THE POLITICS OF PRIVATIZATION IN NIGERIA: A CASE STUDY OF NIGERIAN TELECOMMUNICATIONS LIMITED (1999-2014)

BY

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DECLARATION

I Fate Bukar Fate hereby declare that this Dissertation has been written by me, and that it is a record of my own research. It has not been presented or published (in any part or whole) anywhere, at anytime, by anybody, institution or organization. All quotations and references are indicated and duly acknowledged.

DEDICATION

To my wives Talatu Ahmed Shinge, Asmau Abdurrahman Jawi, Abubakar M. Fate (Son), Hafsat M. Fate (Daughter), Aisha M. Fate (Daughter), Khadijah M. Fate (Daughter), Aishatu M. Fate (Daughter), Ahmed M. Fate (Son), Abdurrahman M. Fate (Son).

APPROVAL PAGE

This Dissertation, entitled "The Politics of Privatization in Nigeria: A Case Study of Nigerian Telecommunications Limited (1999-2014)" by Fate Bukar Fate, meets the regulations governing the award of the Degree of Master of Science (M.Sc.) in Political Science of Bayero University, Kano and is approved for its contribution to knowledge and literary presentation.

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LIST OF ACRONYMS

AIT	African Independent Television
AP	African Petroleum
BBC	British Broadcasting Corporation
BOT	Build Operate Transfer
BPE	Bureau of Public Enterprises
EFCC	Economic and Financial Crimes Commission
FCT	Federal Capital Territory
FGN	Federal Government of Nigeria
FM	Frequency Modulated
FRCN	Federal Radio Corporation of Nigeria
GDP	Gross Domestic Project
GLO	Globacom
IFC	International Financial Corporation
IFI	International Financial Institutions
IILL	Investors International Limited London
IMF	International Monetary Fund
INMARSAT	International Maritime Satellite Organisation
INTELSAT	International Telecommunication Satellite Organisation
ITU	International Telecommunication Union
LAN	Local Area Network
MTEL	Mobile Telecommunication

MTN	Mobile Telecommunication Networks
NAFCON	National Fertilizer Company
NCC	Nigerian Communication Commission
NCP	National Council of Privatization
NEPA	National Electric Power Authority
NGTC	New Generation Telecommunication Consortium
NIPOST	Nigerian Postal Services
NITEL	Nigeria Telecommunications Limited
NNPC	Nigerian National Petroleum Corporation
NTA	Nigerian Television Authority
PE	Public Enterprises
PHCN	Power Holdings Company of Nigeria
RASCOM	Regional African Satellite Organisation
SAP	Structural Adjustment Programme
SAT	South Atlantic Telecommunication
SMS	Short Message Services
SOE	State Owned Enterprises
SSPA	Sales Shares Purchase Agreement
TCPC	Technical Committee on Privatization and Commercialization
UAE	United Arab Emirate
VMS	Voice Mail Services
WAN	Wide Area Network
WASC	West Africa Submarine Cable
WWW	World Wide Web

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ABSTRACT

The concept of privatization is not a new phenomenon but the practice continues to elicit novel ideas that attract comments from academics and other practitioners around the globe. It is an idea that have transcended over the decades to ensure that public enterprises are better managed by private individuals and organizations in order to achieve efficiency in their productivity. The objective of this study is to analyze the privatization exercise carried out so far on Nigerian Telecommunications Limited (NITEL) following the liberalization of communication sector in Nigeria and look at the politics behind the exercise. The study used secondary source of data collection which emphasize the use of books, journals, documentaries, articles and other documented data about the research topic and adopted Public Choice theory advanced by James M. Buchanan as a tool of analysis. The study found out that, corruption and kickbacks from the political elites and top government functionaries hinder the process of NITEL's privatization exercise. The results of the analyses showed that the selected Core Investors are suddenly incapable of paying for firms after being certified as technically and financially sound. Companies with small asset turnover are concessioner to handle larger public agencies, bigger than their capacities. In view of this, the study recommends among others, government should through National Council on Privatization (NCP) and the Bureau of Public Enterprises (BPE) invites operating telecommunication companies that have demonstrated commitment and capacity to deliver to come forward and take over NITEL and as well lay guiding rules to checkmate any fraud along the line.

CHAPTER ONE

GENERAL INTRODUCTION

1.1 Background to the Study

Privatization, which now occupies the center stage in global economic liberalization, is regarded as an avenue for raising productivity and enhancing overall economic growth. This is achieved through increased involvement of the private sector in productive economic activities through the sale of public enterprises to the private sector, with a view to improving economic efficiency. With privatization, the role of government in direct productive activities diminishes as the private sector takes over such responsibilities. Under such a setting, government is expected to provide essential infrastructure and an enabling environment for private enterprise to thrive. Privatization is predicated on the assumption of state inefficiency and "absolute" efficiency of the market.

Over the years, many developing countries like Nigeria have witnessed increasing costs and poor performance of state-owned enterprises (SOEs), resulting in heavy financial losses. Since the 1970s, in particular, SOEs have become an unsustainable burden in some countries, absorbing large share of budgets of governments in form of subsidies and capital infusion (Shehrif, J.O

2012:4). For instance, SOEs consumed about $3billion annually as subvention and subsidies. Nigeria's economy experienced declining growth, increasing unemployment, galloping inflation, high incidence of poverty, worsening balance of payments, debilitating debt burden and increasing unsustainable fiscal deficits (Leadership 2014).

SOEs are adjudged to have contributed substantially to public sector deficits and have financed less than one fifth of their investments through internally generated resources (Nair and Filippines, 1988).

The public enterprises were meant to serve and provide essential services for the general public such as railways, roads bridges, electricity, ports and harbors waterworks, and telecommunications. In Nigeria, privatization of public enterprises and deregulation of the economy have taken a front burner in the economic reforms and transformation agenda of the civilian government from 2001 to 2014. Privatization and deregulation as development options and pathway of government actually started in 1986 following the introduction of Structural Adjustment Programme (SAP) (Adebusuyi, 1999).

The non performance of State Owned Enterprises (SOEs) occasioned government's decision to privatize and commercialize them. According to Anya (2000), One Hundred and Eleven (111) public enterprises were earmarked for full and partial privatization while 35 enterprises were to be commercialized and the exercise was to be carried out in two phases. Mahmoud (2004) observed that, before privatization, there were 1500 SOEs in Nigeria out of which 600 were under the Federal Government control and the rest were owned by state and local governments.

While scholars and commentators such as Kayode, etal (1993) believed that, the privatization of the public enterprises in Nigeria is inevitable, other scholars like Momoh (2002:49) opined that it is an attempt to advance the interest of the ruling class and further impoverish the masses, that government was actually the architect of the failure of these public enterprises.

Thus, whatever the argument is, the privatization of Nigeria Telecommunication Limited (NITEL) particularly the current challenges in the sale of 51 percent Federal Government equity share, has not been rosy. The exercise has received criticisms among the stakeholders in the telecommunication industry, as well as the masses. The exercise seemed to have been characterized by Shoddy deals, corruption and other sharp practices contrary to the public interests and expectations. Hence, this ugly trend necessitated the need for re-examination of the policy by the Federal Government of Nigeria.

1.2 Statement of the Research Problem

Privatization has been the most controversial policy dominating the political agenda of many countries around the world. For instance, in Africa it has remained a subject of debate and politically risky. Nigeria after her independence engaged in the expansion of the public sector in the first, second and third development plans.

Privatization of public enterprises in Nigeria is believed will bring about an end to inefficiency, balance of payment deficit, low performance, indiscipline, mismanagement of finance, attract foreign and local investment which will integrate the country in the globalization process and bring about competitive system, quality, and low price, better choice and satisfaction of goods and services.

The Nigeria Telecommunications sector was set for privatization in 2001 after the Nigerian Communications Commission granted operational licenses to independent GSM companies (ECONET/Airtel, MTN, GLOBACOM). The telecom sector went through four bidding processes but yielded no fruitful results. The bidding process was characterized with irregularities and manipulations to arrive at the desired position; throughout the years the privatization process was seen to be influenced or arranges to suit certain political interest. It is against this background that the study seeks to explore the challenges as well as the politics behind privatizing Nigeria Telecommunications Limited (NITEL) after four consecutive attempts.

1.3 Research Questions

The study would provide answers to the following questions:

i. What is the rationale behind the privatisation of Nigerian Telecommunications Limited (NITEL)?

ii. What are the irregularities involved in the process of privatizing NITEL?

iii. What are the factors militating against the privatization of Nigerian Telecommunications Limited (NITEL)?

1.4 Objectives of the Study

The major objective of this research work is to assess the privatisation process in Nigeria with a view of finding out the politics behind the privatization of NITEL and the challenges involved. Private companies are profit oriented and their objectives are divergent from the public interest. The orthodox approach assumes that state and private sector can be substituted when it comes to provision of goods and services, subject to appropriate regulation. In view of the above, other objectives of this study are as follows:

1. To identify the motive behind privatization of NITEL
2. To examine the impact of NITEL privatization on the Nigerian economy.
3. To analyse the politics involved in the NITEL privatization exercise carried out so far in Nigeria.
4. To highlight other challenges of NITEL's privatization exercise.

1.5 Research Assumptions

Philosophical assumptions of privatization are predicated on the connotation that there is transfer of assets or service delivery from the government to the private sector. Privatization can be done by sale of the entire business, or controlling share in a business to a single company or alternatively by sale through floatation of all parts of the share capital of the company.

The following are the assumptions which guide the study:

(i) The failure of NITEL to provide social services in Nigeria is largely the result of nationalist vision of the Nigerian ruling elites.

The above assumption is that Nigerian Telecommunication Limited (NITEL) was meant to provide the needed telecommunication networks for the populace but due to the selfish interest of the ruling class to acquire peoples investments through whatever means, the study will look into how the privatization exercise of Nigerian Telecommunications Limited (NITEL) was conducted.

The study used the following as its yardsticks of measurement.

a. How efficient is the privatization of Nigerian Telecommunications Limited (NITEL)?
b. What are the problems militating against the privatization of NITEL?
c. What are the attitudes of Nigeria's ruling class on privatization exercise in Nigeria?
d. What is the current position of NITEL
    (ii) The more open is the privatization of NITEL and free from politics, the higher the competitiveness and more prospects for better service delivery.

The above assumption is that liberalization of mobile network market in Nigeria have brought a lot of changes in the system, it had made available the provision of lines from different mobile networks. The cost of SIM cards are almost free and charges per minute are more affordable in the system, these had shown that liberalization of mobile network market in Nigeria have brought about growth in the economy.

The study used the following as a yardstick in measuring the growth in the network market after liberalization:

a. How many mobile networks does Nigeria have before and after privatization exercise?
b. How much do the mobile networks charge per minute?
c. Does the liberalization of mobile network market brought development in Nigeria

1.6 Methods of Data Collection

The study employs the use of secondary source of data collection. Thus, documentary analysis is used as the method of data collection.

This study uses a wide range of materials to examine privatisation in Nigeria. It uses material and publication from institutional, academic and professional literature reviews.

It also uses reports by some of the external agencies which promote privatization globally, and reports by some of the internal agencies responsible for privatisation in Nigeria. There is also use of materials published by external and internal accountancy professional bodies and audit firms which were enlisted to give professional support and legitimacy for the divestment of government shares in state-owned enterprises globally, and in Nigeria.

The study also refers to the reports of the various investigatory panels which were commissioned by the Federal Government of Nigeria in response to calls by Nigerian citizens and the international community to investigate the activities of some of those persons involved in the privatisation exercise in Nigeria.

Thus, the reports of the Economic and Financial Crimes Commission (EFCC); the Independent Corrupt Practices Commission (ICPC), and the Code of Conduct Bureau (CCB) were used. These information and reports were obtained from the websites of these organizations and by personal visits to some organizations in Nigeria.

Relevant and related journals, newspapers and magazines were employed. In addition, published works of some scholars, policy documents, materials consulted at the Bayero University Kano Library, Internet and Seminar/Conference papers related to this research were also used.

The presentation and analysis of data collected is based on the generated data through empirical evidence, value-free-judgment, objectivity and regularity of data.

1.7 Significance of the Study

Privatization has been embraced by most developing and transiting economies in the last two decades as a means of fostering economic growth. By the end of 1996, nearly all but five countries in Africa had divested some public enterprises within the framework of macroeconomic reform and liberation, White and Bhatia (1998).

This study is significant in finding out irregularities and challenges faced during and after the privatization of NITEL to illustrate for other institutions not to make same mistake for better future economic development in Nigeria.

The findings of this study will add to the knowledge and understanding of the programme of privatization and its application by government. Therefore, this study is significant because it will create greater awareness to students, policy makers, businessmen, researchers and the Nigerian public on what privatization of Public Enterprises is all about, and the substantial benefits relating to greater efficiency, renewed investment, budgetary savings, and preservation of scarce resources for the improvement of a nation's economic condition.

On the other hand, it will go a long way to create an avenue for more academic research.

1.8 Scope and Limitations of the Study

The study dwells on the politics of privatization in Nigeria with particular reference to Nigerian Telecommunication Limited (NITEL). The privatization exercise in Nigeria has been segmented into different phases. Phase one of the exercises commences from 1988 and came to a standstill about mid 1993, leaving 23 un-privatized out of 111 enterprises scheduled for divestment. The change in government from General Ibrahim Badamasi Babangida to Ernest Shonekan and later to late General Sani Abacha was one major factor that stalled the programme.

With the emergence of General Abdulsalami Abubakar's government in 1998, there was renewed interest in revisiting the exercise in Nigeria through the promulgation of Public Enterprises (Privatization and Commercialisation) Act of 1999. On 29th May, 1999, General Abubakar quitted implementation of Nigeria's second phase of privatization to the democratically elected government of President Olusegun Obasanjo.

Under the second phase of the privatization, the enterprises listed for the exercise covered various economic sectors including Telecommunications, Insurance, Electricity, Petroleum/Oil/Gas, Fertilizer, Machine tools, Steel and

Aluminium, Mining and Solid minerals, Media, Transport and Aviation, Paper mills and Sugar, Agro Allied, Hotels and Tourism.

Thus, the study covered the second phase of the exercise from 1999 to 2014 because the privatization of Nigerian Telecommunications Limited (NITEL) was concluded December 2014 (Daily trust, December 5th 2014).

With regards to the limitations of this study, the research will not be able to cover all phases of the exercises (1st, 2nd and 3rd phases). This is because the privatization of NITEL started under the Second phase (1999).

Another limitation of the study is the financial constraint which limits the research from having adequate visits and consultations to the concerned institutions. For instance, Visit to the Bureau for Public Enterprises (BPE) office in Abuja was made twice only and Nigerian Communications Commission (NCC) was made once, and other offices of BPE located in some states of the federation were visited once only.

However, many scholars wrote so many articles and write-up about privatization but only those related to NITEL will be used in this research.

1.9 Outline of Chapters

The study contains five chapters. Chapter one, which is the general background of the study, statement of the problem, research objectives, significance of the study, scope and limitations of the study and research methodology.

