The Need to Make Nigerian Public Enterprises Work

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Abstract: Expectations for efficient Nigerian public enterprises have usually and variously been dashed. The reasons are understandable especially judging from the perspective that public enterprises, everywhere has no stimulus to efficiency. This is because the public enterprises have no regard for the community as they are constantly losing money and having to be subsidized by taxation and are subject to constant political interference and reversal of policies. But the need to have the public enterprises operate in the interest of the public; accountable through the responsible minister and the community; financially self-supporting and free from political interference is great because of its potency to reverse the poverty level of the people by first reducing unemployment and then ensuring national development by averting the erstwhile wasted resources invested in the Nigerian public enterprises. Thus, this paper seeks to identify how to make the Nigerian public enterprises work.

Keywords: Public Enterprises, Management Problems, Inefficiency, privatization, commercialization

I. Introduction

The importance of the establishment of public enterprises was felt in 19th Century and thereafter, there were a lot of upheavals in European society because of industrialization and urbanization. According to Obadan (2000), social issues like unemployment and economic inequalities necessitated state intervention in economies. Britain is widely referred to as the father of public corporation. A good number of African Countries chose the public sector for economic and social development. This account for the many more functions like industrial production, transport, social services, communication etc assigned to the state in addition to its traditional functions of security, justice etc. The 1979 constitution of Nigeria described the official operating of these enterprises and averred that they require constant financing hence, due to inadequate capital and lack of financial autonomy public enterprises in Nigeria are confronted with a lot of problems, by managers and employees, government interference, inadequate capital, technological limitation, and political interference in the affairs of public enterprises in Nigeria. Thus, since 1950s, successive governments have used public corporations and state owned companies as tools of public intervention in the development process. This was eloquently state in the Nigerian second National Development Plan (1970-74:75) thus:

Their primary purpose is to stimulate and accelerate national economic development under conditions of capital scarcity and structural defects in private business organization. There are basic consideration arising from the dangers of leaving vital sectors to the national economy to the whims of the private sector often under the direct and remote controls of foreign large scale industrial combines.

Consequently, the public enterprises, especially in developing countries becoming active in the key sector such as manufacturing, construction, finance, services, utilities, transportation, Agriculture, Natural resources etc. the organization and functioning of public enterprises vary from one country to another. It is important to note that “organization and functioning of public enterprises vary in some respects among countries Worldwide” (Adamolekan, 2002:25).

The evolution of public sector enterprises often takes one of two forms. First, they could evolve from local calls or responses to an ad-hoc economic crisis, a specific shortage, flagrant abuse of monopoly or oligopoly powers by private producers, economic bottlenecks and scarcities, apparent market failures in resource allocation, etc. basically, it is economic crises that create socioeconomic conditions that justify public intervention. Alternatively, the evolution can take the process of a carefully planned body of ideas involving the issues of management, financial control, and or pricing. In most situations, the primary interests of the society such as “welfarism” are predetermined and postulated (Parson, (1966) in Nellis, 1986).

In spite of the fact that the Nigerian Public Enterprises were created mainly for the purpose of expediting and facilitating economic development, the Nigerian Public Enterprises have been and continued to be criticized for her lack of productivity, efficiency, and transparency. This ill-nature of the Nigerian Public Enterprises is well captured by the Nigerian Bureau of Public Enterprises:

There is virtually no public enterprise in Nigeria today that functions well. While they were created to alleviate the short-time of the private sector and spearhead the development of Nigeria, many of them have stifled entrepreneurial development and fostered economic stagnation. NITEL, NEPA, and the Nigeria National...
Petroleum Corporation (NNPC) is the best examples of these. Public enterprises have served as platforms for patronage and the promotion of political objectives, consequently suffer from operational interference by civil servants and political appointees”.

The above statement, to a critical ear, depicts that there is the need for reinventing the Nigeria Public Enterprises which demands reforms from myriad sources. Thus, this paper is centered on the problems of managing the Nigerian Government business or Public Enterprises to a more commercial, business-like approach and the incorporation of regulatory innovations such as incentive regulation.

II. Literature Review

A great deal of work has been done on the problems of public enterprises in Nigeria. In such instances, Ukwu (1982:87) observed that the perennial problem of public enterprise arise from the composition of the Board and its relationship with management. In particular, the conflict between the chairman and the chief executive himself usually a direct appointee are appointed for reasons of political patronage rather than any contributions they are capable of making to enhance performance.

