shares even where such enterprises have fulfilled the listing requirements of the stock Exchange. Sale of assets, for enterprises with very poor track record and little prospect for improvement, in which case neither public offers nor private placement methods would be attractive. Such enterprises are liquidated and assets sold off. Management buyout, in which case the entire affected enterprise or a substantial part of its equity capital is sold to the workers. The reorganization of the enterprise would then be by the workers for effective management. Deferred public offer, in cases where some Public Enterprises are considered viable but it is reckoned that if sold by shares the anticipated revenue would be lower than the real values of their underlying assets. In such cases, the assets are revalued and a price that more reflective of the current value of the assets is negotiated, on a willing buyer-seller basis.

Status of Programme Implementation

For phase one, the privatization of Public Enterprises slated for privatization under this phase is all but completed. This included the liquidation of Calabar Cement Company. The case of Benue Cement Company was yet to be concluded, and privatization of Assurance Bank and Afribank was in advanced stage as at December 2002. From these transactions, around N200 billion was remitted to the Treasury. Table 2 shows the proceeds from these transactions, which far exceeded initial expectations. For phase two, cases of enterprises engaged in sectors where the prices of their output or services are largely market-determined, thirteen transactions have been concluded, and others are close to being finalized or are awaiting final payments. Table 3 shows the proceeds from these transactions. For phase three, which involves monopoly sector of the economy, the implementation of the programme requires sector reform and restructuring prior to or side-by-side with the divestiture transaction. The sequence of the phase is: policy formulation or review legal / regulatory framework design restructuring and liberalization, and privatization transaction. Detailed appraisal of economic impact of Nigeria’s commercialization and privatization programme is beyond the scope of this paper. Aigbokhan (1994) examined the case of Delta Steel Company, Obadan and Ayodele (1998) present an appraisal as in 1996 and Alayande (1999) as in 1997. With the additional data for the period up to end of 2002, the general conclusion from this partial appraisal is that a number of the objectives of the programme have been substantially attained.

Government has realized a noticeable amount in proceeds from these transactions and this has improved its revenue. Also, divestiture has reduced government outlays on the PE sector, and has therefore released resources for other developmental needs. Second, capital market has further deepened since the programme. Volume of stocks traded on the Stock Exchange rose from 2.1 million in 1998 to 4.997 million in 2000 and to 6.614 million in 2002. The number of deals rose from 84, 935 to 256, 523 to 451, 850 respectively, and value of stocks were N13.6 billion, N28 billion and N89. 4billion respectively. Market capitalization of the Stock Exchange rose from N1.2 billion in 1989, to N65. 6 billion in 1991 to N285 billion in 1996. In 2001 and 2002 it stood respectively at N662.6 billion and N 763.9 billion. Third, gross earnings of the enterprises exceeded targets in most enterprises, except NEPA. Thus, as a measure of efficiency, it may be argued that privatization has brought about some improved performance of the PE sector. The appraisal in this paper is, however, a highly partial one, and may not provide sufficient basis for such a conclusion. Instead, the primary focus of this paper, as has been mentioned above, is to examine to what extent environmental concerns were a part of the PE reform programme and could therefore be used to evaluate the impact of the programme. The rest of this section examines the provisions of the enabling legislation as well as BPE evaluation reports from this standpoint.

Modalities for privatization

Kalu (1999) discusses the essential macroeconomic reforms for achieving a good environment for privatization which include the following essential elements:

1. Structural Adjustment Policies. These are policies designed to correct macroeconomic trends which are preventing the economy from moving in the direction that is optimal in relation to the dynamic comparative advantage of the economy. Thus, putting in place appropriate private economic policies in such areas as exchange and interest rates management should result in improved resource allocation, employment, incomes and resource mobilization. This would also involve other economic stabilization measures such as the reduction of balance of payments deficit, debt rescheduling, and proper regulation of money supply, reduction of subsidies and control of speculative money flow as well as overall wage policy.

2. Trade and investment reform policies: These includes programs for export promotion, foreign direct investment, exchange rate adjustments and reduction of investment restrictions and trade barriers, as well as the result of multilateral negotiations designed to promote fair trading and anti-trust behavior.

3. Security-including the restructuring of the police force: This can be achieved by conducting intensive training courses for young and able police officers whose services are no longer needed. Consequently, the ratio of a policeman to 1,000 Nigerians should significantly increase. Without a secure environment, the investors will be scared to invest.

4. Institutional development policies: These includes programs to support the creation and strengthening of an effective system of property rights, financial rights, financial institutions, and labor markets, social and legal institutions and adjudicate or resolve conflicts effectively together with channels for marketing and distribution.

5. Private sector development programs: Including incentives and support for developing small and medium-sized enterprises, restructuring large companies and attracting investments in domestic industries from multinational corporations. Kalu (1999) concluded that the above five fundamental elements of economic reforms and the institutional capacities that must be strengthened to support privatization. It is also of importance to pursue then to the logical conclusion in order for privatization program to succeed. In summary therefore, effective transition to a market economy which should necessarily underscore privatization must encompass the set of reforms, which embraces measures on freeing prices, trade and entry to markets from state control and intervention. This implies complete liberalization, decentralization and macroeconomic stabilization.

