



## Appraisal of Commercialization Policy in Nigeria: Insiders' views on post-policy evaluation<sup>1</sup>

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**ABSTRACT** - This paper assesses the post-policy effects of commercialization policy on three policy-target state-owned enterprises (SOEs) using the views of workers in those SOEs. Financial indicators for these SOEs have remarkably improved since the adoption of the policy, and this achievement of the policy goal has been corroborated by questionnaire responses on the issue. The respondents' assessment also shows that there has been improvement in the management of all SOEs studied because government direct controls on managements have been seriously curtailed by the policy. Nevertheless, matters related to workers' employment and welfare are lowly scored by the respondents. The fall in employment with the implementation of the policy is in consonant with the policy objective of reducing waste in the SOEs. The assessment that workers' welfare has fallen may be seen as respondents' bias inherent in self-assessment, although the SOEs should verify this to ensure that workers' welfare and the resulting productivity is not unduly threatened by the policy.

**Keywords:** Commercialization, SOEs, evaluation, privatization, performance.

### INTRODUCTION

The pursuit of rapid economic development has been a major goal of economic policies in Nigeria. One of the strategies adopted by the Nigerian government since the political independence of 1960 was direct investment

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in virtually all business activities in the economy. This public investment constituted a large share (between 30 – 40 percent) of fixed capital investments with heavy fiscal burden on the government. According to the National Council on Privatisation and Commercialization (1999), the historical value of government investment in parastatals as at November 1990 was N36 billion and by 1999 would have appreciated to N500 billion. A survey carried out by the Technical Committee on Privatization and Commercialization (TCPC) in 1988 showed that the Federal Government had investments in 600 public enterprises, while the State and Local Governments had about 900, smaller public enterprises.

This large public sector was maintained largely with subventions from governments' fiscal revenue. As long as the booms in the traded commodities lasted, the governments never even considered that it had the need to evaluate the effectiveness of its investments in the state-owned enterprises (SOEs). As should have been expected therefore, these SOEs were very inefficient and constituted a drain on fiscal revenue. These problems became clear at the wake of Nigeria's economic crises, which started in 1979 with the oil price failure.

The government of Nigeria decided to embark on the restructuring of the economy adopting the Structural Adjustment Programme (SAP). One of the policies adopted in the SAP was privatization and commercialization of SOEs. Commercialization started in 1988 with the promulgation of a decree that gave legal force to the policy. In effect, the policy has been implemented since 1990 in some SOEs and there is a need to appraise the effects of it on the target SOEs as regards attainment of the set goals of the policy.

This paper adopts an insider's appraisal as a means to evaluating the commercialization policy. We sought the views of workers in the commercialized SOEs on some basic performance goals of the policy. The goals evaluated include improvement in the stakeholders' interests, autonomy of the management/boards of the SOEs, financial performance, management performance in some key areas, activities of the supervisory ministries, factors militating against the success of the policy, etc. The responses from the questionnaires are analysed critically. The policy appraisal is strengthened with some data on financial performance of the SOEs selected.

## 2. Theoretical Issues on Commercialization Policy

Privatization and its weak form, commercialization, derive their argument from the efficiency of the market mechanism in allocation of resources. Generally, the policy of deregulation, of which commercialization is a part, is based on better performance indicators recorded in the privately

owned business enterprises compared with the high level of inefficiency in the public sector, even within the same industry (Shirley, 1989). The private business enterprises are motivated to efficiency because private owners are the claimants of the residual value of such efficiency. But such claimants are not clearly defined in the publicly owned businesses, especially where profit-making is not a major organizational objective (Perotti, 1995; and Obadan, 2000). Thus, with the ambiguity in the definition of the person that can lay claim to the residual assets (profits) in public enterprises, the issue of internal regulation and control of management behaviour becomes problematic. With weak corporate control, therefore, agency problem becomes a dominant exploit by managers of SOEs than can be experienced among the private sector managers (Aharoni, 1991). In essence, since the effects of management behaviour are captured by share prices, the private sector can easily clip the wings of management's agency activities, and curb the costs associated therewith, by simply monitoring the capital market indicators.

Given the operational structure and the nebulous goals of SOEs, it is theoretically certain that it should be more inefficient than the private enterprises. The weight of their inefficiency, however, falls on the public treasury either as a misallocation of government revenue or an increase in fiscal deficits (Cook and Kirkpatrick, 1988). In either case, the burden of SOEs' inefficiency is borne by the tax-paying public either directly as taxes levied on them or indirectly as a fall in the public services provided to them because of misallocation of resources to SOEs.

Privatization, in both the weak and the strong forms, is meant to minimize inefficiency in the public sector (Ramamurti, 1991). Commercialization entails government retention of ownership of the SOE while deregulating the management processes so that such a public enterprise is run as if a privately owned enterprise. Commercialized SOEs should therefore be seen as quasi-private enterprises. The central aim of commercialization is the same as that of outright privatization – improvement of the economic performance of the target public enterprises.