The second chapter focuses mainly on the Literature Review on the politics of privatization and its processes in the world and Nigeria in particular. Performance based analysis of telecommunication reforms across the world is also reviewed as well as the theoretical framework of the study.

The third chapter contains History of Nigerian Telecommunications Limited (NITEL), Nigerian privatization experience and its attendant effects on the general public.

The fourth chapter presents and analyses the data collected and summary of the research findings.

The fifth chapter consist of general summary, conclusion, recommendations of the study.

CHAPTER TWO

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1 Literature Review

This chapter consists of five sections. The first section which is this introduction followed by conceptualization of the term privatization its origin and development in the world through implementation strategies. Section three highlights on privatization and economic performances while section four and five touches on the privatization and economic development in Nigeria and data presentation and analysis respectively.

2.1.1 A Review of Privatisation

According to Savas (1987), privatisation refers to as the act of reducing the role of Government, or increasing the role of the private sector, in an activity or in the ownership of assets. Privatisation can also be called denationalization or disinvestment. The aforementioned terms described a situation where a government decides to transfer control of its enterprises either partially or totally to the private business sector.

Afuwape (2011), described privatization as the transfer of ownership of public enterprises to private hands. In reality, Privatisation takes many different forms and is sometimes used broadly to describe any policy changes that enlarge the scope for private enterprise to compete with State-Owned Enterprises (SOEs), or even ones that might cause SOEs to operate more like private firms.

According to Obadan (2000), privatization as a public policy is simply the transfer through the sale of public assets or enterprises to the private sector. It aims at ensuring productive, allocative and high economic growth.

To Kayode (1987:111), "privatization is conceived as the process by which government equity interest or ownership in business enterprises is transferred in whole or in part, to private investors".

Privatization can either be full or partial depending on the policy thrust of the government. Thus, full privatization implies divestment by the government of all its ordinary shareholding in the designated public enterprises while partial privatization as in the case of NITEL before government’s decision to sale her 51% equity share, connotes divestment by the government of part of its ordinary shareholding in the designated enterprises (Opara, 2010:39).

Adebusuyi (1999) upholds that the heightened interest in privatization results from the poor performance of the public sector and recent deterioration in the global economic environment. To him, privatization is seen as an important step in reducing imbalances and restoring acceptable rates of growth. He based his view on the grounds that various studies have proved that with few exceptions, the public sector incurs substantial losses, contributes significantly to budget deficits and has a negative impact on balance of payment.

Munday, (1996) views privatization as an attempt to increase the role of market forces. This generally implies the transfer of enterprises from the public to the private sector of the economy. According to him, there are three distinct aspects of privatization viz: a transfer of ownership from the public to the private sector, liberation and an attempt to permit and to promote areas where previously there was no competition, contracting out by allowing and encouraging private firms to make bids to run services that were previously exclusively run by the public sector. The transfer of ownership clearly includes the sales of nationalized utilities as well as many smaller sell offs.

Dickson (2001) sees privatization as permanent transfer of ownership right from a public agency to the private sector. It could also be seen as the sale of government-owned assets, the opening of certain markets to private sector competition and government-private sector joint ventures infrastructure project.

Privatization can be defined as the systematic transfer of appropriate functions, activities or property from the public to the private sector, where services (production and consumption) can be regulated more efficiently by the market and price mechanism. The end product of privatization is thus a significant change in the relationship between the government and the private sector, with the role or the level of involvement of the state in the economy being reduced, as more of the functions get shifted to the private sector.

According to Kay and Thompson (1986) such a reduction in the level of the State involvement will in turn relieve the state not only of the burden of running the enterprises, but also remove the accompanying budgetary obligation (especially where some of the enterprises are making losses).

Privatization of public enterprises has become worldwide movement with first developed countries and secondly developing countries selling all kinds of enterprises. By 1992 some 7,000 enterprises had been privatized worldwide, some 2000 in developing countries (World Bank, 1995).

A number of countries developed and developing have imbibed privatization programmes as a means of economic turnaround. United Kingdom, Italy, Germany, Spain, France, Japan, Mexico, Argentina, Brazil, Chile, Poland, Kenya etc. and even Nigeria have undertaken one form of privatization or the other. It has been described as an economic miracle mainly because it freed moribund industries from state control and improved their efficiency and productivity.

According to Anya (2004), privatization as a tool for economic management came to the front burner when Chile became the first country to turn public assets/businesses to private operations in the early 1970s. Since then, over 140 countries (both developed developing) have embraced privatization as a route to economic growth and prosperity. While the details and strategies of the privatization exercise may vary in each of these countries, the ultimate objective is to liberalize the economics through increasing private sector involvement and capacity utilization. A critical aim is to free enterprises from control by rigid and bureaucratic structures and makes the management of such enterprises more flexible in their management and investment strategies. In Venezuela, it is termed capitalization while the Brazilians call it flexibilization. In other countries such as Argentina, United Kingdom and Mexico where it has worked, different tags have been adopted but the aim and purpose have remained the same.

Conceptually, privatization is regarded as a complementary measure for promoting effective competition between public and private firms in a manner that would be beneficial to both consumers and the economy in the medium to long term. It is an important element for promoting economic efficiency by curbing the monopoly of government over the ownership and control of public enterprises. Despite the different interpretations of the concept of privatization, the basic fact still remains that, transformation or shift takes place in the decision-making entity from public to private.

In Nigeria, as in other countries, privatization can assume different forms. This included the sales of shares, sales of assets, management or employee buy-outs, equity dilution joint venture, liquidation, management contract, lease, concession, transfer, build-operate transfer (BOT) etc. The privatization of most public enterprises in Nigeria such as NITEL must have aimed towards any of the above forms (Idonor, 2009:15).

The researcher's reactions is that, despite the efforts of Nigerian government, there is still mixed feelings towards the issue of privatization. On one hand, privatization is expected to bring to the public enterprises commercial discipline, financial prudence, effective management and commercial viability, which normally characterize private sector. At last, it is expected that this new policy will arrest the declining fortunes of the public enterprises. On the other hand, it is seen by anti-privatization as a relief of their primary role, an open acknowledgement of incapacitation and a sinister design by the ruling class to subject the welfare of the citizens to the whims and caprices of the privileged class (Obadan 2000).

In line with the global capitalist economic trend, privatization was forced on corrupt socio-political economy of Nigeria, which was in a poor state, by the World Bank and the IMF, with the support of the Nigerian political and economic elite and key government functionaries (Bakre, 2011: 5)

2.1.2 The Philosophical Origin of the Concept of Privatization

From the above review, most of the literatures reveal that privatization is not a new concept.

Adam Smith (1776:451) in his book *Wealth of Nations argued* that: “In every great monarchy in Europe, the sale of the crown lands would produce a very large sum of money, which if applied to the payment of the public debts, would deliver from mortgage a much greater revenue than any which those lands have ever afforded to crown.... When the crown lands had become private property, they would, in the course of a few years, become well improved and well cultivated”.

The above statement is to sustain the claim that privatization is not new; rather the practice is what seems to be new. To different people and different schools of thought, privatization means different things. We believe that the origin of the idea of privatization is as old as the origin of the debate on private versus public ownership. Therefore its origin can be traced back to ancient Greece.

Thus, Plato thought private ownership and private property were evil, and favoured communal ownership. In "The Republic" Plato states that: "...Once they (guardians) start acquiring their own lands, houses, and money, they will have become householders and farmers instead of guardians. From being the allied of the other citizens they will turn into hostile masters. (Ferrari 2001:163)

"... I think that if they are going to be true guardians they should not have private houses, or land, or property of any kind, but that they should receive their livelihood from other citizens as payment for their guardianship, and all make use of these resources jointly (Ferrari, 2001: 252)

...It will top them introducing private pleasures and pains along private property...since they have no private property apart from their own bodies, everything else being jointly owned..."(Ferrari, 2001: 164).

His student, Aristotle, however, thought communal ownership was insufficient; that it allowed the lazy to take advantage of the industrious: According to Aristotle: "...It is universal truth that men find difficulty in living together...especially when it comes to hold a property in common. (Warnnton, 1959: 35).

...it is evidently better, therefore, that property should be subject to private ownership...and it is special business of the legislator to make the necessary arrangements to that end...(Warnnton, 1959: 35)

And yet by reason of goodness and in respect of use we must take account not only of the disadvantages from which those who hold property in common will be saved, but also the benefits they will lose (Warnnton, 1959: 36)

...No legislator could hope to build a state unless he distributed and divided its constituent parts into associations for common meals on the one hand, and on the other into clans and tribes; and it is therefore obvious that Plato's suggested legislation does nothing more original that forbid the guardians to cultivate the soil...(Warnnton, 1959: 36-37)

From the ideological point of view, privatization is considered to lead to smaller government, lower taxes, and less government intervention in public affairs (Starr 2005).

In that context, and that among economic and social theories, liberal theory seems to be the closest system to the idea of privatization, classical liberalism is often represented as a purely privatizing ideology.(Martinez E. and Arnoldo G. 2015)

Liberalism refers to the following concepts:

(a) Limited government, in order to protect human liberty and avoid totalitarian regimes;

(b) The virtues of free-market economies, the preservation of economic liberty and initiative in conjunction with the right to private ownership; and,

(c) A civil rather than a political society in which the mediating institutions of the civil order are vibrant and provide the necessary constraints for the market and public morality. (Gregory 2015)

Therefore in the classical liberal constitutional order, the activities of government, no matter how the agents are selected, are functionally restricted to the parameters for social interaction. Governments, ideally, were to be constitutionally prohibited from direct action aimed at "carrying out" any of the several basic economic functions like setting the scale of values, or organizing production, or distribution of the product.

These functions were to be carried out beyond the conscious intent of any person or agency; they were to be performed through the operation of the decentralized actions of the many economic participants, as coordinated by markets, and within a framework of laws and institutions that were appropriately maintained and enforced by government. (Gregory 2015)

This liberal theory sees government or even the public sector as being an obstacle to economic development in recent times. In most cases, the liberals argue that government's intervention results in failure, which is a problem the government intervention meant to correct.

Thus, this theory currently advocates increasing reliance on the market economy, through effective privatization and commercialization of existing public enterprises, deregulation of domestic industries and markets and the liberalization of trade.

It can be rightly perceived that this theory forms the basis of which the World Bank/IMF - endorsed the Structural Adjustment Programmes (SAP) which Nigeria and many developing countries in serious economic crisis have adopted over the years.

One of the main objectives of SAP was therefore to pursue deregulation and privatization leading to removal of subsidies reduction in wage bills and the retrenchment of the public sector ostensibly to trim the state down to size the public work force (Egwu, 1998).

The Structural Adjustment Programme, as implemented in Nigeria, consisted of a macro-economic policy reform which aimed at: having competitive real exchange rates, using prudent fiscal and monetary measures to improve the budget deficit position, achieving trade liberalization, privatizing and commercializing Public Enterprises, down-sizing government and enlarging private sector role to serve as the engine of growth; and deregulating prices and markets. (Egwu, 1998)

The above listed policy measures were based on the assumption that: the private sector was more efficient than the public sector, and as such, deserved to be encouraged to: play a more dynamic role in the economic development process; The allocation of resources and prices should be determined by the free interplay of market forces.

2.1.3 Earlier Perspectives on Privatization

Given the fact that the initial impetus for privatization in Africa came from creditor institutions, especially the IMF and the World Bank, as part of the push for structural adjustment, many believed that there must be a hidden agenda in the form of economic exploitation. It is principally the conditionality that was attached to privatization vis-à-vis debt relief and financial assistance that provoked resentment from the public, especially labor, which views privatization as creditors' initiative. As in some of the other African countries, resentment is intensified because a good number of the larger enterprises being privatized are bought over by foreign interests.

2.1.4 Arguments against privatization are as follows:

The opponents of privatization fear that the private sector will exploit consumers where there is monopoly or oligopoly power such as by raising the prices of goods. And also the perception that it has not been fair-hurting the poor and the vulnerable work force, while benefiting the rich, the powerful and the privilege-thereby perpetrating poverty.

Workers were dismissed from their places of work as a result of privatization and faced great difficulty to get employment. The large numbers of people out of jobs are forced to accept jobs with lower pay, less security, and fewer benefits. They, therefore, believe that the aims of privatization are to reduce labor costs and numbers, and to break union power.

There is this argument that even if privatization contributes to improved efficiency and financial performance, it has a negative effect on the distribution of wealth perhaps arising from corruption. Corruption is the single most destructive factor responsible for the pitiable state of affairs in many developing countries. It distorts the economy through waste and misallocation of resources and creates need for external assistance. Transparency International has for a long time decried the evil consequences of corruption and has identified acute corruption in many developing countries. For example, in its latest report, Nigeria is ranked the 39th most corrupt country in the world out of the 175 surveyed. Nigeria was ranked 144th in 2013, 139th in 2012 and 143rd in 2011 ─ with the 2014 position bettering that of 2013 by eight places.

Privatization is also seen as an imposition by foreign capitalists and agencies like the IMF and the World Bank; therefore, privatization must be meant to exploit the developing countries. Some critics have argued that privatization is neo-colonialism since the policy is being pushed by International Monetary Fund, World Bank, and their agencies. It is not an indigenous idea; therefore, it will not work.

There is this strong belief that privatization is not necessary. Public enterprises need not run at a loss; all they require is good managers, less political interference, competent boards of directors, and especially more rational pricing policies. It is against this background that, right from the onset, the most publicly persistent and organized opposition of privatization in Nigeria has come from the labor movement. There always have been strikes and counterstrikes against any decision to privatize a government agency. Sometimes workers have succeeded in blocking or slowing down the privatization of specific enterprises. In other cases the government simply has brushed aside the labor opposition leaving a legacy of anger and political tension. What is obvious is that workers are reacting against threatened jobs or the possibility that benefits might be jeopardized under new management.

Perhaps it may be likely that it is the continued pressure from World Bank to get the reform process moving and to keep it on track that causes some of these humanitarian issues somehow to be brushed aside. These indictments are not a rarity. The fears about privatization are not only Nigerian-made apprehensions. Worldwide, proponents of labor have been the most vigorous and persistent opposed the concept. There always have been strikes and counterstrikes against any decision to privatize a government agency. Critics of privatization are consistently portraying its negative effects on income distribution and worker welfare. Not enough is yet known empirically about the impact of privatization in Nigeria to form definitive judgments; the current statements on the issue still lie between propositions and conclusions.

2.1.5 Objectives of Privatization

It is possible that some of these popular and critical perceptions and assertions about privatization are accurate. There is no doubt that mistakes have been made in the past and that promises have not been kept, for instance the incidence of interference from political office holders. However, it may turn out to be a mistake to judge privatization from a limited perspective. The set of objectives privatization programs are meant to achieve is broad and involved; efficiency and development of the economy, efficiency and development of the enterprise, budgetary and financial improvements, it has many fundamental components that can act together for the enhancement of microeconomic efficiency. There are, indeed, some critical long run objectives to be achieved through privatization including the following:

1. Increasing efficient service delivery;
2. Strengthening the role of the private sector in the economy, which will guarantee employment and higher capacity utilization;
3. Improving the financial health of public services with savings from suspended subsidies;
4. Freeing more resources for allocation to other needy areas of governmental activities (for example, finances that would have been applied for subsidies should now be channeled to the development of rural communities); and
5. Reducing corruption because interference by politicians will cease.