Uugo (2008: 248) argued that some public enterprises whose establishments are hinged on regulatory philosophy have also not lived up to standard due to endemic corruption in these enterprises as officials collect bribes and truncate their primary reasons for establishment.

But in the words of Obasanjo (1999) in his assessment of the decline in Nigeria’s public enterprises “these enterprises suffer from fundamental problems of defective capital structure, excessive bureaucratic control or intervention in appropriate technology, gross incompetence and mismanagement, blatant corruption and crippling complacency which monopoly engenders”. Excessive ministerial control and political interference according to Ogunna (1999:246) defeated the primary objective of living-off public corporations and therefore, are anti-thetical to effective performance. In the words of Ogunna (1999), the poor performance of public enterprises in Nigeria can be approached from the perspective of inadequate financial and material resources, poor management, corruption and lack of continuity of public corporation boards.

According to Onwe (2006), a public enterprise is viewed as an artificial person who is authorized by law to carry on particular activities and functions. It essentially has the features of several individuals who act as one. It is described as a corporate body created by the legislature with defined powers and functions and independently having a clear-cut jurisdiction over a specified area or over a particular type of commercial activity. It is a part of government apparatus and three implications are hereby highlighted. Public Enterprise, by virtue of its intricate relationship with government, is an instrument of public policy and its primary mission is in connection with governmental objectives and programmes. It is, therefore, naturally under governmental control. Second, a public enterprise by its nature mostly manages public resources, especially public money and this means that attention must be paid to mechanisms for enforcing accountability. Third, the combination of financial and economic objectives with social and political arms invariably makes it difficult to devise appropriate performance measurement instrument.

The definitions of public enterprise can vary between countries and change over time. The first United Nations (1968) definition of Public enterprises reads: industrial, agricultural and commercial concerns which are owned and controlled by central government (in a unitary state) or the central government in and regional government (in a federation). To Ademolekun (2002), a public enterprise is an organization that is set up as a corporate body and as part of the governmental apparatus for entrepreneurial or entrepreneur-like objectives. The United Nations (1971) again, defined a public enterprise is ‘an incorporated or large unincorporated enterprise in which public authorities hold a majority of the shares and/or can exercise control over management decisions’. Some of the problems with this approach are reviewed in the following three sub-sections.

Evolution Of Public Enterprises In Nigeria

Two forces that led to the establishment of public enterprises in Nigeria are the political and economic factor hence during the colonial era, Nigeria’s posture at the international market was reckoned with in terms of agricultural products; hence the colonial government of the time saw the need to develop infrastructural facilities to meet the needs of the economy. It was perceived that these infrastructures will hasten the transport of the agricultural products to the ports for subsequent overseas export. After independence there was an increasing trend in the establishment of public enterprises. For instance, the second national development plan (1970-1974) emphasized the role of public sector in Nigeria’s march to economic development. The reason for the assumption of this greater role in the development of Nigeria’s economy after independence was to consolidate the political independence and to maintain control over national resources and foreign enterprises which tended to be monopolized (Curulen in Obadan 2000).

The economic forces that led to the evolution of the public enterprises in Nigeria were twofold; one is the agricultural commodities trade era. During this period semi autonomous institutions were created to engage
in development activities. They were financed from funds generated during the commodity boom era. An example is the various regional housing corporations of the early 60’s and the marketing boards.

Secondly, the emergence of the ‘black gold’ led to expansion in the provision of infrastructural facilities according to (Aboyade, 1974). The existing ones such as Nigerian Electric Power Authority, (now, power holding of Nigeria) Nigeria Ports Authority, and Nigerian Airways authority were reorganized and others created to cope with the tempo of Nigeria’s economic development. It is therefore evident from this historical brief of the evolution of Nigerian public enterprises that, with the advent of the “black gold” and availability of huge investible funds, the government did not only expand the scope of its utility services, it also engineer and controlled the commanding heights of the economy. The fear of expatriate domination of our key entrepreneurial activities led to the promulgation of the Nigerian Enterprises Promotion Decree of 1972, which was subsequently revised in 1977(Ayanwu, 1988).

The rudimentary state of indigenous private sector then, their inability to finance capital-intensive projects like these foreign companies also led to the establishment of some financial institutions such as the Nigeria Industrial Development Bank (NIDB), Nigeria Bank of Commerce and Industry (NBCI), and the Nigeria Agricultural Credit sink (NACB) which were created to play a stimulating role in the industrial transformation of the economy (Yahaya,1991).

Consequently, a number of public commissions such as 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 (Okoli, F.C and Onoh F.O 2002).