However, in Nigeria the argument for commercialization extends beyond that to management of public opposition to mass privatization. Besides, commercialization was also designed as a preparatory policy towards the eventual privatization of some the commercialized SOEs (Federal Republic of Nigeria, 1999). During the stage of commercialization, those SOEs were due to be internally reorganized and make it attractive to public offer at the capital market. The Bureau for Public Enterprises, the government department in charge of preparing, packaging and sales of SOEs in Nigeria, is currently finalising the process of privatization of Nigerian Telecommunications Limited (NITEL), while the process packaging National

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Electric Power Authority (NEPA) for sale has begun since 1999. NEPA is going to be unbundled and reorganized into three major groups of companies, which are legally independent but operationally interdependent. The groups include competing generating companies, a single transmission company, and distribution companies (comprising on-grid distribution companies, off-grid generation and distribution companies and grid-connected auto generators). This process has commenced to some extent with the coming in to force of the 1999 Nigerian Constitution. Some states (up to four currently, including Lagos, Ondo, Rivers, and Akwa Ibom) have embarked on independent power generation plants.

### **A Historical Background to the Selected SOEs**

Telecommunication outfit that has evolved into NITEL started in 1886 when the British Colonial Power in Nigeria established a wireless contact between Lagos and London under the Cable and Wireless Company. This outfit later provided telephone services to government offices. The telecommunications infrastructure was subdivided into two units – Post and Telecommunications (P & T) that provided the internal services and the Cable and Wireless Company that handled the external services. The internal services unit also handled postal services alongside with telephone services. This structure was maintained till January 1985 when the P & T was unbundled into the Nigerian Telecommunications Limited (NITEL) and the Nigerian Postal Service (NIPOST).

Electricity utility company started in Nigeria in 1929 when the Nigerian Electricity Supply Company (NESCO) commenced operations with the construction of a hydroelectric power station at Kurra Falls. The Electricity Corporation of Nigeria (ECN) was established with a mandate to develop the hydropower potentials of the country. In 1972, ECN and NDA were merged to form the National Electric Power Authority (NEPA) as a monopoly, charged with the responsibility of generating, transmitting, distributing and selling of electricity nation-wide. The monopoly status was maintained until 1998, when it ceased to have an exclusive right in power production and sales. This is due to government's intention to liberalize electricity sub-sector and prepare NEPA for privatization.

### **3. Commercialization Policy Issues in Nigeria<sup>2</sup>**

Like most developing countries, Nigeria has since independence in 1960 and particularly in the decade of the seventies (the period of the oil

<sup>2</sup> This section has benefited much from the Guidelines on Privatization and Commercialization by the National Council on Privatization and the Final Report of the Technical Committee on Privatization and Commercialization, Vol. 1-3.

boom) developed a large parastatal sector incorporating almost areas of economic activities. While the oil boom lasted, no one complained of the waste and inefficiencies of our public enterprises and there was a continued increase in the number of enterprises of questionable commercial and financial viability. It was only during the economic recession, which started in 1981, that attention began to be focused on the activities of these parastatals. The 1983 Presidential Commission on parastatals that examined the operations of all parastatals revealed that such enterprises were infested with many problems. Some of the major ones discovered were misuse of monopoly powers, defective capital structures resulting in heavy dependence on the treasury for soft budget funding, bureaucratic bottlenecks in their relations with supervising ministries, and mismanagement, corruption and nepotism.

As government could no longer bear the costs of the monumental wastes, the Shagari Administration developed the program of privatization and commercialization to address the inefficiencies in our public enterprises but its implementation was delayed due to the Military intervention in December 1983. The Report was acceptable to even the Military Administration that succeeded in 1984, but its short life span frustrated its plan thus implementation was devolved on General Babangida's Administration. It organized fresh initiatives and reviewed the earlier studies leading to the promulgation of Decree No. 25 of 1988, which provided the legal framework for the program of privatization and commercialization. The Decree also established the Technical Committee on Privatization and Commercialization (TCTP) as the implementation agency.

In all, a total of 111 enterprises were to be privatized either partially or wholly, and another 35 to be commercialized, 24 partially and 11 wholly. Nigeria is probably the only country in the world carrying out a hybrid program of privatization and commercialization simultaneously. In the western economies as well as the newly liberalized former socialist economies, little is known about commercialization. In those economies, government disengagement from economic activities has been through privatization whereby the ownership and management of affected enterprises were transferred to the private sector through the public sale of shares or assets.