Invariably, a privatization program ought to be judged and assessed by the extent to which the stated objectives have been met. Furthermore privatization could take a slow but steady developmental speed.

2.1.6 Privatization and Commercialization in Nigeria

The clamour for privatization and commercialization policy in Nigeria is dated, as far back as 1965.

Rweyemanu and Hyden (1975) justified the poor performance of public enterprises in Nigeria and stated that between 1960 and 1965 the Nigerian Railway Corporation alone had 13 enquiries into its activities and in 1965 it had a deficit of N7 million and the World Bank described its finances as disastrous.

At the International scene, the World Bank in 1981 declared for the dismantling of the African Public Enterprises system and submitted that;

> African governments should not only examine ways in which public sector can be operated more efficiently but should also examine the possibility of placing greater reliance on the public sector... what is needed is straight forward acceptance of the principle that under certain circumstances, liquidation of public enterprises may be desirable (world Bank 1981).

The International Monetary Fund (IMF) has often been recommending privatization and commercialization for developing countries including Nigeria, where the industrial sector and occasionally, key elements in the commercial sector, are heavily dominated by public enterprises. The Fund also argued that “loss-making enterprises have, for many years been a drain in government resources in these Countries. Such enterprises have required direct budgetary transfers or have relied on government guaranteed borrowing to finance their cash operating losses”. (Hemming and Mansor, 1988b).

The unprecedented economic problems in Nigeria since early 1980s which led to the accumulation of debts and advise from the international quarters to borrow and accept I.M.F. conditionalities and the subsequent refusal of the loan by Nigeria led to the Structural Adjustment Programme (SAP). It was aimed at restructuring the economy and making it more competitive and efficient. The restructuring of public enterprises was an integral part of the Structural Adjustment Programme, in 1986. The actual implementation of commercialization and Privatization started in 1988 with the inauguration of the Technical Committee on Privatization and Commercialization as contained in Decree No. 25 of 1988. Thus, in November 1989 the implementation process of full or partial commercialization began. The parastatals and government owned companies were classified into five broad categories; Full or partial privatization, full or partial commercialization or to remain as public institutions (FGN, 1993).

Kuye (1990) once asserted that the governments of countries such as United

Kingdom, France, Canada, Turkey, Nigeria etc. which adopted mixed economy have now accepted the obvious truth that if all, or at least most of the public enterprises were turned over to the private sector they would be better managed and their economies would be fair much better in terms of the set out goals.

In Nigeria, the privatization and commercialization programme has become a major policy instrument, which in addition with other instruments was expected to contribute to the overall attainment of the general macroeconomic goals.

Therefore, the privatization and commercialization programmes in Nigeria were aimed at achieving the following objectives:

a) To restructure and rationalize the public sector in order to lessen the dominance of unproductive investments in that sector;
b) To re-orientate the enterprises for privatization and commercialization towards a new horizon of performance improvement, viability and overall efficiency;
c) To ensure positive returns in public sector investment in commercialization enterprises;

d) To check the present absolute reliance of commercially oriented parastatals on the Treasury for funding and to encourage their approach to the Nigerian capital market;
e) To initiate the process of gradual cession to the private sector of such public enterprises those by the nature of their operations and other socio economic factors are best performed by the private sector;
f) Creating a favorable investment climate for both local and foreign investors;
g) Reduce the level of internal and external debts; and
h) To provide institutional arrangements and operational guidelines that would ensure that the gains of privatization and commercialization are sustained in the future Decree No. 25 of 1988.

2.1.7 Privatization and Economic Performance

The issue of economic growth in Africa has been ongoing; the collapse of sub-Saharan Africa's economy began about a decade after independence. In early 1960 the new Nigerian government inherited an underdeveloped infrastructure and service delivery/facilities base. Developments in health, housing, education, water and other social services were at a rudimentary stage.

The port, railways, telecommunications, electricity, and print, etc, were hardly developed to meet the demands of the population. The existing services and infrastructure were meant to serve the colonial administration and expatriate community to maximize their benefits from colonization. At independence, the Nigerian population was largely illiterate and poor; the private sector was still in its infancy and could not be a major player in industrialization and service delivery. Government made extensive use of public enterprise (PEs) in 1970s and up to 1980s in their efforts to overcome economic stagnation and also to put economic growth and development clearly underway, especially in the areas of resource allocation and mobilization. This approach to economic development is in line with Keynesian theory which recommended that government through deficit financing should stimulate demand and the use of idle resources to reduce unemployment and spending (Galbroith 1978 and Samuelson 1983) Thus, the government was saddled with the task of engineering the overall growth and development of the economy through industrialization and the provision of infrastructure and social service. Government at all levels particularly federal and state governments became actively involved in the setting up and management of industries and the provision of services.

In 1970s with the revenue from oil boom the economic activities of public enterprises expanded significantly with the objectives of fostering rapid economic growth, through efficient distribution of income, and expanding employment horizon in the economy.

It was estimated that successive Nigerian governments have invested over 800 billion naira (approximately $100billion) in state-owned enterprises and annual returns to this huge investment have been well below 10%. The government has continued to subsidize these enterprises despite their dwindling revenue profile in order to enable them sustain and discharge social welfare responsibilities to the Country (Obasanjo, 1999).

Public sector became a burden on the government budget, with multiple problems: In fact the report of Onosode on Public Enterprises (PEs) 1984, revealed that most of the PEs were infested with problems like; mismanagement of resources, misuse of monopoly power, non-repayment of debt and growing budgetary burden.

However, the African state public sector is said to be over extended to the point that reduction, refocusing and re-engineering of its activities are needed. Since 1980s, the World Bank and International Monetary Fund (IMF) through their Structural Adjustment Programmes introduced a reform package with the objective of finding alternative ways of re-organizing and managing the public sector and redefining the role of the state to give more prominence to market and competition. Privatization has become a key component of the structural reform and globalization strategy in many economies. Several developing and transition economies have embarked on extensive privatization programs in the last one and a half decade so far, as a means of accelerating economic growth, attaining macroeconomic stability and reducing subventions to unprofitable state enterprises (White and Bhatia 1998).

Nigeria, through her economic Structural Adjustment Programme which started in 1986, embarked on the programme of privatization and commercialization as a reform option for public sector which is in line with the trend worldwide, privatization has become a potent instrument for streamlining the public sector and promoting economic development. And the spate of empirical works on privatization has increased, with a microeconomic orientation that emphasizes efficiency gain (Afeikhena 2008, Guseh 1998). Sufficient time has elapsed since the start of reform (Privatization) to allow an assessment of the extent to which privatization has realized its intended economic and financial benefits.

Scholars such as Vickers and Yarrow (l988), surmise that the need to raise government revenue has equally been advanced. This has to do with the desire to ensure the efficiency of public enterprises, which hitherto has become serious drains on dwindling government resources. Closely linked with this, is the need for depoliticisation of decisions in industries.

This is against the background that government involvement in the activities of public enterprises and the intrusion of political calculations to the decision-making process of what should otherwise be a business concern is a major problem constraining the efficient performance of state-owned enterprises.

The World Bank report (1994), argues that the growth rate of output (percentage change in per capita real GDP) remains low even for countries that have improved their macroeconomic performance because adjustment efforts have not gone far enough in areas of public enterprise reform and privatization.

Scholars that examine privatization in other countries have long perceived privatization as something highly political. Indeed, the thought (or theory) of privatization, the act of privatization, and the consequences of privatization have all been analyzed as phenomena that are more about politics than economics Feigenbaum (1994).

2.2 Theoretical Framework

The study used the theory of public choice to explain privatization of state owned enterprises. This theory was propounded by James M. Buchanan and Gordon Tullock in their book *'The calculus of consent: logical Foundations of constitutional Democracy"* (1962). The major assumption of public choice theory is that although people acting in the political market place have some concern for others, their main motive, whether they are voters, politicians, lobbyists, or bureaucrats, is self- interest. In the neo-classical price-auction model, individuals maximize utility and firms maximize profit. Given their characteristics, most public goods cannot be efficiently provided by market mechanism hence government becomes a substitute for the market.

Privatization exercise in Nigeria has been characterized by corruption, conflict of interest and abuse of office by the ruling elite, politicians and public officials constitutionally appointed to oversee the privatization process. The Nigerian political and economic elites were using their power and influence to buy some of the firms at give-away prices. Corruption also led to black hole accounting (in which substantial part of the proceeds of privatization were directed to private bank accounts) and to the mismanagement of the privatized companies in the hands of their new local and foreign owners. As a consequence, privatization has failed to create wealth and generate employment opportunities for Nigerians as promised by the International Financial Corporations (IFC) and the Nigerian government (Owolabi, 2011).

In a further elaboration of the public choice theory, the World Bank (l995) equally found a correlation between economic crisis and privatization. According to the World Bank, "economic crises, which worsen the fiscal situation of government, might also alter the costs and benefits of privatization, making it more difficult for politicians, of all types, to subsidize loss-making state-owned enterprises."

Public choice posits that, the nature of goods and services determines whether they are 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. In sum the theory posited that where public goods provide separable private benefits (e.g. education) the recipients of the private benefit should be required to pay for net portion of the cost that represents the private benefit Contemporary Management Research (Ostrom & Ostrom 1991).

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).

Public choice," ill-named because the only choices it recognizes are essentially private, is both a branch of microeconomics and an ideologically-laden view of democratic politics. Analysts of the theory apply the logic of microeconomics to politics and generally find that whereas self-interest leads to benign results in the market place, it produces nothing but pathology in political decisions. These pathological patterns represent different kinds of "free-riding" and "rent-seeking" by voters, bureaucrats, politicians, and recipients of public funds. Coalitions of voters seeking special advantage from the state join together to get favorable legislation enacted. Rather than being particularly needy, these groups are likely to be those whose big stake in a benefit arouses them to more effective action than is taken by the taxpayers' at large over whom the costs are spread. In general, individuals with "concentrated" interests in increased expenditure take a "free ride" on those with "diffuse" interests in lower taxes. Similarly, the managers of the "bureaucratic firms" seek to maximize budgets, and thereby to obtain greater power, larger salaries, and other perquisite. Budget maximization results in higher government spending overall, inefficient allocation among government agencies, and inefficient production within them. In addition, when government agencies give out grants, the potential grantees expend resources in lobbying up to the value of the grants--an instance of the more general "political dissipation of value" resulting from the scramble for political favors and jobs.

Another *Public Choice Theory* quoted from a York University document "Public Choice and Bureaucracy". It is the behaviour of public sector bureaucrats which is at the heart of public choice theory. While they are supposed to work in the public interest, putting into practice the policies of government as efficiently and effectively as possible, public choice theorists see bureaucrats as self- interested utility-maximizers, motivated by such factors as: "salary, prerequisites of the office, public reputation, power, patronage...and the ease of managing the bureau." (Niskanen, 1973:3).

At the heart of all public choice theories then is the notion that an official at any level be they in the public or private sector, acts at least partly in his own self-interest, and some officials are motivated solely by their own self-interest (Downs and Anthony, 1967:3).

However, in Nigeria, the reverse is the case. When the public officers and employees are appointed on the basis of ethnic chauvinism, religious or political expediency without any managerial, administrative or any other prerequisite skills for that matter to run government companies and parastatals, the quality of decisions made by such officers will be shortsighted and dismal. This has made most public enterprises to be so badly managed that they have become moribund and even at the point of privatization, they could hardly attract any genuine core investor (Onwuamaeze, 2011). This appears to have been the bane of most public enterprises in Nigeria in the last fifty years.

Soleye (1989), in his discourse on Work and Government work argued that the attitude of employees in the public sector to work was nothing to write home about. This point of view was later amplified by Okoh (1998), Okafor (2007) and Achebe (2011) in their various discourse. Consequently, the way public enterprises are being run by the public officials appointed on the basis of mediocrity means that government will continue to sink billions of scarce resources into these companies with no little or no prospect of delivering public goods to the masses of this country, except for the corrupt politicians and members of the ruling class.

For Downs, broader motivations such as pride in performance, loyalty to a programme, department or government, and a wish to best serve their fellow citizens may also affect a bureaucrat's behaviour, and the level to which self-interest plays a role in decisions is different for each of the five bureaucratic personality types that he identifies. For Niskanen, self- interest is the sole motivator.

The realization that politicians and government employees are driven by self interest is an extremely serious conclusion. The question immediately comes to mind, "How far will they go?" The answer to that is profound and extremely disturbing, for history shows us that they will -- to advance their own careers -- subject thousands of citizens to abuse, torture, starvation, confinement and death.

CHAPTER THREE

HISTORICAL BACKGROUND OF NIGERIA PUBLIC ENTERPRISES

3.1 Introduction

This chapter will discuss extensively on the historical background of public Corporations and the reasons for the establishment of public enterprises in Nigeria. And it might be interested for the study to have the historical background of Nigeria telecommunication Limited (NITEL) in order to have a clear-cut understanding of its strength and weaknesses.

3.2 Historical Perspective on Development of Public Corporations in Nigeria

In most countries of the World particularly the developing ones, the decades following World war II (Particularly, the 1960s and early 1970s) witnessed a massive intervention of the government influence in the economies of these countries by establishing Public Corporations (PCs), State-Owned Companies (SOCs). Public corporations were seen as veritable tools for achieving national socio-economic development. Thus, since the 1950s, successive governments have used public corporations and state-own companies as tools of public intervention in the development process. This was eloquently stated in the Nigerian Second National Development Plan.

Their Primary purpose is to stimulate and accelerate national economic development under conditions of capital scarcity and structural defects in private business organizations. There are also basic considerations arising from the dangers of leaving vital sectors of the national economy to the whims of the private sector often under the direct and remote controls of foreign large scale industrial combine (Ukwu, 1982:87).

Consequently, the PCs, especially in developing countries, became active in the sectors such as manufacturing, construction, finance, service utilities, transportation, agriculture, natural resources, et cetera. The organization and functioning of Public Corporations vary from one country to another.

It is important to note the organization and functioning of public corporations vary in some important respects among countries worldwide.

The private sector was the traditional structure of the world's economies. The Nigerian economy is largely private-sector based. The public sector emerged in Nigeria as a result of the need to harness rationally the scarce resources to produce goods and services for economic improvement, as well as for promotion of the welfare of the citizens. The involvement of the public sector in Nigeria became significant during the period after independence (Nellis, 1986; 45).

The history of public corporations in Nigeria dates back to 1897 when the Lagos colonial administration by ordinance established the Lagos Race Course Management Board to run, regulate, manage and develop the race course on the Lagos Island. After independence, many public corporations have been established by government. They include: National Television Authority (1962), Nigeria Defense Industries Corporation (1964), Nigeria Airways, Nigeria Produce Marketing Company Limited, etc.