As at the end of 2005, over 40 enterprises have been privatized. While over 30 enterprises have been commercialized. The privatization / commercialization exercise was not limited to Federal Government. It is important to add that all the 36 State Governments have divested their interests in several companies

through sales of shares in some companies or outright sales of others. The experience with most privatized enterprises tallied with expectation. The privatized enterprises in Nigeria were able to achieve the desired objectives, there were few exemption however. The table in the appendix revealed that majority of the privatized enterprises are doing well such that their prices has appreciated in the capital market. Unipetrol (now Oando) recorded the highest capital appreciation of 76.8. A few enterprises in the insurance sector recorded negative growth rate, the worst was Sun Insurance. However, the services of majority of commercialized enterprises have deteriorated. For example, National Electric Power Authority (NEPA) now Power Holding Company of Nigeria (PHCN), Nigerian
Telecommunications limited (NITEL) and Nigerian Railways Corporation (NRC) deteriorated in performance after commercialization. Nigerian Postal Services (NIPOST) is the only exemption. Letters now get to anywhere in Nigeria within 3 days as against 14 days before it was commercialized. Furthermore, Bala (2004) found out that the privatization in Nigeria has been able to replace the public monopoly with private monopoly. However, the major impact of the reform has been in the area of increased competition and efficiency. This was evident in the telecommunication, petroleum and banking sectors. The public sector reforms accounted for majority of the foreign direct investment (FDI) that came to the country between 1999 and 2005.

Problems of policy implementation

The idea of privatization is that the state should ensure the supply of services where necessary. It should ensure that essential goods and services are provided but not aimed to be the sole producer or deliverer. Whereas in the past government was seen as often squeezing out market supplies, it is now expected to support their development and promote competition. The task now is that with the fast incorporation of Nigerian State in to the market oriented system, there seems to be some hindrances to grapple with in actualizing the dreams of public enterprises reform. According to Obadan and Ayodele (1998), Obadan (2000), Sanusi (2001) the relative success in the public enterprises reform has some crucial problems which are economic, political and ideological. These problems are sums up as follows:

1. *Socio-political and ideological*: Theoretically privatization of Public Enterprises (PEs) has some ideological underpinnings as conceptualized by the classical or neo-classical and the liberal neo-liberal schools of thought. Privatization was seen by some as a carryover of the structural adjustment program and also seen is a caricature of the international capitalist imposition especially the World Bank / IMF. The structural adjustment of the 1980's was
seen as an inevitable circumstance that pervaded the world economy order then. The socialist ideologue also sees public enterprises reform as a path towards consolidating capitalism.

2. *Uncooperative Attitude of some government officials* (Enterprises managers and staff): Some officials were recalcitrant over the policy or privatization as this would undermine the status quo, particularly the supervising ministries. Obadan (2000) argued that the former supervisory ministries mis-conceived the program as a way to reduce their power as the affected Public Enterprises will be insulated from all ministerial controls and interference, and somehow silently opposed to the policy arrangements. Similarly managers and staff of these privatized Public Enterprises are against the reform as it would undermine their position. Some of these criticisms overtly or covertly may have devastating implication on the program.

1. Weak market alternatives: As applicable to poor developing countries, Nigeria has less mature formal business sectors, with higher start up cost, less capacity to invest, and less exposure to competition.

2. Geo-political and income-group spread: The enabling decree laid emphasize on equity in the spread of shareholding. But contrarily there were marked imbalances in equity shareholders distribution among income groups and the different segments of the society. Some income-groups or geo-political entity tends to have cornered the market.

3. Government capacity: Closely related to the attitude of the public officials and managers of Public Enterprises over the delays in the implementation of PE reforms has to do with whether the government has the administrative and political ability to undertake its new roles. Government must have the capacity

not only to make initial diagnoses and assessments to decide on policy implementation and also to administer the states roles once Public Enterprises reforms have been established.

4. Poor funding of the National Committee on Privatization and Bureau of Public enterprises: The essential economic reform mandate of the Bureau and the various NCP sector steering committees is threatened by poor funding.

In 2001 budget, NCP/BPE made budget proposal of N1.4 billion, the sum of N520 million was approved for it. This 61 percent cut grossly affected the work of the committees and the conclusion of some of its sector reform activities.

1. The Problem of inaccessibility to credit:

Many prospective equity holders did not have enough funds to process their application forms, contrary to the expectations of government. Perceiving problem of financial limitations, government directed all licensed commercial banks to extend to all interested persons. In spite of this directive, banking system did not respond favorably due to what they called "operational lapses". The financial problem thus dampened the enthusiasm, particularly of paid workers whose salaries are not high enough to cope with the financial requirement to benefit from the policy. However, it may therefore be necessary for Employer's Association to provide assistance for their employees, in terms of share purchase loans that will relief and relax the high tension of workers with respect to this program.

2. Institutional Investors versus Small Individual Investors:

On many occasions there were reports of over-subscription in the shares for offer of sales. This, in most cases, arose from the intervention of institutional investors to broaden their investment portfolios. This intervention, incidentally, obstructed the chances of small individual investors in getting the quantities of equity shares they desired (Obadan and Ayodele, 1998).

CONCLUSION

In conclusion, if privatization must of necessity bring forth the desired benefits, it has to be viewed not as an end itself, but as a means to get government interested in fostering a new division of labour between the public and private sectors in order to increase the efficiency and contribution to development of both sectors. Therefore, the success of privatization should be judged not in terms of the sale or contract itself or the price paid to government, or even the survival or expansion of the enterprise sold, but rather, on the basis of whether there are net benefits to the economy (Shirley 1998). Privatization must result in better service at lower prices as desired by consumers who, oftentimes, are not much bothered about economic philosophies. If privatization does not bring tangible benefits in one form or another, the opponents of privatization who argue that the benefits are not worth the cost would feel justified. And, indeed, as the FGN (1993) also correctly observed the primary argument for privatization and commercialization is of course, that the efficiency and profitability of the investments will improve after the exercise. At the end of the day, it is perhaps only a clear demonstration of such improvement that will convince people who hold such (opposing) views. The ongoing privatization is a good policy measure, which the Government must pursue with vigor. The privatization equity loan program of government should be reactivated and made available to the poor and civil servant.

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