Commercialization can be defined as the re-organization of enterprises, wholly or partially owned by the government, in which such commercialized enterprises shall operate as profit making commercial ventures without subvention from the government. The main thrust of the commercialization program in Nigeria has been to:

- (a) provide enhanced operational autonomy at enterprises level so as to attract efficient inputs, particularly qualified personnel, and create competitive environment for the running of the organizations;
- (b) evolve a more information-based, result-oriented, and accountable management that is responsive to organizational performance;
- (c) strengthen financial/accounting controls at the enterprises level and ensure financial solvency of the public enterprises through effective cost recovery, cost control and prudent financial management; and
- (d) remove bureaucratic bottlenecks and political interference through clear role definition among the supervising ministry, the board of directors and the management of public enterprises.

A critical component of the commercialization is the Performance Agreement, which is designed to govern the relationship between the government and the commercialized enterprises. Under it, the board and management of the enterprises will guarantee the attainment certain levels of financial and operational performance in return for enhanced operational autonomy.

Policy-wise, the government's financial policy towards commercialized SOEs contained the following:

- (a) No fully or partially commercialized SOE will receive financial support, in grant or loan form, from the federal budget or other government controlled sources, for their current operations. This includes working capital subvention, government-originated or government-guaranteed loans, and any other forms of current-account support.
- (b) Fully commercialized SOE will not receive any financial support, in grant or loan form, from the capital account, whether for new capital assets or for rehabilitation or modification of existing capital assets nor will the government or any of its agencies guarantee loans contracted directly by the enterprises for such purposes.
- (c) Partially commercialized SEO may qualify for financial support from the government for capital expenditures provided:
  - (i) they comply with all required submission documenting the economic and financial feasibility of the proposed expenditure within the enterprise's overall business and investment plans, including its performance contract with the government; and
  - (ii) the proposed expenditure is considered of high priority within the government's public investment program. In event that they so qualify, preference will be given, in the following order,

- (d) to forms of support: (1) the government guarantee of loan from a third party; (2) direct government loan, and (3) the government grant (least preferred).
- (d) No fully or partially treatment commercialized enterprise will be made the beneficiary of preferential treatment in any form, direct or indirect, which explicitly or implicitly discriminates against other economic units or sectors.

This applies particularly to exemptions from or reductions of taxes, duties and similar imposts and to lower-than-market rates of interest on loans and other financing.

This means in effect the government will now be a provider of last resort funds but the main sources of funds for commercialized public enterprises will henceforth be:

- (i) Internally generated funds from their operational supplies.
- (ii) Local Capital Market through bond floatation.
- (iii) External capital market through multi-lateral or bilateral institutions.
- (iv) Donations from external and internal donors.
- (v) Government guaranteed loans grant.

In both full and partial commercialization no divestment of the federal government's share-holding is involved. The enterprises, subject to the general regulatory power of the government, fix rate prices and charge for goods produced and services rendered; capitalize assets; and sue and be sued in their corporate names.

4. **Analysis of Performance of the SOEs Under Commercialization**
- FINANCIAL ratios have been used in many works evaluating privatization (as in Jerome, 1997; and Martin and Parker, 1997) and commercialization (as in Akpan and Umobong, 2000). The main concern of this paper is therefore to report on the questionnaire responses of the evaluation of commercialization policy. Nevertheless, it is refreshing and supportive to bring in just a few financial performance indicators before serving the main course of the paper. The commercialized organizations in Nigeria have been making appreciable achievements of the policy objectives, judged from their financial performance. This is demonstrated in Tables 1 (a) - (c) below.

Table 1 (a) NITEL Financial Performance

Amount (in N'million) and Financial Ratio	1988	1989	1990	1991	1992	1993	1994	1995	1996
Sales Revenue	664.83	998.83	2214.88	3124.23	6367.28	9885.13	10073.64	16885.94	22089.07
Profit before Tax	(586.37)	(1615.27)	(1789.42)	(142.62)	701.48	3570.62	1285.56	1891.82	6775.25
Earnings to Loans (ratio)	0.567	0.413	0.576	0.258	0.678	1.221	0.602	0.781	1.027
Earnings to Expenditure	(0.882)	(1.617)	(0.808)	0.964	1.114	1.544	1.141	1.239	1.419
Profit to Loans	6.315	1.211	2.446	(0.011)	0.069	0.430	0.074	0.085	0.303
Profit to Sales				(0.046)	0.102	0.361	0.124	0.112	0.295
Earnings to Direct Costs				(8799.65)	1.763	3.859	2.863	3.137	4.431
Profit per Employee (N)				2.122	44397.34	236527.42	88530.75	134133.86	473098.95
Average Wage Rate (per annum in N)				13899.50	20922.15	34929.78	45022.27	103696.11	142343.47

Source: NITEL Headquarters, Abuja.