The first generation of state enterprises in Nigeria was established along regional lines, railways were probably the first major example of public sector enterprises in Nigeria. At first, conceived mainly in terms of colonial strategic and administrative needs, they quickly acquired the dimension of a welcomed economic utility for transporting the goods of international commerce, like cocoa, groundnut, and palm kernels. Given the structural nature of the colonial private ownership and control of the railways in the metropolitan countries, it would hardly be expected that the Nigerian Railways Corporation could have been started as any other project than as a public sector enterprise for such mass transportation (Udoka and Anyingang 2012; 22)

Public corporations were motivated by the need for regional governments to control the resources in their regions. The Northern Region in 1962 formed the New Nigerian Development Company (NNDC) with its Headquarters in Kaduna the regional capital of the North. The western Region established the Odua Investment Company (Odua's Group) a holding Company with head office in Ibadan, its regional capital. The Eastern Region established the Eastern Nigeria Development Corporation (ENDC) in 1960. Each of these was a holding company with subsidiaries in real estate, banking, agriculture, insurance and transportation. The regional state enterprises drew their initial capital from state coffers and received regular government subventions. Sub-regional interests vied for positions of responsibility in the management of regional enterprises (Obadan, 2000:12).

Competition among regional investment institutions was political rather than economic. Performance were secondary, the appointment of board members and management teams was a means of political patronage. Since the regimes needed their enterprises as conduits for public funds for political patronage and personal enrichment the subvention continued to flow to grossly underperforming state enterprises.

There were two reasons why the oil industry in Nigeria became a symbol of national control. In the early 1970s, the oil industry was regarded as too particularly strategic to be left in the hands of the private sector and civil war was fought for the control of oil wealth (1967-70). The quest for full control of the oil industry led to the merger of Nigerian National Oil Corporation (NNOC) with the Federal Ministry of Petroleum in 1978 to form the Nigeria National Petroleum Corporation (Decree No 33 of 1976). The creation of NNPC made the Federal Government owner, the manager, marketer and auditing officer in the all important oil industry.

It was then in 1975 that Nigeria's military leader, General Yakubu Gowon was quoted as saying that money was not the country's problem but how to spend it. The Abeokuta Iron and steel plant was started in 1975 with the Soviet Union as technical partner. Four more (Aladja, Osogbo, Katsina, and Jos steel Rolling mills) were added to the list of about 800 Federal Government Commercial Enterprises in various sectors with over 1533 branches nationwide. This was in addition to 32 federal ministries, 125 parastals, 24 Federal Universities and 61 special institutions and research centres. The investments extended from agriculture, banking, and insurance, transportation to hotel management, housing and publishing (Obadan, M.I. 2000; 23).

Despite the large investments, virtually every sector of the Nigerian economy was still import dependent. Several years after public enterprises have served as platforms for patronage and the promotion of political objectives and consequently suffer from operational interference by civil society and political appointees. Public Enterprises (PEs) have also contributed to income redistribution in favour of the rich over the poor, who generally lack the connections to obtain the job contracts or the goods and services they are supposed to provide. Nearly half of all the revenue made from the sale of crude oil between 1973 and 1999 went to public enterprises.

A number of public commissions – wages and salaries review commissions headed by Simeon Adebo (1969), Jerome Udoji (1973) Gamaliel Onosode's presidential commission on parastatals (1981) and Al-Hakin in 1984 – had undertaken various studies on the performance of public enterprises in Nigeria. Their findings were consistent in revealing that Public Enterprises were infested with abuse of monopoly powers, bureaucratic bottlenecks, mismanagement, corruption and nepotism.

The emergence of the crude oil industry into the Nigerian economy, after the civil war in the 1970s, with the associated boom intensified governmental involvement in production and in control of the Nigerian economy. One major aim of government at that time was to convert as much as possible of the growing oil revenue into social, physical, and economic infrastructural investments. The Nigerian Enterprises Promotion Decree of 1972, which took effect on 1 April, 1974, with its subsequent amendment in 1976, provided a concrete basis for government's extensive participation in the ownership and management of enterprises. Given these developments, public enterprises at the federal level had exceeded 100 in number by 1985; and these had spread over agriculture, energy, mining, banking, insurance, manufacturing, transport, commerce, and other service activities. Before long, the range of Nigerian public enterprises had stretched from farm organizations to manufacturing, from municipal transport to mining, from housing to multipurpose power, and from trading to banking and insurance. At the state and local governmental levels, the range of activities that had attracted public sector investment also had become quite large. Thus, a variety of enterprises - with public interest in terms of majority equity participation or fully-owned by state and local government as well as other governmental entities - became visible in various parts of Nigeria. Between 1975 and 1995, it was estimated that the Federal Government of Nigeria had invested more than $100 billion in public enterprises (Agabi P. T. & Orokpo, Ogbole F.E. 2014; 13)

3.3 History of Nigeria Telecommunications Limited (NITEL)

Pursuant to the merger of the operations of the Post and Telecommunications Department and the Nigerian External Telecommunications Department, NITEL was incorporated on December 20, 1984 as a private limited liability company with an initial authorized share capital of NG4, 000,000. With effect from June 18, 1992 the company was transformed to the status of a public liability company, and to reflect this status, its name was changed from Nigerian Telecommunications Limited to Nigerian Communications Plc.

NITEL has shares in the following companies:

1. 100% shares in mobile operator MTEL
2. 7.3% shares in the South Atlantic Telecommunication/West Africa Submarine Cable Organization (SAT3/WASC)
3. 6.91% share in Regional Africa Satellite Organization (RASCOM)
4. 0.21% share in International Maritime Satellite Organization (INMARSAT)
5. 0.6% share in International Telecommunication Satellite Organization (INTELSAT) (shares liquidated in 2005 as a result of Intelsat Privatization)

6. 0.07% shares in ICO Global Communications Ltd (I-CO).

3.3.1 NITEL Services

NITEL is the incumbent operator in Nigeria, the leading fixed lines operator of the country. NITEL offers the following services:

1. Leased lines: domestic and international;
2. Fixed telephony: post paid, Direct Inward Dialing (DID), Prepaid, payphones, fixed wireless;
3. Integrated Service Dialing Network (ISDN);
4. Broadcasting services: Telecast, Voice cast;
5. Satellite services: Biznet, Finnet, Inmarsat,
6. IP services: retail Internet services, Corporate Internet services, corporate IP services (VPN/VoIP) IP Wholesale;
7. ADSL;
8. Telex services;
9. Telegraph services;
10. Fax services;
11. Value added services: Call diversion, Call waiting, Automatic alarm calls, Malicious call identification, fixed destination services (hotlines), Automatic transfer to voice mail, Calling line identification, Automatic call back, National roaming, Call blocking, Call on hold and;

12. Terreststial Wide Area Network to corporate customers.

3.3.2 Ownership

In July 2006, a consortium consisting of UAE incumbent Etisalat, local Nigerian company Transnational Corporation (Transcorp) and British Telecom (BT) of the UK was named as winning the bid to acquire a controlling stake in NITEL. The consortium acquires 51% of NITEL for an amount of US$500m.

However, after being announced the winner, it was revealed that Transcorp was unable to pay off NITEL's debts and invest in the operator's network in mid-2007, BT pulled out of the management consortium, citing financing problems.

Due to the lack of funding of NITEL's day-to-day operations, e.g. power supply, spare part replacement, the group's situation deteriorated following the acquisition: substantial services disruptions, records, poor cash position and heavy indebtedness. NITEL and its mobile telephony subsidiary MTEL have even ceased commercial operations since the end of 2008, due to an employee strike motivated by the non-payment of their salaries.

On June 1, 2009, the government announced the revocation of the sale of the national telecommunications carrier to Transcorp, on the basis that Transcorp breached the share Sale Purchase Agreement (SSPA). It signed with the government.

3.3.3 Legal Status

NITEL is the leading fixed lines operator of the country. It has operations in each of the 36 states of Nigeria. It operates 427,205 lines. The company has 4,647 employees as at April 2009, of which 66% are permanent staff.

NITEL is a company duly registered and validly existing under the laws of the Federal Republic of Nigeria, and is duly authorized to carry on its business as it is currently being conducted.

All shares have equivalent right attached to them and there are no weighted or golden shares or per-emptive rights attached to any shares.

3.4 MTEL

MTEL is the incumbent mobile telephony operator. It was incorporated in May 1996 in order to take over the mobile/TACS operations of NITEL that was developed in 1991.

The MTEL products and services are:

1. Now-now: A prepaid product that offers subscribers control over airtime consumption

2. Power Talk: This is a prepaid product that offers subscribers who make a large volume of calls reduced call tariffs.
3. 090 (TACS): This offer on analog TACS network is being repackaged to offer prepaid services to subscribers, which will enable them, have control over their airtime usage. It offers subscribers the most affordable tariff in the industry.
4. Biz Talk: it is a complete post-paid product aimed at satisfying the need of high net worth users.
5. Credit Sharing: A value added service that allows subscribers who have enough credit to share their credit with friends and family.
6. GPRS: This service allows data information to be sent and received across a mobile telephone network. With GPRS, MTEL can offer Internet access and corporate LAN/WAN
7. SMS: Short Message Services.
8. VMS: Voice Mail Service.

MTEL claims nearly 210,000 subscribers as at September 2010.

3.4.1 Share Capital

MTEL was incorporated on May 21, 1996 as a private liability company (Plc) with a share capital of NGN250m ordinary shares divided into 2,500,000 ordinary shares of NGN100% of shares are solely owned by NITEL Plc.

The Board has authorized an increase of the share capital from NGN250m to NGN40.4bn additional ordinary shares. This has however not been implemented due to lack of funds.

3.5 Problems of the Economy in the 1980s and beyond

The 1980s 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 were inflation, very high levels of unemployment affecting both skilled and unskilled workers, and low levels of 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 (Aboyade, 1974).

The problems of performance of the public sector enterprises in Nigeria were further complicated by the downturn in socioeconomic development in the country due to the global economic recession and the collapse of the oil market. Thus, Nigeria's precarious fiscal and monetary posture could no longer sustain the requirements of its public sector enterprises, particularly since they performed below expectations in terms of their returns on investments and quality of services. Towards the end of 1980s, the public enterprises, which had grown too large, began to suffer from fundamental problems of defective capital structures, excessive bureaucratic control and intervention, inappropriate technologies, gross incompetence, and blatant corruption. With the deep internal crises that included high rates of inflation and unemployment, external debt obligations, and foreign exchange misalignment, Nigeria and many other African countries were strongly advised by the worldwide lending agencies, particularly IMF and the World Bank, to divest their public enterprises as one of the conditions for economic assistance. With the intensified push for economic liberalization, Nigerian and other African leaders were told that privatization as an economic reform would help cut public sector inefficiency and waste, provide greater scope to the private sector, attract more investments, bring in new technologies, and hence revive economic growth. Thus, many countries including Nigeria, embarked on privatization and other market oriented reforms to pull them out of the structural imbalances (Nwoye, 1997).

It is against this background that the Structural Adjustment Programme (SAP) proposed 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). One of the main objectives of SAP was, therefore, to pursue deregulation and privatization leading to removal of subsidies, reduction in wage expenses, and retrenchment in the public sector ostensibly to trim the state down to size.

Under the reformation scheme, public sector enterprises were expected to be classified into three broad categories:

1. Fully privatized or partially privatized,
2. Fully commercialized or partially commercialized, or
3. Retained as public sector institutions.

Whereas SAP has shown the broad categories under which the public sector enterprises can be grouped, it has failed to actually classify the existing enterprises into specific categories.

Anyanwu (1999), succinctly explained that despite the great expectations that spurred the establishment of Public Enterprises and the huge investments and subventions pumped to float and maintain them, they have remained a colossal drain on the nation's hard earned resources with little positive impact on the socioeconomic life of the country.

The Fourth National Development Plan (1975-1980) states that, the actual performance of the public enterprises in Nigeria leaves much to be desired. It is clear that many of them are not responding to the changing and dynamic economy. Some do not possess the tools for translating into reality, the hope of successful commercial operations. The level and quality of Personnel are sometimes mediocre and reflect the worst traditions and rigidities of the civil service.

As explained by Obaji (1999), Anyanwu (1999) and Salako (1999), the specific problems of these enterprises include the fact that they are suffering from indiscipline compared to the private sector enterprises. They do not conduct or adhere to feasibility and operating plan; they invest in wrong projects. In addition, they run along civil service lines under the archaic doctrines of bureaucracy and unwarranted political interference. They pursue vague and often inconsistent objectives and infected by the work of ethnic lethargy, a characteristic of the civil service.

Various governments have taken different measures within the background that their existing control gadgetry was capable of effecting change. To this effect, panels were set up in many cases to diagnose the ailment of these public enterprises and make appropriate prescriptions. Unfortunately, the reports of these panels did not in any way help the matter (Anyanwu, 1999). The Babangida administration in a desperate bid to move the economy out of the doldrums, unleashed the controversial Structural Adjustment Programme (SAP), on the economy. An integral part of this programme was the privatization of Public Enterprises in order to restore efficiency in them and unburden the government's dwindling financial resources.

3.6 Privatization and Economic Reform in Nigeria

Privatization in Nigeria was formally introduced through the Privatization and Commercialization Act of 1988, which later set up the Technical Committee on Privatization and Commercialization (TCPC) chaired by Dr. Hamza Zayyad with a mandate to privatize 111 public enterprises and commercialize 34 others. In 1993, having privatized 88 out of the 111 enterprises listed in the decree, the TCPC concluded its assignment and submitted a final report. Based on the recommendation of the TCPC, the Federal Military Government promulgated the Bureau for Public Enterprises Act of 1993, which repealed 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 Enterprise (Privatization and Commercialization) Act, which created the National Council on Privatization chaired by the then Vice President, Alhaji Atiku Abubakar. The functions of the council include:

1. Making policies on privatization and commercialization;
2. Determining the modalities for privatization and advising the government accordingly;
3. Determining the timing of privatization for particular enterprises;
4. Approving the prices for shares and the appointment of privatization advisers;
5. Ensuring that commercialized public enterprises are managed in accordance with sound commercial principles and prudent financial practices; and
6. Interfacing between the public enterprises and the supervising ministries in order to ensure effective monitoring and safeguarding of the managerial autonomy of the public enterprises (Igbuzor, 2003) .

The 1999 Act also established the Bureau of Public Enterprises (BPE) as the secretariat of the National Council on Privatization. The functions of the bureau include among others to do the following:

1. Implement the council's policies on privatization and commercialization;

2. Prepare public enterprises approved by the council for privatization and commercialization;
3. Advise the council on capital restructuring needs of enterprises to be privatized;
4. Ensure financial discipline and accountability of commercialized enterprises;
5. Make recommendations to the council in the appointment of consultants, advisers, investment bankers, issuing houses, stockbrokers, solicitors, trustees, accountants, and other professionals required for the purpose of either privatization or commercialization; and
6. Ensure the success of privatization and commercialization implementation through monitoring and evaluation (Public Enterprise Order 1999: 5).