Table 1 (b) NIPOST Financial Performance

Amount (in N'million) Ratio (in percentage)	1992	1995	1996	1997
Revenue	297.11	572.16	981.7	991.50
Current Deficit	250.18	637.57	330.3	526.43
Government subventions	291.32	757.84	550.36	491.0
Deficit to Income Ratio	84.2	111.4	33.6	53.1
Subvention to Income	98.1	132.5	54.0	49.5
Personnel Costs to Current Expenditure	49.6	43.3	42.9	31.7
Current Deficit to Subvention	85.9	84.1	62.3	107.2
Personnel Costs to Income	91.3	91.5	57.4	48.5

Source: NIPOST Headquarters, Abuja.

Table 1 (c) NEPA Financial Performance

Amount (in N'million) Financial Ratio (in %)	1992	1994	1996	1997	1998	1999
Total Revenue	3117.0	7921.1	17851.5	19075.7	19372.1	33629.5
Profit before Tax	564.4	3752.2	442.8	4207.4	571.1	-1987.0
Profit to Total Revenue	18.11	4.74	2.48	22.58	2.95	-5.91
Material Costs to Total Operating Costs	2.33	15.12	11.53	13.84	13.22	8.67
Bad Debts to Total Revenue	63.57	48.99	50.24	41.50	48.33	53.78
Govt. Debts (payable to NEPA) to Total Debts owed NEPA	91.43	52.65	44.17	41.64	40.96	28.70

Source: NEPA Headquarters, Abuja

For all three SOEs, the revenue performance (in absolute sense) has been on the increase in the years reviewed above. However, when profits/deficits to revenue ratio is used, the performance of NITEL is better than that either NEPA or NIPOST. Even though NEPA has been making some positive profits in the years covered above, except for 1999, its profit performance has been very unstable. For NIPOST, the subvention to revenue ratio has fallen in the last two years, which is a sign of achievement if it is sustainable. For NEPA, the provision for bad and doubtful debts is very large because of customers' refusal to pay. The ratio of provision for debts to total revenue is still high but in recent times, it is at better than the high record of 1992. Considering from the financial perform, NITEL and NEPA are performing better than NIPOST.

#### Analysis of Responses from the Questionnaire

The questionnaire served in this study was essentially meant to evaluate the views of workers in the policy-target establishments on their assessment of the effectiveness of commercialization policy. Seven hundred and fifty questionnaires were circulated across the three organizations under study. The respondents were predominantly above the secondary school certificate level as a way of guaranteeing adequacy of their understanding of

issues related to the policy. Of the 750 questionnaires served, 612 were retrieved but of those returned 7 were discarded and excluded from the analysis because they were poorly filled. This leaves the ratio of questionnaires analyzed to that served at about 80 per cent. The respondents were virtually equally spread among the three state-owned enterprises as NIPOST and NITEL had 205 and 206 respondents or about 34 percent, respectively; while NEPA valid respondents totaled 194 or 32 percent of the total.

The responses are reported in this work in percentage ratios, which can also be translated to the number of respondents given the information on the distribution of respondents above. Broadly, six groups of questions were asked. These comprises,

- (i) Whose interest does commercialization policy cater for?
- (ii) What has been the impact of the policy on internal performance?
- (iii) How has management fared in the commercialized establishments?
- (iv) What has been the relationship between the supervisory ministries and the commercialized SOEs?
- (v) What are the factors constraining the success of the policy? and
- (vi) What are the reasons responsible for general policy failure?

The responses to the question on interest representation in the policy tend to show that government's and director's/management's interests are those around which the policy is centered. Likely because the workers were the respondents, they expressed dissatisfaction at the fact that workers' and their trade unions' interests are not adequately addressed in the policy framework of commercialization. The effect of this response is that the workers might not give adequate cooperation towards the execution of the policy. Again, given the discontent, the workers can intensify their agency activities and increase the incidence of moral hazard in their respective establishments. The expression of this opinion is particularly very consistent among the three establishments, as can be observed in Table 2(a).

Issue Assessed: How would you score commercialization policy in the protection of stakeholders' interests?

Table 2: Commercialization and Public Interests

Table 2 (a) Responses from Individual Establishment (in %)

Stakeholder	NIPOST		NEPA		NITEL	
	Weak Interest	Strong Interest	Weak Interest	Strong Interest	Weak Interest	Strong Interest
Government	34.5	65.5	49.1	50.9	42.7	57.3
Supervisory ministry officials	29.3	70.7	41.7	58.3	41.0	59.0
Directors and Management staff	29.3	70.7	47.2	52.8	39.3	60.7
Senior staff	39.7	60.3	48.1	51.9	47.0	53.0
All workers	56.9	43.1	59.3	40.7	49.6	50.4
Trade union officials in the establishment	56.0	44.0	61.9	36.1	55.6	44.4
The customers to the establishment	38.8	61.2	54.6	45.4	42.7	57.3

Table 2 (b) Aggregate Responses (in %)

Stakeholder	No Interest	Low Interest	Moderate Interest	High Interest	Merged Score Weak Strong	Interest
Government	14.5	26.9	25.7	32.8	41.4	58.6
Supervisory ministry officials	10.7	26.3	42.3	20.7	37.0	63.0
Directors and Management staff	10.9	27.6	34.6	27.0	38.4	61.6
Senior staff	12.0	32.8	39.9	15.2	44.9	55.1
All workers	17.9	37.2	29.6	15.2	55.1	44.9
Trade union officials in the SOEs	20.1	38.8	27.5	13.6	58.9	41.1
The customers to the establishment	20.4	24.9	27.5	27.2	45.3	54.7

Contrary to the reality, the respondents in two of the three corporations revealed that interests of their customers (the consumers of their services) are strongly protected. To support this assertion, 61.2 per cent of respondents in NIPOST and 57.3 per cent in NITEL posited that customers' interests are well represented in the policy. The poor quality of services in these corporations suggests that either the respondents were consciously biased in order to shield their inefficiency, or the quality control issue is not given a serious consideration in the policy. With respect to the quality of services, Ogunkola (1996) actually alluded to the exploitation of the consumers via commercialization, which only permits free upward review of prices in the commercialized SOEs without corresponding improvement in the quality of services. The possibility of exploitative effect of price liberalization has also been observed by Ayodele (1998), who questioned the mark-up of NEPA's tariff based on mere comparison of the domestic tariff with the regional/sub-regional charges, without any recourse to the cost structure or the per capita income. The respondents in NEPA (see Tables 2(a) and (b)), however, collaborated the general perception and complaint that their services are poor

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both in quantity and quality. Their response shows that the consumers' interests are not well protected in commercialization.

The respondents' opinion on the internal performance the SOEs was also inquired. In Tables 3(a) and (b), some internal performance indicators were selected to verify the impact of the policy on them. Since the workers in the respective SOEs were asked to assess the internal performance of the SOEs, and given the grade of respondents selected, the results are adjudged adequate for the evaluation of internal performance effect of the policy. For some of the variable investigated, the questionnaire purposely included more than one item to measure the same thing, e.g., financial independence and financial autonomy. The intention was to ensure that consistency of the respondents is established. On the whole, the workers in the three organizations assert that the policy has only achieved modest results in consideration of internal performance.

**Issue Assessed:** Please rank the policy performance in terms of the following specific internal performance considerations.

**Table 3: Impact of Commercialization on Selected Target Variable**

**Table 3(a) Individual Responses**

Target Variable	NIPOST			NEPA			NITEL		
	Low	High	Very High	Low	High	Very High	Low	High	Very High
Employment	63.8	27.6	8.6	66.7	23.1	10.2	66.7	23.1	10.2
Sales	19.8	65.5	14.7	28.7	57.4	13.9	28.7	57.4	13.9
Profit	32.8	50.9	16.4	35.2	48.1	16.7	35.2	48.1	16.7
Output growth	23.3	62.1	14.7	43.5	41.7	14.8	43.5	41.7	14.8
Out price change	28.4	56.9	14.7	30.6	51.9	17.6	30.6	51.9	17.6
Industrial harmony	38.8	45.7	15.5	42.6	44.4	13.0	42.6	44.4	13.0
Staff welfare	51.7	40.5	7.8	53.7	34.3	12.0	53.7	34.3	12.0
Improvement in management	38.4	56.0	15.5	44.4	42.6	13.0	44.4	42.6	13.0
Financial independence	39.7	43.1	17.2	44.4	35.2	20.4	44.4	35.2	20.4
Curtailment of wastefulness	41.4	30.2	28.4	44.4	38.9	16.7	44.4	38.9	16.7
Misappropriation of funds	45.7	29.3	25.0	49.1	29.6	21.3	49.1	29.6	21.3
Ability to compete with the private sector counter-part	30.2	43.1	26.7	38.9	41.7	19.4	38.9	41.7	19.4
Management independence	32.8	49.1	18.1	33.3	46.3	20.4	33.3	46.3	20.4
Freedom of decision-taking	25.9	51.7	22.4	39.8	38.9	21.3	39.8	38.9	21.3
Financial autonomy	35.3	36.2	28.4	33.3	43.5	23.1	33.3	43.5	23.1

**Table 3 (b) Aggregate Responses as Ratios of Total Response (in%)**

Target Variable	Low	High	Very High
Employment	60.1	32.8	7.0
Sales	23.2	62.8	14.1
Profit	28.7	51.3	19.9
Output growth	29.9	52.5	17.6
Output price change	29.9	55.4	14.7
Industrial harmony	36.1	49.3	14.7
Staff welfare	45.5	44.6	10.0
Improvement in management	34.3	52.8	12.9
Financial independence	34.9	44.9	20.2
Curtailment of wastefulness	44.3	36.4	19.4
Misappropriation of funds	47.2	33.1	19.6
Ability to compete with the private sector	37.5	36.7	25.8
Management independence	28.7	47.5	23.8
Freedom of decision-taking	33.7	46.6	19.6
Financial autonomy	32.3	44.9	22.9