The subsequent exercise brought with it controversies that are still raging on. Western countries, and in particular IMF and the World Bank, have been blamed for forcing the privatization of public services and natural resources in Africa as a condition for development assistance (Nwoye, 1995). They are accused of telling impoverished countries to turn their public services over to private owners and to sell off their oil, gas, mining, electric, telecommunication, transport, and water companies, which are also said to be conditions for debt relief. Many African countries are neck deep in debt and begging for debt forgiveness. It is said that Nigeria has a debt burden of $32.3 billion, where servicing is estimated to gulp as much as $2.91 billion in 2003.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

The main aim of this chapter is to present an in-depth analysis of the data collected from relevant books, publications, journals and other documented views and opinions relevant in the research. The chapter discusses on privatization of NITEL and efficient service delivery, the politics of privatization in Nigeria, politics of privatizing NITEL and the reasons for the failure of the exercise.

4.2 Privatization of NITEL and efficient service delivery

Telecommunications sector in Nigeria was dominated by Nigerian Telecommunications Limited, which came into being in 1985 as result of the merger of the Telecommunications Division of the erstwhile Department of Posts and Telecommunications (P&T), the body in charge of the nation's internal network on the one hand and a limited liability company called the Nigerian External Telecommunications (NET) limited, which was responsible for external telecommunication services and thus providing a gateway to the outside world, on the other hand.

Although there has been modest development in the telecoms sector since the formation of NITEL in 1985, it was still a seriously lagging behind in terms of its tele-density with just over 400,000 active out of 700,000 telephone lines in a population of around 150million people (Eze, N 2011).

The performance of Nigerian telecommunication infrastructure was one of the poorest in the world in the past 14years. The installed telephone capacity was one telephone to about 200 people, with Nigerian Telecommunications (NITEL) as the sole provider. This is far below the International Telecommunications Union's (ITU) recommended minimum of one line per 100 users. Most of the available 500,000 or so lines served only about 90,000 subscribers many of which were public institutions and private enterprises. Up to 40 percent of the installed lines were not functional most of the time (Ndukwe, 2004:29). The very poor state of vital communications structure made business very difficult and expensive. The turning point was the establishment of the Nigerian Communication Commission (NCC) in 1993 to regulate and plan for the revitalization of the sector. One of the first steps taken by NCC was to license some fixed wireless operators to ease the pressure on NITEL and improve the very poor teledensity situation. Unfortunately, they limited their operations to potentially lucrative areas of Lagos and Port Harcourt, charging exorbitant tariffs. The first fixed wireless operator (ECONET now Airtel) to come on stream in 1998 charged ₦19, 000.00 (Nineteen thousand Naira) for a line. Today, the same operator is fielding advertisement offering a line for less than 10 percent of the take off price. The licensing of two GSM operators (Econet now Airtel and Globacom) in 2002 was the much needed revolution in the communication sector. In just two years (2002 – 2004), the teledensity has grown to one telephone per 40 people, surpassing the ITU minimum. The entry of a third GSM operator (MTEL) and second national carrier to the market has further propelled the development of the sector and the projection is that, by the year 2013, about 8 million lines could be in operation. Already the Nigerian communication sector has been declared by ITU as the fastest growing in the world (Afonja, 2003 and Ndukwe, 2004).

In comparison with South Africa, Nigeria has the most developed telecommunications system in sub-Saharan Africa, with a subscriber base of about 124,541,313as at 2013 in a population of 170 million people (NCC 2013).

The revolution in the communication sector of the Nigerian economy is a very good example of the impact that private investment could make to infrastructural development. Not only has the sector grown exponentially, the forces of competition have forced down tariffs and pressure on the providers for good service, to the ultimate benefit of the consumer.

It is pertinent to note that between the years 2001 and 2010, several attempts had been made to privatize NITEL and it will be worthwhile to review these attempts. The first attempt to sell NITEL/Mtel was initiated in 2002 when Investors International London Limited (IILL) offered $1.317 billion to acquire NITEL, but defaulted in paying the bid price and thereafter, lost the opportunity (Eze, N. 2011). Haruna, M. argued that, with Presidential influence, after that attempt to sell NITEL failed, BPE, under the leadership of former minister of the Federal Capital Territory (FCT), Mallam Nasir el-Rufai, working on the instruction of former President Olusegun Obasanjo, took formal steps to outsource the management of NITEL by engaging an unknown firm in the telecom circle, Pentascope of Netherlands, to manage the Nigeria's pioneer telecom company. But despite the hues and cries from Nigerians that Pentascope had no known address and the competence to revive a company as big as NITEL, el-Rufai stood his ground and handed over the telecom firm to the Dutchmen. Under the contractual agreement, Pentascope was expected to manage and prepare NITEL for its eventual privatization since its sale to IILL had failed. With the facilities on ground, NITEL would have attracted capable and eligible investors had it not been mismanaged by Pentascope. The Dutch firm was also expected to expand NITEL services in 2003 by creating more land lines and provide at least 500,000 lines for the mobile arm, M-tel, but that never happened (Haruna, M. nd).

Thus, it is clear how mismanaged and un-trusted the government properties are taken care of or being transferred to public ownership or being bought by the authorities themselves as they are in controlled through the irregularities in place. The relationship between the President and the Chairman Bureau of Public Enterprises shows how the authorities dictate the fate of public properties in Nigeria and thereby the Public Agencies suffers from the politics behind the transactions as seen below where NITEL suffers from the loaded debt.

In spite of inheriting N130billion upon taking over NITEL, Pentascope International has incurred N200billion of debt within the two years, thereby creating doubts about its ability or competence in managing the troubled NITEL. Instead of expanding NITEL and attracting more subscribers to Mtel, Pentascope left NITEL worse than it met it. NITEL, which hitherto had over 400,000 lines could not boast of 300,000 lines. However, NITEL's problem was made worse with the award of second national carrier license to Globacom, thereby breaking the monopoly of NITEL (Ndukwe, 2004).

The second attempt at privatizing NITEL was in late 2005, when BPE came close to selling it to Orascom Telecom from Egypt, which analysts said had experience of countries with infrastructure problems as Nigeria and was in a position to revive the fortunes of NITEL, but it failed as a result of inconsistence on the part of government. The Egyptian telecom had bided \$256.5 million which the Federal Government said was below expectation and thereafter cancelled the transaction. It was learnt that the FG had pegged the price at \$500 million but the Egyptian firm only agreed to pay \$256.5 million which was rejected by the government (Nwankwo, 2011and Onyeso, 2011).

The third attempt was in 2006 when a group of Nigerians, led by the former Director - General of Nigeria Stock Exchange (NSE), Ndi Okereke-Onyiuke, guided by Olusegun Obasanjo horriedly formed Transnational Corporation (TransCorp) and acquired NITEL and Mtel at the cost of \$500 million. The sale of NITEL to TransCorp in 2006, according to stakeholders in the industry, was believed to be the most successful with TransCorp acquiring 75 per cent shares of NITEL/M-Tel which was later reduced to 51 per cent due to issues of finance and labor unions' problems. NITEL's problem under TransCorp was more of internal than external.

Inconsistency as among the factors that bedeviled Nigeria’s economic growth affected NITEL and its privatization process. There was no adherence to the process of privatization. TransCorp has no wherewithal of Telecommunications which the policy of privatization instructed to ensure.

The fourth and last attempt to transfer NITEL/M-tel to competent investor was on the June 15, 2011. In this attempt, the Bureau of Public Enterprises (BPE) announced the cancellation of the sale of NITEL and its subsidiary, Nigerian Mobile Telecommunication (Mtel), to the reserved bidder, Omen International Limited. Giving reasons for the cancellation, BPE said the reserved bidder was given Friday, June 10, 2011, to revitalize the bid bond but it failed to pay the money even after the deadline was extended by another three working days which ended on Wednesday, June 15, 2011. Following the failure of the preferred bidder, the New Generation Networks, to pay the $2.5 billion it offered for the telecommunication firm after assurances and many extensions, BPE invited Omen International, which is the reserved bidder to revitalize its bid bond of $105 million as the rules demand (Nwankwo, 2011 and Onyeso, 2011). At the moment, it appears that BPE is confused on NITEL issue. According to BPE, the privatization outfit was considering several options, which included amongst others, liquidation and negotiated sale. But whatever, the Federal Government has not taken a decision on which of the options to pursue.

NITEL was now sold to NATCOM Consortium at the cost of $252 million in December, 2014 even though there were allegations from other bidders whose proposal was higher than the sold price.

Thus, the privatization has not yielded positive outcome and has not as well give more options to the Nigerians and the government itself, despite political influence to divert the attention of the privatization process on what is the most viable alternative to the future of Nigeria telecommunication system despite all the resources and capacities while only letting the poor Nigerians suffering in the hands of few companies whose services are always poor and unreliable. It is normal and sometimes necessary to use more than one line in order to accomplish goals in businesses and services when it comes to telecommunication services.

4.3 Privatization of NITEL: whose interest?

Nigerian Telecommunications (NITEL) has a perennial history of epileptic performance that attracts social outcry, indignation and frustration all through the time. In addition this enterprise have been characterized by financial mismanagement, drain on government expenditure, mediocrity and petty internal politicking. Actually, one can argue that the excessive politicization of this enterprise has it a conduit pipe of financial waste, political patronage and settlement. In such a case, management and staff are often recruited and evaluated on primordial principles and political considerations. Moreover, privatization has been made all the more desirable or important in the interest of global capitalism with its emphasis on breaking down borders, barriers and obstacles to its ascendancy.

Despite these, a look through the fortunes of the privatization exercise, in terms of already completed ones, does show much success (Adoga, 2008). So there is still some level of uncertainty on whether the exercise so far has been effective. This certainly is contrary to what obtains in mature socio-political societies like the U.S. where privatization has improved the over-all standing and performance of hitherto public firms (Sawas, 1991).

Thus the transfer of public holdings to private hands calls for a more cautious introspection beyond the mere economics of it all. In this case, apart from the fear of a hijack of vital sectors of the economy by the state power elites and the denial of citizens' rights as defined by collectivism in vital concerns of the state, there is the equally crucial issue of how privatization affects services delivery and costing principles as well as how this impacts on the ordinary citizens. This is quite important when we recognize as Wilson (1988) does that privatization affects material interests and shifts power among local government officials, businessmen and multi-national corporations.

Nigeria provides a classical example in this case. Apparently, the privatization programme has created the highly sought opportunity for massive collaboration and connivance between business and political elites who have used the exercise to recompose and reconstitute their economic dominance. For the political elites, it has created a chance for the laundering of accumulated state resources in economic ventures thereby creating a smokescreen of legitimacy for plunder. Evidently, the political elites either using middlemen or fences have used the exercise to entrench themselves in the economic sector with the loot stolen from the coffers of the state. In this way, privatization in Nigeria's rentier economy has provided a comfort zone for reinvesting the proceeds of primitive accumulation by the political elites. This is not really surprising against the cognition of the socio-political immaturity of the country and the fact that privatization was like a twin of the SAP foisted on developing countries by Western donor agencies and international capitalism.

The privatization exercise, in effect has meant the granting of a chance for opportunistic political elites and foreign capital to seize the economy. In this circumstance, many Nigerian businessmen have merely acted as fronts for foreign concerns as earlier predicted.

The privatization of NITEL is seen as a cash cow that can be milked to gain huge wealth without any risk. This is why every attempt at selling the behemoth has been fraught struggle of every private big business is not unexpected, as NITEL's huge properties are juicy cake which no capitalist can avoid.

The collapse of public enterprises like NITEL is not a reflection of ineffectiveness of public ownership of the economy, but bastardization of the idea.

Those appointed to run these companies are moneybag politicians who were given these appointments as gains of patronage. Thus, public enterprises are run as private firms of moneybag politicians. Only a working class democratic control and ownership of not only public enterprise but the whole economy can ensure proper running of the economy in the interest of the working and poor people.

All the same, privatization if organized properly and effectively implemented provides the citizens the opportunity of acquiring stakes in the economy of a nation. This is the case where the population has the economic power and institutional incentive to buy shares in privatized firms. But Nigeria has been going through a prolonged state of economic depression which has subjected the majority of its citizens to crushing poverty and hardship. In this case, such citizens rarely see the resources with which to eat on a daily basis. Thus, they lack the economic leverage to partake in the scheming game of privatization even if the doors were kept wide open. However, the citizens are still interested in preserving their rights and recouping from the onslaught of negative economics foisted largely by corporate mis-adventure on the part of peripheral capitalists. Therefore, while Nigerian workers and masses may not have the utopian aspiration of enthroning an ideal classless society, they are hopeful of legitimately ameliorating their positions in society. Hence, as Amin (1987: 27) argues "the working classes have abandoned the idea of a classless society and rallied to strategies for the amelioration of their position within society."

The criminal desperation to sell off Nigeria soon became a source of embarrassment to some of the main beneficiaries of the exercise. For instance, in March, 2007, the former Vice President, Alhaji Atiku Abubakar said:-

> The well-conceived and well-intentioned privatization programme, which was designed to transparently transfer state-owned assets to private hands to ensure better service delivery, has gradually been personalized and our prized

> economic assets and choice enterprises have been cornered and auctioned off to a tiny cabal of private sector interests closely associated, or in full partnership with those in the corridors of power, with little or no pretence at due process or transparency… (They) used the privatization programme to auction our crowned jewels to themselves at rock-bottom prices (Adigi 2012).

He should know because as vice president, Alhaji Atiku Abubakar chaired the National Council on Privatization between 1999 till he fell out with Obasanjo in 2005. Four months later, specifically in July 2007, Senator Ahmadu Ali, former chairman of the ruling People's Democratic Party added his voice to what had become a national uproar: 'This is an age when they sell off everything including the family silver. I don't encourage all these things. I don't see why Federal Government Colleges should be sold. I don't see why certain things that are of national security should be sold'.

4.4 The Politics of Privatization and the Issue of Nigerian Telecommunications Limited (NITEL).

The Bureau for Public Enterprises (BPE) under it's then Director-General Mallam Nasir El-Rufai embarked on the privatization and commercialization of government enterprises with a view to finding lasting solution associated with the programme. This was the office where the el-Rufai phenomenon became noticed, it was while in this office the Director-General (BPE) disagreed with personalities (including President, Vice President and Ministers) and institutions (National Assembly and government agencies) that did not buy into its privatization plan. BPE was a strange organization with as many as 20 deputy directors mostly doing nothing, with many of its staff knowing next to nothing about privatization (which is its core mandate) (El-Rufai. 2013).

There are some of the government institutions privatized with some nagging occurrences notably Nicon-Noga-Hilton Hotel with a Swiss Tycoon claiming 25% ownership, African Petroleum Plc with a $20million Hole. The Nigeria Airways or Two and a Half Planes with an altercation with Aviation minister, Mrs Kema Chikwe, NITEL particularly its GSM contract bid where the then Vice President Atiku Abubakar tried successfully to ensure the contract went to Ericsson as against Motorola recommended by BPE. This was the same scenario, during the privatization of National Oil (Nolchem) when former President Ibrahim Babangida and Oba Sikiru Adetona, the Awujale of Ijebuland spoke through former Vice President Atiku Abubakar to intervene in favour of Chief Mike Adenuga, who eventually bought the company and did not take chance(s) to move in a cowboy manner. The saga did eventually consume a deputy director, Charles Osuji allegedly involved in US$250,000 bribery or thank – you gift fiasco (EL-Rufai, 2013).

Privatization exercises during the regimes of President Ibrahim Badamasi Babangida (IBB) to Obasanjo, was not genuinely done, but it was just a systematic process of transferring pubic enterprises to very few personalities in the name of privatization. For example, some of the most celebrated Nigeria's privatized public assets during Obasanjo's regime (1999-2007) includes:

Ajaokuta steel Mills

Minister of mines and steel development, Architect Mohammed Musa Sada on his part told the senate committee that former President Olusegun Obasanjo approved the concession of the Ajaokuta Steel Complex to Global Infrastructure Limited against due process.

Architect Sada said the federal government spends N300 million per month to the workers in Ajaokuta, resulting to N3.6 billion annually on the wages of workers of the moribund Ajaokuta Steel Complex.

The minister, who alleged that the concessioner Global Infrastructure ruined the Ajaokuta Complex by stripping it of all valuable equipment and machineries, leading to the cancellation of the entire process by the federal government, however added that plans are under way to get some part of the complex working, and that the ministry will require only N650 million to bring the company up to a production level where it can generate funds to sustain itself.

"At a point in time, there was a share purchase agreement signed by the BPE. It was signed but never put into use, and I could not find any reason anywhere why it was not use. And the reason why the ministry was driving that process as against the BPE is something I am not privy to.

“But as of now that concession has already been terminated because of certain findings by government. A committee was setup which found out so many illegal things been done by Global holding running Ajaokuta. It was cancelled."

Still speaking about the huge funds being spent monthly to pay the company’s workers, Sada noted that the federal government pays N300 million per month to the workers while only N650 million is required to bring the company up to a production level where it can generate funds to sustain itself.

In his words, "We need a meagre N650 million to fix the complex to a level where it will be raising money to pay the workers there, but government is spending N300 million per month on workers salary for doing nothing."

Architect Sada however lamented that privatization has failed in the steel sector and there is a need for government to continue to run that sector, if it does not want to lose all of its investment in the development of steel in Nigeria, stressing that "All I will want to say is that I want to concur with everybody that the privatization of the steel sector which I am very familiar with is in a sorry state. We have not been able to move forward. The sole purpose of privatization is to drive value, generate wealth employment and be able to take the country forward."

The Minister also told the committee that Global Infrastructure ruined the Ajaokuta complex by stripping it of all valuable equipment and machineries, leading to the cancellation of the entire process by the federal government (Report of Senate Committee 2008).

Other companies are: Delta Steel Complex; Jos still Rolling Mill; Oshogbo Machine Tools and Itakpe Iron Ore Company. Others include Nigeria Airways; Nigeria Telecommunication Company (NITEL) and its Mobile phone subsidiary company- MTEL; NICON Hilton Hotel (Transcorp Hilton

Hotel); African petroleum Limited (AP); National Oil and Petrol Chemical Company; National Fertilizer Company (NAFCON); Cement companies; Oil blocs and Banks, just to mention but a few. The way and manner in which these assets changed hands and the selection of who owns what and at what price are still generating many unanswered questions and concerns in Nigeria. Their concerns and questions were some of the challenges former President Yar' Adua confronted.

Some of the reasons why the Nigerian public is not happy with Obasanjo's privatization policy and programs are largely that they were done in bad faith and were out of tune with the principles of transparency, accountability and due process. Moreover, they widened the existing gap between "haves" and "have-nots". In addition, the much taunted expected improvements of service and products delivery did not happen. The scheme created lasting sense of injustice, parochialism and nepotism in the polity. Furthermore, it discredited the anti- corruption stance of the administration. The political economy implications of the affair are many. For example, the scheme created a new crop of oligarchs in the mould of Transcorp and other similar outfits with concentrated economic and political powers in their hands. These concentrated economic and political powers are dangerous to the sustainability of democracy institutions, rule of law and good governance in Nigeria.

Nigerian Telecommunications Limited (NITEL), a once thriving national operator with 553,471 functional lines and an annual income of N53.41 billion (US$452 million), in 2002, later assumed the description of being a badly run, non-profitable organization seething with corruption, administrative inefficiency and technical deficiency (BPE Report, 2009). NITEL's number of fixed lines fell dramatically from more than 500,000 lines in 2002 to about 100,000 in September 2005 (*BPE Report*, 2009). Subscribers to its mobile phone subsidiary, Mtel, also fell from 1.3 million in 2002 to a few thousand in September 2005 and in 2013 none is functioning. The pre-tax income of NITEL declined from N15 billion (US$127million) in 2002 to N1.5 billion (US$10.7 million) in September 2005 (*BPE Report*, 2009). The total revenue dropped from N40.9 billion (US$346.2 million) in 2002 to N22.8 billion (US$193 million) in September 2005. However, its liabilities rose to N130 billion (US$1.1 billion) (as at September 2005) from N73.8 billion (US$624 million) in 2002 (*BPE Report*, 2009). The financial decline of NITEL, which was the result of corruption and mismanagement on the part of the politicians and public officials institutionally appointed to manage the affairs of NITEL, provided grounds for the World Bank and the Nigerian government to decide that for NITEL to run efficiently, NITEL must be privatized (Ojakaminor, 2007a and Okogie, 2007).

It would usually be assumed that it would be a multinational company, which would have the capital base to purchase and efficiently manage any ailing company after privatization, particularly in a poor developing country that was responsible for the mismanagement and failure of the company in the first place. In the case of the sale of NITEL, having been valued between US$1.3billion and US$2billion by different investment evaluation companies, Investment International London Limited (IILL) had, in 2001, offered to buy more than half of NITEL's equity for US$1.25 billion (Senate Committee on Privatisation and Other Related Matters Report, 2007). However, the transnational capital of Investment International London Limited (IILL) was challenged by the local capital and influence of President Obasanjo, who championed the course of privatization and who gave Presidential approval to the sale of NITEL. This was by Obasanjo influencing the sale of NITEL and its mobile arm, M-TEL to a local company, Transcorp for US$500million (Anyanwu, 2010). Obasanjo seemed to have also operated patrimonial system in a democratic system of governance by withdrawing N200 million (US$1.3 million) from the Nigerian public treasury to buy N200 million (US$1.3million) shares in Transcorp on behalf of Obasanjo Holdings Limited, Obasanjo's private company *(Report of the Senate Committee on Privatization and Other Matters*, 2008).

However, on investigation, the withdrawal of the money was found to be unconstitutional and a transaction involving a conflict of interest and an abuse of office by Obasanjo (see Senate Committee on Privatization and Other Matters Report, 2008). In noting how corruption manifested in the privatization exercise in many countries, Roland (2008) observed that:

> The privatization process has been marked by enormous abuses: in many countries a few powerful and influential individuals managed to grab hold of previously state-owned resources for a pittance and become millionaires or billionaires.

When a Lagos lawyer, Gani Fawahenmi, accused Obasanjo of abusing his office and acting in gross violation of the Nigerian Constitution of 1999, and of the provisions of the Public Enterprises (Privatization and Commercialization) Act of 1999, the representatives of Obasanjo Holdings insisted that there was no conflict of interest because the President's Transcorp shares were held on a blind trust (Da Costa, 2006). Revealing how companies and powerful and influential individuals use the protection of unregulated and unregistered blind trust that lacks public accountability to engage in shady business deals, Sikka noted that:

> Trusts are key vehicles for disguising illicit funds and shady business deals. Yet there is no regulation, registration or public accountability of trusts in the UK and it is impossible to know their beneficiaries (Sikka, 2006).

Under the cover of blind trust, after it began operating (in 2005), Transcorp, through the influence of Obasanjo, has acquired four oil production blocks and has taken over the government's interest in the prestigious Abuja Hilton Hotel, all at give-away prices, and under the pretext of privatisation (*Report of the Senate Committee on Privatization* and *Other Matters, 2008*). Disclosing the capital accumulation relationship between Transcorp and the Bureau of Public Enterprises (BPE), which was made possible by the influence of former President Obasanjo, but however deprived Nigerian society of much needed revenue and socio-economic development, Ojakaminor (2007) observed that:

> What has become clear to Nigerians is that Transcorp serves as the opposite arm of the Bureau for Public Enterprises, BPE. Thus, while the BPE acts as the sole seller of government enterprises, Transcorp is positioned as the sole buyer. Both enterprises have already concluded deals with respect to the Hilton Hotel, LeMeridien, NITEL, oil companies and will no doubt conclude several others on offer now and in the future, at the expense of necessary wealth redistribution and consequent corruption and poverty creation all over Nigeria.

The World Bank and the Nigerian government had pursued privatisation of NITEL as the only "viable" alternative to make NITEL run efficiently, so as to create wealth and generate employment opportunities for Nigerians. However, after being privatised, NITEL has, again, been mismanaged and is seething with corruption (EFCC Report, 2009). For example, three senior managers of Transcorp were arrested by the Economic and Financial Crimes Commission (EFCC) on the allegation of using different companies owned by friends and cronies, mostly based in the USA, as fronts to siphon Transcorp monies (estimated at N15 billion (US$127 million) by inflating and duplicating sums for consultancy projects and contracts (*EFCC Report*, 2009). As a consequence, after privatization, NITEL has failed to create wealth and generate employment opportunities for Nigerians as promised by the World Bank and Nigerian government. Wysham and Valliette (2002:33) noted that:

> The World Bank and IMF have been pursuing deregulation and privatization of the power and energy sectors for two decades. Energy deregulation has resulted in the energy needs of the vast majority of citizens-the poorest as well as those in need of power for businesses, hospitals, schools and other public services to function-being routinely sacrificed for private gain. So long as the World Bank and IMF continue to advance this agenda of privatization, corruption and poverty will continue to be the consequence, particularly in poor developing countries.

However, the non-transparent sale of NITEL to Transcorp in 2007 and the corruption and mismanagement of the affairs of NITEL after privatization led President Umaru Yar'Adua to revoke the sale of NITEL to Transcorp and to re-sell it to another credible core investor by means of a competitive bidding process. However, many Nigerians are in favour of re-nationalising NITEL as against reselling NITEL to any multinational or, in particular, any private individual as that person may have illegitimately acquired their wealth (Okogie, 2007). Stiglitz (2008) observed that:

> For markets to work well there must be confidence in the legitimacy of property. If there is a widespread belief that those with wealth have obtained their wealth illegitimately, then there will be pressures for re-nationalisation or recapturing in some other way wealth that is viewed as having been stolen from society.

Probably due to pressure from the World Bank, on 11 October 2010, President Goodluck Ebele Jonathan approved the sale of 75 per cent of NITEL and its mobile arm, M-TEL to New Generation Telecommunications Consortium (NGTC), made up of China Unicom of Hong Kong, Minerva Group of Dubai and Nigeria's Gicell Wireless Limited, for US$2.5billion (BPE Report, 2010). Again, the sale has gone awry and the BPE said it is awaiting a fresh directive from the Presidency on which company should take over NITEL. Thus, Nigerians and indeed, the international community are waiting to see which company (local or foreign) would finally purchase and manage NITEL and its mobile arm, M-TEL in a way as to create wealth and generate employment opportunities for Nigerians as promised, and not in a way as to continue to accumulate its private capital.

4.7 The Reasons for the Failures in Privatizing Nigeria Telecommunications Limited (NITEL)

The failed attempts to privatize NITEL raise some issues that will guide one to reflect on those issues politically. The first reflection borders on why there were several attempts to privatize NITEL under the Administration of President Olusegun Obasanjo (1999), Umar Musa Yar'adua 2007 and President Goodluck Ebele Jonathan 2009. Without doubt the failure to privatise NITEL is traceable to combination of factors which ranged from corruption, mismanagement, greed to poor governance at all levels (Nwankwo, 2011 and Onyeso, 2011).

An example will suffice here. The Audit Report released ahead of privatization of NITEL in March, 2005, showed a big rot and the consequent dwindling of fortune of the firm which enjoyed absolute monopoly prior to the deregulation of the telecommunication industry. Highlights of the Report included an inexplicable collapse of turnover by about a quarter, while overhead costs shot up to $150 million as staff emolument quadrupled. The report raised questions about NITEL's net loss, which was originally put at N15 billion (about $114.5m) but turned out to be N19 billion (about $145m), gross earnings falling by more than half. Other shocking revelations included the disappearance of another N100m in the name of 'Short Term Investment' payment of the bonus agreed with Pentascope in spite of its failure to deliver, and the continuous payment of unmerited sum of money as Consultancy fees to the Dutch firm (Onyeso, 2011)

According to the Audit Report, save for the timely intervention loan of N14 billion ($106.8m) out of a total package of $290m to cover operational cost and debt servicing, NITEL was headed for bankruptcy (Williams, 2004).

Besides the above mentioned factors, NITEL was also indebted to a number of other operators. For instance, in October 2004, Airtel (then *V-mobile*) Nigeria one of the four registered GSM operators in the country filed a suit against the company over an unpaid debt of more than N3bn ($23m). Indeed the total estimated owed by NITEL to *Airtel* and other two operators, *MTN* and *Globacom* was said to be in the region of N11 billion ($183.7m). NITEL was also indebted to *M-Tel* its mobile phone arm to the tune of N70 million (Williams, 2004:9).

At this point, it is pertinent to clearly state that lack of transparency and insincerity which characterized various failed attempts to privatise NITEL under the democratic regimes from 1999-2013 is a microcosm of what is happening in the larger society and typical of all other failed projects in Nigeria (Okafor, 2007).

The political arrangement as presently constituted cannot guarantee transparent and sincere sell of national strategic asset like NITEL to the benefits of the masses. From 1999, it is evident that those at the helm of affairs who presided and continue to preside over the affairs of the Nigerian State never exhibited any democratic norms and principles in their public and official conducts.

To be sure Nigeria is yet to be a democratic state. What is in operation now is only a mere civilian administration in which a group of people who call themselves politicians preside over and plunder the state treasury at all levels and tiers of government. This civilian regime is devoid of democratic tenets and features. Liberal democracy goes beyond periodic elections. It involves far more fundamental norms and principles which regulate the conduct and behaviour of those who suppose to preside over the affairs of the State. Liberal democracy therefore promotes adherence to rule of law and due process, popular participation, transparency, consultation and accountability in the conduct of the affairs of the State (Ayoade, 2010).

It is pertinent to note that those public officials who presided over the Bureau of Public Enterprise (BPE) because of political influence did not observe due process, the rule of law and diligence in their attempt to sell NITEL and selling of other public enterprises (Ehikioya, 2011).