The policy is considered to have some positive impacts on financial performance of all three SOEs. There are remarkable improvements in prices, sales and profit performance of these SOEs. This is partly due to the deregulation of the prices of their products besides the incentives to financial self-sustenance generated by the drastic reduction in government soft budgets to the SOEs. There is also confirmation by majority respondents of curtailments of wastefulness and misappropriation of funds among the SOEs, which must have contributed to improvement in finances of the SOEs. There is also ascertaining of increase in competition with private sector, which can be seen as a mixture of incentive to performance improvement as well as erosion of their erstwhile monopolistic exploitative powers. The improvement in the financial performance is also due to the Performance Agreement between the government and SOEs, which is part of the policy, in which the board and management of the SOEs have to guarantee the minimum financial and operational performance in return for greater autonomy.

The respondent, on the majority, also agreed to a remarkable improvement in the management independence from supervisory ministries and freedom of the SOEs' decision-taking processes from government bureaucratic red tape. This portrays a fall in direct government control over the SOEs. On labour-related areas, the policy is scored positive results. Considering the policy objective, a weak contribution to employment recorded by the respondents is an achievement because the SOEs were generally assessed to have harboured unproductive workers whose employment was politically motivated. On the workers' welfare 45.5 percent of the respondents

are saying that the policy has no positive impact. Again, although 54.5 percent settled for the positive contribution of the policy to workers' welfare, there may be some level bias in the negative responses because of self-assessment error.

To reinforce the responses in Tables 3 (a) and (b), respondents were asked to rate management activities. The representations in Tables 4(a) and (b) confirm workers position on the policy; for instance, the respondents reaffirmed their position on staff welfare, rating that the management is poorly disposed to improvement in staff welfare. On the degree of openness of the management to workers, 46.9 per cent of the respondents said that their management is not forthcoming and open. Workers in NEPA particularly said that their management is not accessible and open given that 58.3 per cent of the respondents scored the management very low on this matter. Workers in NIPOST and NEPA are in agreement in assessment of staff welfare and in both establishments; welfare policy is rated very low. In NEPA also, the workers are very honest in expressing their opinion concerning the public outcry on poor quality of electricity supply; 56.5 per cent of the respondents rate the management very low on consumer's satisfaction. This poor score was not observed among NITEL workers concerning their relationship with the consuming public and in reality NITEL, is performing relatively better in this direction.

**Issue Assessed:** Please freely rank the performance of management of the establishment in respect of the activities listed in the table.

**Table 4: Rating of Management Activities under Commercialization Policy**

**Table 4 (a) Firm-level Responses (in %)**

Activities	NIPOST			NEPA			NITEL		
	Very Poor	Satisfactory	Excellent	Very Poor	Satisfactory	Excellent	Very Poor	Satisfactory	Excellent
Decision-making	22.4	72.4	5.2	37.0	55.6	7.4	29.1	65.8	5.1
Accountability	32.8	57.8	9.5	38.9	58.9	10.2	43.6	48.7	7.7
Financial Discipline	40.5	49.1	10.3	36.1	50.9	13.0	41.9	48.7	9.4
Openness of staff	44.0	50.9	5.2	58.3	35.2	6.5	39.3	56.4	4.3
Staff Welfare Package	53.4	40.9	6.0	57.4	36.1	6.5	25.6	67.5	6.8
New Products & Innovations	22.4	65.5	12.1	55.6	38.9	5.6	37.6	50.4	12.0
Satisfaction of Customers	15.5	68.1	16.5	56.5	32.4	11.1	36.8	50.4	12.8
Reaction to Public Complaints	20.7	63.8	15.5	47.2	42.6	10.2	36.8	47.9	15.4
General Administration	25.9	63.8	10.3	39.8	53.7	6.5	21.2	65.0	12.8

**Table 4 (b) Aggregate Responses (as ratios of total (5))**

Activities	Very Poor	Satisfactory	Excellent
Decision-making	29.3	64.8	5.9
Accountability	38.4	52.5	9.1
Financial Discipline	39.6	49.6	10.9
Openness to Staff	46.9	47.8	5.3
Staff Welfare Package	45.2	48.4	6.5
New Products & Innovations	38.1	51.9	10.0
Satisfaction of Customers	35.8	50.7	13.5
Reaction to Public Complaints	34.6	51.6	13.8
General Administration	29.0	61.0	10.0

The problems associated with the supervisory ministries in these organizations have been observed to reduce but marginally in all three establishments. However, in NEPA, control of borrowing by the government is asserted to have deteriorated since 50.6 percent of the respondents are of this opinion. For all the items used in the assessment of government ministry relationship with these establishments, the assessment is that no significant achievement has been made in this direction. Majority of the respondents only accedes to marginal improvement. (see Tables 5(a) and (b) below.)

**Issue Assessed:** Please evaluate the performance of the supervisory government ministry/board for your establishment using the following specific items since the initiation of the policy.

**Table 5: Role of Supervisory Ministry in Commercialization Policy**

**Table 5 (a) Individual Firm Responses (in %)**

Items	NIPOST Ratio (in %)			NEPA			NITEL		
	Deteriorating	Marginally Improved	Significantly Improved	Deteriorating	Marginally Improved	Significantly Improved	Deteriorating	Marginally Improved	Significantly Improved
Giving broad long-term directives	13.8	75.9	10.3	33.3	54.6	12.0	20.5	71.8	7.7
Advisory Role	18.1	56.9	25.0	29.6	52.8	17.6	29.9	59.0	11.1
Intervening in Contract award	23.3	39.5	17.2	39.8	44.4	15.7	35.0	52.1	12.8
Release of capital vote	36.2	50.0	13.8	39.8	50.9	9.3	26.5	57.3	16.2
Direct control of borrowing	37.9	45.7	16.4	50.9	33.3	15.7	36.8	48.7	14.5
Incessant change in Management	25.9	56.9	17.2	27.8	54.6	17.6	32.5	52.1	15.4
Intervening in employment	39.7	48.3	12.1	39.8	43.5	16.7	37.6	49.6	12.8

**Table 5(b) Aggregate Response**

Items	Deteriorating	Marginally improved	Significantly improved	Deteriorating (%)	Marginally improved (%)	Significantly improved (%)
Giving broad long-term directives	76	231	34	22.3	67.7	10.0
Advisory Role	88	192	61	25.8	56.3	17.9
Intervening in contract award	111	178	52	32.6	52.2	15.2
Release of capital vote	116	180	45	34.0	52.8	13.2
Direct control of borrowing	141	146	54	41.3	42.8	15.8
Incessant change in management	98	186	57	28.7	54.5	16.7
Intervening in employment	134	161	46	39.3	47.2	13.5

Several items are said to be responsible for the relatively poor performance of commercialization policy. Some of these factor were listed out as in Tables 6(a) and (b) and the workers in the three establishments were asked to rate them. Of the eight items listed, only three reasons were considered by the majority of respondents to be serious problems, namely, lack of funds, poor preparation of the firm, and lack of policy information. It is important to observe that the weak score might not necessarily connote the disparagement of the factor in working against the policy. The depth of the understanding of the factor by the scorer is also critical.

**Issue Assessed:** How would you rank the following problems in the implement of the policy ?

Table 6: Factors Militating against the Success of Commercialization Policy

Table 6(a) Responses from Individual Establishment (in %)

Problem	NIPOST Ratio		NEPA		NITEL	
	Little problem	Severe Problem	Little Problem	Severe Problem	Little Problem	Severe Problem
Control by Supervisory ministry	63.8	36.2	61.1	38.9	54.7	45.3
Management opposition	62.1	37.9	65.7	34.3	61.5	38.5
Workers' opposition	53.4	46.6	66.7	33.3	66.7	33.3
Lack of policy information	35.3	64.7	50.9	49.1	41.0	59.0
Public attack at the policy	46.6	53.4	52.8	47.2	64.1	35.9
Poor preparation of the firm	35.3	64.7	40.7	59.3	38.5	61.5
Legal Instrument of the firm	50.0	50.0	63.0	37.0	65.0	35.0
Lack of funds	25.0	75.0	45.4	54.6	44.4	55.6

Table 6(b) Aggregate Responses (in%)

Problem	Not problem	Mild Problem	Serious Problem	Very Severe Problem	Merged Score	
					Little Problem	Severe Problem
Control by Supervisory ministry	21.7	38.1	25.5	14.7	59.8	40.2
Management opposition	27.6	35.5	24.9	12.0	63.0	37.0
Workers' opposition	27.3	34.9	24.3	13.5	62.2	37.8
Lack of policy information	15.8	26.4	32.8	24.9	42.2	57.8
Public attack at the policy	25.2	29.3	24.0	21.4	54.5	45.5
Poor preparation of the firm	13.5	24.6	31.4	30.5	38.1	61.9
Legal Instrument of the firm	29.0	30.2	24.9	15.8	59.2	40.8
Lack of funds	19.1	19.1	21.7	40.2	38.1	61.9

Again, in Tables 7(a) and (b), general Nigerian economic environmental problems were put across to the respondents, as impediments to the success of the commercialization policy. On the whole, high level of corruption, bureaucratic bottlenecks and uninformed government officials were regarded as serious impairment factors by 72.4, 58.1 and 51.3 per cent of the respondents, respectively. Indeed, the issue of corruption should be given serious attention of any government policy must succeed in Nigeria.