The revelations from concluded public hearing organized by Senate Committee on Bureau of Public Enterprises in 2010 showed that almost all the Director-Generals that headed the Bureau between 1999 and 2007 revealed their experiences on how they came under heavy pressure by top corrupt politicians to subvert due process, rule of law and diligence in the sale of over 33 out of 122 companies slated for sale. By so doing, the state officials presiding over the public enterprises and their political collaborators are short changing the masses and the entire Nigerian State as can be seen in the public hearing thus;

Many speakers at the Public hearing openly accused former President Olusegun Obasanjo of breaching due process in the sale of some public assets especially the multi- billion dollars Ajaokuta Steel complex. Former Director

General of the Bureau of Public Enterprises, Nasir El-Rufai accused Obasanjo of the same offense.

The former Minister of the Federal Capital Territory Administration, FCTA, Mallam Nasir Ahmad El-Rufai, told the Senate Adhoc Committee investigating activities of the Bureau of Public Enterprises, BPE, that the overbearing interference of former President Olusegun Obasanjo and his Vice then, Atiku Abubakar, crippled the privatization programme.

El-Rufai who was the Director-General of BPE from 1999 to 2003 noted that the decline of the privatisation programme started when somebody who had earlier been sacked by the BPE, was brought to replace him.

He said that he repeatedly disagreed with the former President when he made moves to dictate to him. He said he also disagreed with Atiku Abubakar when he (Rufai) insisted that the laws must be followed, even as he said that former President Obasanjo blocked the successful privatization of Nigeria Airways following the stories he received from former Minister of Aviation, Chief Kema Chikwe.

El-Rufai appearing before the Committee said: “All I can say is that during my tenure in BPE we tried to do everything by the law. We tried to resist any attempt at political interference. There was never a time that either President

Obasanjo or Atiku Abubakar told me to sell an enterprise to A or B and I listened.

We follow due process. Privatisation was a mechanical process and there was never a time that we deviated from that process. In the 33 transactions that we did we followed the book. If there were lapses that came after I left it was because authorities appointed people that did not understand what privatisation was about but saw BPE as cash cow. Before I left the President called me and said now that you are going to FCT how can we continue what you have started.

The President and I were always quarrelling over privatisation. On Nigeria Airways we quarrelled on the pages of newspapers but he called me and said you have done a decent job give us idea of who should be appointed. I then wrote a memo addressed to the vice president and suggested that my successors should come from within because we have spent a lot of money to train them. I recommended three directors and three deputy directors.

The government of the day decided they were not going to appoint anybody from inside BPE. They brought someone who literarily was fired from BPE and that was the beginning of discarding of rules, doing things capriciously promoting people from one level to three levels and the institution have suffered from it since then. You should have a session with the BPE staff themselves they were 120 in number.

“Except when the vice president called me and said I got call from A and B to help the guy win this bid and I said Mr. Vice president you know the rules. Tell him to bid the highest prices because the highest price wins. He replied saying I know but I want to tell you in case they contact you I don’t want them to say I didn’t pass on their message.

President Obasanjo blocked the privatisation of Nigeria Airways practically because Kema Chikwe will go and tell him stories and what is the result today? The company is dead. 2000 jobs have been lost (Senate Public Hearing 2010).

“We never investigated anyone for corruption except in my last three months and the only person we investigated ended up being the DG so it is part of the problem. BPE can be improved but I think the key is to have the right people in there and protect them from political interference and fund them properly.”

According to him as the DG, ‘’I supervised the privatization of 23 of the 122 enterprises that have been privatized to date (amounting to 18% of the total). These enterprises came from sectors including hotels and hospitality, banking, cement and oil marketing. Most of them are doing well, and a few have even gone international (Ayoade, 2010 and Adejokun, 2011).

In a purely democratic setting driven by the rule of law, the officials who ran the public corporation aground together with their political collaborators will by now cooling their heels in the prisons, but today they walk not only the streets but are in various commanding posts in the current civilian dispensation (Okiti, 2011).

Another second issue of reflection has to do with the utility or otherwise of privatisation programme at this point in time in Nigeria. More often than not scholars, intellectuals and commentators have the penchant oppose or support any programme without considering all the facts on ground or even the dynamism of human society.

For instance, it is questionable for government to privatized public enterprises without addressing fundamentally the problems that brought them to comatose state like inefficient management, high overhead costs and in most cases, a negative return on investment. Besides, other specific problems of these enterprises include the fact that they are suffering from indiscipline compared to the private sector enterprises. They do no conduct or adhere to feasibility and operating plan; they invest in wrong projects and unwarranted political interference. Doing so will amount to scratching the surface of the problem without addressing the root cause. On the other hand, it is disservice to oppose privatization simply because it is one of the neo-liberal programmes initiated by the International Financial Institutions when the policy has succeeded in other countries (Offiong, 2001). To be sure, there are number of neo-liberal economic policies and programmes that have socially and economically dislocated and even impoverished most Nigerians.

However, in reality there are many internal contradictions in the Nigerian State that have made public enterprises not to succeed e.g. conflicting mission, bureaucratic red-tape, mismanagement and misused monopoly of powers. The problem with Nigeria at the moment may not be privatisation of public enterprises but the process of their sales (Oluwasegun & Anofi, 2011). For now it appears the country is hapless and there is no creditable alternative to privatising these public enterprises ran down by the corrupt, incompetent and ineptitude officials appointed by the State and which have become a conduit pipe from where the corrupt politicians amassed and continue to amass wealth (Ogunwale, 2011). At the risk of sounding like an apostle of privatisation or neo-liberal policies, it is important to note that anywhere in the world, government is the major driver of economy and development (Abdulrahman, 2011 and Lamiknara, 2011).

However, in the case of Nigeria, scholars often gloss over the fact that the foundation for failure of most public enterprises was laid when self serving leaders started to misuse, abuse and misapply the principle of federal character in the recruitment, selection and placement of officers to man most of these enterprises.

The constitutionally recognized federal character as beautiful as it is meant to recognize and appreciate the ethnic diversity of the country and give every Nigerian equal opportunity to be appointed into public service does not allowed incompetent people to be given public office to run. However, the way this principle has been applied over the years in the recruitment, selection and placement of officers to man public enterprises is such that perpetuates mediocrity, ethnic chauvinism, social and economic exclusion and political patronage. This unhealthy and precarious application of this principle has really become an albatross rather than catalyst for industrialization and development in Nigeria. Granted, the principle of federal character or affirmative action may not be peculiar to Nigeria, however, in other parts of the world where affirmation action is in operation, it is used to protect and enhance the interest of the minority or marginalized groups, but it is based on competency and merit.

It is so pertinent to note that some moribund companies privatized had been turned around for good while some never made it. For those which were turned around for good, it may be interesting to ascertain what magic their buyers did to accomplish that. An example will suffice here. The moribund National Oil was privatized and sold to a multibillion capitalist, who renamed it, Conoil. Presently, the company is perceived to be doing well. What magic did this buyer do in managing labor issues and reviving the ailing and moribund company? One of the secrets of the success of the buyer is his vast knowledge of management techniques. As a capitalist who knows what damage wrong recruitment, selection and placement could do to an organization, it is reputed that for some categories of staff (especially those at the managerial level), this buyer is always the last to interview any prospective employee to ascertain his or her level of competency without regard to either gender, ethnic, religious or any other primordial considerations. This partly explains why the buyer's companies have continued to strive.

On the contrary, in the public enterprises where merit has been sacrificed on the altar of federal character and other primordial factors the performance of the public enterprises like Nigerian Telecommunications (NITEL), Nigerian Postal Services (NIPOST), Power Holding Company of Nigeria (PHCN) and

Nigerian National Petroleum Corporation (NNPC) have continued to be dismal with no prospect that they will ever become better than what they are presently.

Reflecting on how the Nigerian leaders over the years have squandered and plundered the collective wealth of the people of Nigeria and sold of the carcasses and remains of the ruined public enterprises to their collaborators, Achebe (2011: 1 & 4) submitted:

> Since the war, Nigerians have been subjected to a clique of military and civilian adventurers and a political class that have exploited the ethnic divisions in Nigeria. This group, unfortunately, has been completely corrupted, spearheading the enormous transfer of the country's wealth into private bank accounts, a wholesale theft of the national resources needed for all kinds of things - health, education, roads. The result has been that the nation's infrastructure was left to disintegrate unleashing untold suffering on millions of innocent people…so, let us stop all this nonsense about religion, about tribe and so on. Let us organize Nigeria and make it a working entity so that it can fulfill its mission in the world.

In essence, the researcher is of the view that since human society is dynamic and the only constant thing in human affairs is change, these public enterprises may have served their purposes, they have drained the Nigerian resources enough and they have never given value to the real masses of Nigeria as a result of a combination of factors. To that extent, it is not only the

NITEL that has failed, neither is it only the public enterprises which billions of naira had been sunk but run down by the corrupt public officials. It is the entire Project called Nigeria.

Privatization, or denationalization of government controlled businesses is a policy that was designed to, either propel such business concerns towards the path of profitability, or to out rightly divest from such business and sell them to private entrepreneurs who will run them properly for improved efficiency as well as profit. The policy could not have been designed to kill government owned companies and render their employees jobless.

The first step to privatization and commercialization is deregulation. This is done to allow room for private investors to invest in areas that were, hitherto, under the exclusive control of the government. Deregulation of the electronic media in the 1990's broke the monopoly of the Nigerian Television Authority (NTA) and Federal Radio Corporation of Nigeria (FRCN). This led to the emergence of private broadcast outfits like AIT/Raypower, Rhythm FM/SilverBird Television, Channels Television to mention a few. The success recorded by these organizations has not had any adverse effect on NTA and FRCN; in fact it has led to improvement in their operations.

On the contrary, an attempt to privatize Nigerian Telecommunications Limited has resulted to the total collapse of the organization and job loss by its teaming members of staff. The organization would have been capable of competing favorably if they had simply been re-organized or still remain under government control.

According to Calvin Coolidge (1925), ‘Nothing is easier as spending public money. It does not appear to belong to anybody .The temptation is overwhelming to bestow it on somebody.’ This aptly explains Nigeria’s experience from the privatization policy.

Amidst this very poor picture of the implementation of privatization, why does government find it difficult to rethink this policy since they are not capable of executing it correctly. Several failed attempts to sell NITEL attest to this fact.

There are four ways of making government business private. They include:

i. Displacement: Displacement which refers to a passive opportunity given to the private to expand.

ii. Deregulation: Deregulation entails the shift of decision making to agents operating according to market indicators.

iii. Commercialization: The re-organization of enterprises, wholly and partially owned by the Government, in which such commercialized enterprises shall operate as profit-making commercial ventures without subvention from the Government.

iv. Divestment: Divestment which means, the transfer of state owned enterprises to private ownership.

The corrupt politicians of the country are people who fritter away our commonwealth and render our people jobless. If government cannot create jobs for the army of unemployed in the country, it should not render those that are employed jobless under whatever guise. Any Nigerian who witnessed, and is still a witness to what has become of companies like NITEL, Daily Times and Jos Steel Rolling Mill cannot support the privatization policy as presently being implemented.

The plethora of failed attempts to sell NITEL have only succeeded in devaluing the company's assets and making it lose large patronage gained over the years when it was a monopolized telecommunication sector, whereas, the only thing the company required was improvement and expansion in its services. This would have made it the dominant telecoms company in Nigeria.

If the policy of privatization cannot be well implemented, nothing stops government from reversing it.

4.8 Findings of the study

The study in its findings found out that politics and political influence are the major challenges to the privatization process in Nigeria since 1980s. The most damning evidence was provided by former Vice President, Atiku Abubakar, who chaired the National Council on Privatization between 1999 and 2005. He was quoted thus:

> The well-conceived and well-intentioned privatization programme, which was designed to, transparently, transfer state-owned assets to private hands to ensure better service delivery, has gradually been personalized and our prized economic assets and choice enterprises have been cornered and auctioned off to a tiny cabal of private sector interests closely associated, or in full partnership with those in the corridors of power, with little or no pretence at due process or transparency … (They) used the privatisation programme to auction our crowned jewels to themselves at rock-bottom prices(The News, March 5, 2007).

The study also found out among others:

i. Most of the appointments of those to man the Privatization

   institutions in Nigeria were made based on political affiliations as can be seen with the appointment of one Director General who was indicted by a committee and later appointment as DG Bureau of Public Enterprises.

ii. The selections of valuers/bidders were done with selfish interest, because there were standard procedure of selecting core investors but it was violated.

iii. Due process were not observed which results to so many irregularities:

Former President Olusegun Obasanjo breached due process in the sale of some public assets especially the multi-billion dollars Ajaokuta Steel complex.

iv. Corruption/political influence affects most of the enterprises privatized

v. Lack of transparency and accountability of the process were observed from Bureau of Public Enterprises

vi. Self-centered interest

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The chapter contains the summary of research findings, conclusion and the recommendations, which it hoped, if properly implemented, will bring effective privatization of Nigerian Telecommunications Limited (NITEL).

5.2 Summary

The point here is that privatization and commercialization program is expected to be open and sincerity of purpose for a better result. The idea of privatization is that the state should ensure that essential goods and services are provided but not aimed to be the sole producer or provider. Whereas in the past government was seen as often squeezing out market supplies, it is now expected to support their development and promote competition.

Privatization would require huge sums of capital to be invested in the SOEs allocated for privatization. The general assumption is that such huge sums of capital may only be procured by multinational corporations, who are mostly clients to the International Financial Institutions (IFIs). Government can sale its enterprises as scrap but the problem is the companies would not yield a desired price just like what has happened to Nitel, International Investment London Ltd (IILL) bidded it for $1.37billion but now it was sold at $252m. As forces challenged each other in the privatization market place, conflicts of interest, abuse of office, fraud and bribery by the ruling elite, politicians and public officials who had been appointed to oversee the privatization exercise, ruled the privatization process (BBC News, 2002a). Thus, some of the companies, such as NITEL, were sold off at give-away prices to the ruling elite, politicians and public officials and to their favoured local and multinational companies, without proper evidence of any due process being followed (BBC News, 2002b).

What seems to be worrisome for many Nigerians, and indeed the international community, is that the activities of the Bureau of Public Enterprises (BPE) in the privatization exercise lacked transparency, proper accounting and accountability. For example, Former Director General of the Bureau of Public Enterprises, Dr. Julius Bala, asserted that the privatization process lacked transparency and accountability.

Speaking at the Senate's public hearing on privatization, Bala, who took over from Mallam Nasir El-Rufai, at the BPE, relied on a World Bank midterm report of 2003, which reviewed the privatisation process from inception.

He said before he took over at the BPE, there was a serious lull on the privatisation process and the World Bank had threatened to withdraw its funding of the privatisation process as a result of the situation.

For example, NITEL which was valued between US$1.3b and US$2billion by different investment evaluation companies and which Investment London Limited had offered to buy more than half of its value for US$1.25billion was, with the influence of Obasanjo, later sold to a local company, Transcorp, in which Obasanjo had a vested interest for only US$500million. However, after the failure of Transcorp to manage NITEL, the sale was reversed and new sale approval was later given by the second successor of Obasanjo (Goodluck Jonathan), for the new highest bidder, New Generation Telecommunications Consortium, made up of China Unicom of Hong Kong, Minerva Group of Dubai and Nigeria's Gicell Wireless Limited to pay S$2.5billion for NITEL.