**Issue assessed:** What, in your opinion, has been responsible for frequent policy failure in Nigeria?

Table 7: Causes of Policy Failure

Table 7 (a) Detailed Expression of Opinion

Item	Very Weak	Weak	Strong	Very Strong	Very Weak (%)	Weak (%)	Strong (%)	Very Strong (%)
Poor implementation lack of government supervision	177	190	105	133	29.3	31.4	17.3	22.0
Bureaucratic bottlenecks	99	154	154	197	16.4	25.5	25.5	32.6
Corruption	85	82	128	310	14.1	13.5	21.1	51.3
Uninformed government officials	106	188	215	96	17.6	31.1	35.5	15.8
Poor legal institutions	153	220	142	90	25.2	36.4	23.5	15.0
Poor pre-policy preparation	151	186	144	124	24.9	30.8	23.8	20.5

Table 7(b) Summary of Opinion on Causes of Policy Failure

Item	Weak cause of failure	As a Ratio of total (%)	Strong cause of failure	As a Ratio of total (%)
Poor implementation due to lack of government supervision	367	60.7	238	39.3
Bureaucratic bottlenecks	254	41.9	351	58.1
Corruption	167	27.6	438	72.4
Uninformed government officials	295	48.7	310	51.3
Poor legal institutions	373	61.6	232	38.4
Poor Pre-policy preparation	337	55.7	268	44.3

As a follow-up, a question was asked on whether the workers will prefer some scale of privatization. The answers supplied revealed some sort of inconclusiveness if the consideration in whole is given to number of respondents. However, at a disaggregate level, the workers reveal the level of readiness of the respective organizations. Thus, NIPOST and NITEL are favorably disposed to the policies of commercialization (no privatization) and full privatization, respectively, while NEPA would rather choose the midpoint of partial privatization. These responses are presented in Table 8. These responses by workers in these three SOEs portray the real level of preparedness of these organizations for the respective policies of choice. The current government policy direction is not so different from these workers choices.

**Issue Assessed:** If commercialization is not performing well enough, would you recommend privatization?

**Table 8:** Relative preference for Privatization

SOE	Number of Respondents			No. of Respondents as a Ratio of Total		
	No privatization	Partial privatization	Full privatization	No privatization	Partial privatization	Full privatization
NIPOST	88	64	53	42.9	30.9	25.7
NEPA	45	92	57	23.1	47.2	29.6
NITEL	44	72	90	21.4	35.0	43.6
<b>Total</b>	<b>177</b>	<b>227</b>	<b>200</b>	<b>29.3</b>	<b>37.5</b>	<b>33.1</b>

On what should be done to boost the policy performance the ideas that recurred most were that:

- (a) Coordinated and effective staff training and welfare policy should be pursued.
- (b) Employment and placement should be based purely on merit.
- (c) Effective maintenance policy should be pursued and obsolete equipment should be replaced.
- (d) Management of these SOEs should look seriously into issues of misappropriation of funds.

### 5. Conclusion

COMMERCIALISATION policy was intended to make SOEs to behave as private enterprises in terms of financial performances, relying on themselves at least to the extent of funding their operational costs. The respondents to the questionnaires agree to the fact that financial indices have improved significantly in all three organizations assessed. For instance, sales performance and financial independence have improved going by the assessment of the majority of the respondents in each of the SOEs. The interests of the customers in NEPA are in jeopardy considering respondents' evaluation. This confirms the poor quality of services offered to the public by the Electricity Corporation.

The respondents identified the relationship between the supervisory ministries and the SOEs is assessed to have improved only marginally. The meager achievement of the policy is particularly attributed to lack of funds, poor preparation and lack of policy information. Corruption has also been highlighted as an important social constraint to the policy success.

To enhance the performance of the SOEs, the respondents in NITEL and NEPA are favorably disposed to privatization, but those in NIPOST are opposed to it. Generally, if the management self-interest activities are curbed

and the quality of services rendered to the consuming public is improved, the policy stands a chance of being beneficial to all the stakeholders. Nevertheless, commercialization policy should be, as originally intended, seen as a transient deregulatory policy to privatization eventually, especially for NITEL and NEPA which can actually operate in a free market environment.

There is need for the SOEs to look into issues related to staff welfare with a view to minimizing moral hazard and agency activities. This becomes an important matter for concern considering the overwhelming responses that the policy does not work in favour of workers' interests. If this assessment is not borne out of self-assessment error/bias, it may endanger workers' commitment to the original goals of the SOEs, and something need be done to correct the situation.

## Appraisal of commercialization policy in Nigeria

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