Thus, the reversals were as a result of irregularities, selfish interest and corruption in the side of government functionaries during the privatization exercises. Those taking over the administration considered that, the transaction was not in line with the principles behind the privatization and to some extent; it was not in line with their political interest.

Again, the sale went awry. This seems to suggest that, if the sale to New Generation Telecommunication Consortium had materialized, Nigerians would have been denied of US$2billion in the privatization of NITEL alone. When the main champion of privatization, former President Obasanjo, was himself accused of perpetuating conflicts of interest and abuse of office in relation to the sale of NITEL, it was highly unlikely that he would investigate or prosecute other implicated politicians and public officials, suggesting high level of political corruption in the privatization exercise in Nigeria (Ojakaminor, 2007).

5.3 Conclusion

The IMF dictated Structural Adjustment Programmes (SAPs), which included privatization of presumed non-performing state-owned enterprises (SOEs), which enabled the IFC's multinational clients and the Nigerian political and economic elite to compete for the purchase of the SOEs, was the pre-condition for the debt reschedule talks set by IFC.

Despite the majority of Nigerian public opinion not being in favor of the IFC conditions, the Nigerian government aligned with the IFC to propagate the gospel of divestment of government shares in SOEs. This was with a joint claim that privatization would create wealth and generates employment opportunities for Nigerians. With corruption arguably embedded in the Nigerian political system, this is claimed by developing theory of public choice to examine privatization in Nigeria with a particular case study of the Nigerian Telecommunications Limited (NITEL).

History of Privatization and the Bureau of Public Enterprises indicated the long standing privatization exercises since independence and beyond and as well was characterized by many unclear and unfavorable handling of such public enterprises whose benefit were to be enjoyed by Nigerians; NITEL was a victim of political influence and corruptions.

The privatization of public properties need to be regularized, and as well fashioned with popular and more cautions to establish good future of Nigerians in possession and control of their future belongings.

Privatization need to be free from politics and corruption. The authorities has to disengage themselves from determining who owns or buys the properties rather ensuring free and fair exercises in the privatization exercises where proper adherence to the rules and regulations is ensured.

5.4 Recommendations

From what has been discovered in the research with respect to the privatization of Nigerian Telecommunications Limited (NITEL), the government is called upon to adopt the following recommendations:

(i) The appointment of officers who can man the privatization institution had to be done base on credibility, experience and knowledgeable in the field of privatization.

(ii) Since there is a standard procedure of selecting Valuers, Bidders, Accountants and Privatization Advisers, government should avoid the act of favour and allow the procedure to flourished.

(iii) Government should call upon the Bureau of Public Enterprises to observe due process while making adverts in dailies and expression of interest for bidders.

(iv) NITEL has over the years been made unattractive to potential buyers but notwithstanding, government should provide more standards process of negotiation to ensure trust, transparency and credible privatization of the company. That way, competent and genuine companies would show interest in what is left of the nation's first carrier.

(v) Accountability is one of the most important issues in privatization exercise in Nigeria. Suspicion of corruption that follow privatization deals require that separate auditing and House of Assembly oversight committee be established to help in the monitoring process. It is also my considered opinion that money realized from sale of public enterprises and saved through withdrawal of subsidies should be invested in the country for provision of infrastructure.

(vi) Government should make the privatization exercise more transparent; it is important that we consider alternative ways to divest government stake in public enterprises to minimize this phenomenon, while some favor core investors, I prefer the initial public offer route after staff equity concession. This method is transparent and allows every Nigerian to have an opportunity to take a stake in these companies.

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APPENDIX I

SHORTLIST FOR NITEL PRIVATIZATION ANNOUNCED

<u>Issue no 259</u>

Nigeria's Bureau of Public Enterprises (BPE) hopes to release a short-list of potential buyers for the controlling stake in Nitel, the state-owned fixed and mobile telecoms operator in that country, before the end of the month.

Asked how far along the process had come, the BPE, which is the department in charge of privatizing Nigeria's state assets, said in an emailed response that its privatization advisors BNP Paribas were evaluating the 20 applicants that had expressed an interest in the operator: "From their work plan, we hope to announce the shortlist before the end of May."

Interested bidders included Telkom and Vodacom, in a joint bid; Telkom for the fixed line operations, and Vodacom, for M-Tel, Nitel's wholly owned mobile operations. Other companies expressing an interest included Vodafone, MTN Nigeria, Dimension Data, Metallon, Celtel and Videsh Sanchar Nigam Limited, a subsidiary of Indian company Tata, which has also bought a stake in South Africa's soon-to-be licensed second network operator (SNO). See full list of expressions of interest (EOIs) below.

The BPE is offering a 51% stake in Nitel. This is part of the on-going privatisation process being undertaken by the Federal Government. It says the stake will be sold to a core group or strategic investor and then an initial public offering (IPO or listing) conducted.

The Nigerian Stock Exchange does not currently have any telecommunications listings, but MTN has also said in September last year that it was investigating a possible listing on that exchange, with the aim of introducing broader Nigerian shareholder participation, within a year (i.e. by this coming September).

Vodacom has said first prize for its entry into the Nigerian market would be to get its hands on the controlling stake of V-Mobile, but it also expressed an interest in M-Tel to broaden its options. Other parties interested in V-Mobile include Econet and Virgin, and it in not yet clear who will win that race.

The Nigerian Communications Commission (NCC) regulates the Nigerian telecoms sector, and the Nigerian Communications Act 2003 governs the sector. The BPE said with the Act, potential investors in Nitel would "have confidence that the sector will operate in a controlled and predictable manner".

The full list of companies that has expressed an interest in Nitel:

1. CelTel International B.V.
2. NewTel Internationa
3. Z.T.E Corporation
4. Metallon Corporation of South Africa
5. Dimension Data
6. Huawei Technologies Company Ltd.
7. Videsh Sanchar Nigam Limited (VSNL India)
8. Vodafone Group Services Limited, England
9. MTN Nigeria Comm. Limited
10. Tel Africa Group U.K.
11. ACME Global/General Dynamic, USA
12. Meridian Global Telecom, UK
13. Trigger Development Limited, London, UK
14. Surburdan Telecom
15. Primus Capital Limited
16. Universal Link Inc.
17. Telkom South Africa/Vodacom
18. Global Infrastructure Holdings Limited, Dubai
19. F. T. Networks Limited
20. Name not specified on envelope

APPENDIX II

PRIVATISATION, THROUGH GUIDED LIQUIDATION, OF NIGERIAN TELECOMMUNICATIONS PLC (NITEL) – (IN LIQUIDATION) AND NIGERIAN MOBILE TELECOMMUNICATIONS LIMITED (MTEL) – (IN LIQUIDATION) REQUEST FOR EXPRESSIONS OF INTEREST /PRE QUALIFICATION FOR ACQUISITION AND OPERATION OF THE BUSINESS UNITS AND ASSETS OF NITEL AND MTEL

1. BACKGROUND

The Federal Government of Nigeria (FGN) through the National Council on Privatisation (NCP) has approved the privatisation of Nigerian Telecommunications Plc (NITEL) and its subsidiary, Nigerian Mobile Telecommunications Limited (MTEL), through a guided liquidation strategy. The strategy is in conformity with the provisions of The Companies and Allied Matters Act 1990 (CAMA) and the Public Enterprises (Privatisation and Commercialisation) Act 1999.

1.1 NITEL was incorporated as a limited liability company in December 1984 and is currently owned 93.3% by the FGN and 6.7% by First Bank of Nigeria Plc. NITEL formally commenced operations in 1985.

1.2 In 1996, the FGN established the Nigerian Mobile Telecommunications Limited (MTEL) to provide cellular services, (and thus transferred NITEL's cellular operations to MTEL). Following the auction of Digital Mobile Licenses by the Nigerian Communications Commission (NCC) in February 2001, NITEL acquired a GSM license which it transferred to MTEL in March 2003.

1.3 **Based on an application filed before it**, the Federal High Court sitting in Abuja on Friday, 14 March, 2014, ordered the winding up of NITEL and MTEL and appointed Otunba Olutola O. Senbore as the Liquidator of the two companies.

2. INVITATION FOR EOIs/PREQUALIFICATION FOR BIDDING

The Liquidator of NITEL and MTEL now invites Expressions of Interest (EOIs) from interested and capable investors to be prequalified to bid and purchase the business undertakings and the assets of NITEL and MTEL as single companies or joint ventures. Applicants should submit their EOIs to the Liquidator following the procedures described in Section 5 of this advert.

3. DESCRIPTION OF BUSINESS UNITS/ASSETS

NITEL is licensed as the First National Telecommunications Carrier\Operator in Nigeria. Its huge telecommunications infrastructure including its widely distributed fixed wired lines stands it out as the potential leading telecommunications service provider in Nigeria. It has a telecommunications submarine cable international gateway, fibre optic cable networks and extensive rights of ways for country wide underground cable network and right of way for underground cable network in most of the major cities in Nigeria. The assets can be generally categorised as follows:

i) NITEL Assets

a. The Licences and The Spectrum (Proprietary Assets)

b. Nationwide Fixed Wired Networks

c. National Right of Way Duct System

d. Fibre Optic Transmission Backbone

e. CDMA Network System

f. International Gateway Earth Stations

g. Microwave Transmission Equipment/Network and Towers

h. Other Core assets

ii) MTEL Assets

a. The Licences and The Spectrum (Proprietary Assets)

b. National Right of Way

c. MTEL GSM Network

1) Mobile Switching Centres (MSCs)

2) Base Station Controllers (BSCs)

3) Base Transceiver Stations (BTSs)

4) General Packet Radio Services (GPRS)

d. Analog (TACs) System

e. Other Assets

iii) SAT-3

SAT-3 International Submarine Cable (NITEL has 6.32% shareholding in the SAT-3 Consortium)

4. OUTLINE TRANSACTION TIMEFRAME

The transaction is planned to be concluded within six months from the date the Court Order for the winding up of NITEL and MTEL was granted, the 14th of March 2014. This advert for EOIs will run for about three weeks in June 2014. Pre-qualification of applicants will take place within two weeks of closure of the deadline for receipt of EOIs. Pre-qualified bidders will be issued with Request for Proposals and other bidding documents. Data room and physical due diligence on the assets by bidders will take place between 18 July and 8 August 2014. Deadline for submission of technical and financial proposals is around 15 August 2014. Assessment of proposals and negotiation with successful bidders is planned to take place in September 2014. Financial Closure of Transaction and Handover of assets to successful bidders is expected to occur in December 2014.

5. APPLICATION PROCEDURES AND REQUIREMENTS

5.1 Contents of Application

Interested investors in NITEL and MTEL should write to the Liquidator for prequalification on or before 30 June 2014 enclosing the following verifiable documents:

a) Profile of the Applicant detailing: name of the company, the main shareholders, the ownership structure, the contact persons, offices and postal addresses, telephone numbers and e-mail addresses;
b) Applicant's technical, operational and financial capability profile including the number of years of operations in telecommunications business in the country of operations and in a developing country;
c) Certificate issued by the regulator to the applicant (or the applicant's technical operator) in telecommunications business in the country of operations and/or in a developing country must be provided. Failure to present this certificate shall lead to disqualification;
d) Number of fixed and mobile subscribers on applicant's networks as at 31st December 2013 (where applicable);
e) Composition and profile of the management team, showing qualifications and posts held to date, years of experience in telecommunications industry and of employment in the company;
f) Audited financial statements for the last five years and most recent management accounts;

g) Evidence of sound financial standing inclusive of details of bankers, with authorisation for the Liquidator to seek confirmation/information from the bankers;

h) Agreements that provide evidence of alliances\technical partnerships among the applicants (if applicable);

i) A description of the Applicant's vision, mission and strategy (action plan) for investments to rehabilitate, develop and expand the infrastructure.

5.2 Qualification Criteria

To be considered for the shortlist, bidders must:

i. Score a minimum total of 75 percent points for the requirements described above, in addition to the under-listed mandatory requirements;

ii. Possess a minimum of 5 years cognate experience of operations in the telecommunications industry in fixed CDMA and/or mobile telecommunications system;

iii. Applicant's tangible net worth must not be less than USD200 million;

iv. Provide evidence of compliance with Regulatory Authorities directives in the applicant's country of operation;

Applicants interested in NITEL must in addition to the above requirements possess:

i. Minimum subscriber base of one million in fixed/CDMA lines.

Applicants interested in MTEL must in addition to the above requirements:

i. Have a minimum of 10 million subscribers on their network;

5.3 Packages for Pre-qualification

The EOI may be for ALL, ANY or a COMBINATION of the following:

i. The combined businesses, assets and licences of NITEL and MTEL;
ii. The businesses, assets and licenses of NITEL or MTEL separately;
iii. Percentage interest held in SAT-3 Consortium;
iv. Identifiable assets capable of generating viable business units;
v. Preference will be given to those who express interest in the whole of items i to iii above.

5.4 Procedures for the submission of Expression of Interest (EOIs)

The EOI must be submitted in a sealed envelope containing one original and seven copies (plus and electronic copy preferably in Microsoft word in compact disc) duly signed by the authorized representative of the applicant and delivered to the Liquidator of NITEL and MTEL at the address below not later than 5pm on 30 June 2014.

5.5 Evaluation of EOIs

All EOIs received will be evaluated for prequalification purposes by an Evaluation Committee approved by the Committee of Inspection.

a) EOIs will be first subjected to preliminary examination for completeness of information and responsiveness to the pre-qualification criteria. Only EOIs with sufficient information and documentation will be further evaluated for prequalification;

b) An EOI must comply with all government statutory requirements in tax, pensions, and financial regulations to be eligible for evaluation.

c) Evaluation will be based on assessment of applicant's profile and value development proposition for the telecommunications sector using the facilities being offered for sale. Only respondents that attain the minimum cut-off point will be prequalified;

d) Only prequalified candidates will be issued with Request for Proposal (RFP) documents for submission of detailed technical and financial proposals.

e) This prequalification exercise is not an offer, and will not lead directly to any contract with an applicant. It will only be the basis for making a shortlist of bidders

f) (f)All submissions shall be at the cost of the applicants.

The evaluation will be based on verification of credible information and documents submitted by the applicants. Applicants therefore should exercise due care about the veracity of the information submitted in their EOI. Any misleading or unreliable information submitted may lead to disqualification.

5.6 Notification of Results

Prequalified applicants will be informed in writing of their prequalification not later than 17 July 2014. Only successful applicants will be so advised. BPE and the Liquidator will not entertain any enquiries from unsuccessful applicants in respect of their applications and will not give reasons for unsuccessful applications.

5.7 Communication

All enquiries, Expressions of Interest and Applications should be addressed to:

The Liquidator, Nigerian Telecommunications Plc (NITEL), and Nigerian Mobile Telecommunications Limited (MTEL)

C/O Bureau of Public Enterprises

No. 11, Osun Crescent, Off Ibrahim Babangida Boulevard
Maitama District
Abuja, FCT, Nigeria
Dated 9 June 2014