Prelude To The Current State Of Nigerian Public Enterprises

The antecedent of the Nigeria public enterprises in 1960s and 1970s showed that the state-owned enterprises were focused on state-led development because the private sectors were yet to be fully matured. However, until 1980s, the major executor of the Nigerian Economy was the government, that invested huge amount of money in the enterprise noticed poor performance of these public enterprises in Nigeria that warranted series of enquiries, for instance between 1960 and 1965 the Nigerian Railway Corporation alone had 13 enquires into its activities and in 1965 it had a deficit of N7 million was found and the World bank described it as disastrous (Rweyemanu and Hyden in Adeyemo and Salami, 2008).

Another bottleneck that drove that era was the depression experienced by the international oil market in the early 1980s due to collapse of the crude petroleum that eventually exposed the structural deficiency of the Nigerian economy. All these enormous challenges and failure led to the search for antidote to improve the structural defects of the economy. The structural Adjustment Programme however was considered by the Ibrahim Badamosi Babangida administration under the aegis of the International Monetary Fund (IMF). The major reason for this option as considered by IMF was that the Nigerian economy is solely dominated by the government owned enterprises with little or no participation of the private sectors in the industrial and commercial sectors because the most effective way to improve economic performance in poor countries is through a focused industrialization.

However, the structural Adjustment programme (SAP) that was eventually adopted in 1986 as a reform policy in reforming the public enterprises recommended commercialization and privatization of these enterprises with the aims of achieving cost efficiency and competitiveness of the economy. For the actualization of the restructuring of these government owned enterprises, the IMF (1985), the World Bank (1963) and SAP (1986) proposed that there should be exclusion of subsidies to these enterprises and designing policies towards commercializing/privatizing them. These proposed aims eventually started to see the light of the day in 1988 with the introduction of the technical committee on Privatization and Commercialization (TCPC), (now Bureau for Public enterprises (BPE) as contained in Decree No. 25 of 1988. To come up with the desired results from this privatization exercise, the privatization and commercialization act of 1999 classified the forms of privatization as:

- Full privatization by divesting Federal Government’s ordinary shareholding in the designated enterprise.
- Partial Privatization by divesting part of Federal Government ordinary shareholding in the designated enterprise.
- Full commercialization by making enterprises designated to operate profitably on commercial basis in other to be able to raise funds from the capital market without government guarantee. Such enterprises are expected to use private sector procedures in the running of their businesses.
- Partial commercialization by making enterprises designated to generate enough revenue to cover their operating expenditures. The government may consider giving them capital grants to finance their capital projects.
However, the rationales behind the adoption of the privatization and commercialization programme by the Nigerian state were articulated in the guidelines of the privatization and commercialization in Nigeria. They include:

1) To restructure and rationalize the public sector in order to lessen the dominance of productive investments in the sector;
2) To re-orientate the enterprises for privatization and commercialization towards a horizon of performance improvement, viability and overall efficiency;
3) To raise funds for financing socio-economic developments in such areas as health, education and infrastructure;
4) To ensure positive returns on public sector investments in commercialized enterprises, through more efficient management;
5) To check the present absolute dependence on the Treasury for funding by otherwise commercially oriented parastatals and so, encourage their approach to the Nigerian capital market to meet their funding requirements;
6) To initiate the process of gradual cession to the private sector of such public enterprises which are better operated by the private sector;
7) To create more jobs, acquire new knowledge and technology and expose the country to international competition.

In ensuring that the privatization and commercialization programme as embraced in the Nigerian context, achieve and contribute to the overall attainment of the total macroeconomic goals, the policy makers also sort out the implementation arrangements. The implementation arrangements were having Technical/Financial Advisers; Committees and sub-committees; and Floatation Advisers.

These professional advisers were responsible for gathering, analyzing and reporting on the operations of the affected enterprise, in such a way as to enlighten the prospective investor on the activities of the enterprise to be privatized and whose shares are being sold (Adeyemo and Salami, 2008) This exercise in return was expected to re-position these enterprises to swim or float based on its business sense and commercial orientation.

The Nigerian state also in the quest to overcome the inefficiencies and deficiencies of the state owned enterprises as identified in earlier pages of this paper also adopted the Public-private partnerships (PPPs) policy instrument, which in addition with other instruments was expected to contribute to the overall marginal attainment of the total macroeconomic goals. The objective of typical public private partnerships is the mission to contribute to the economic integration of a country or region, accelerate its economic growth and sustainable development, engender and sustain private sector participation (PSP) in traditionally public sector projects, and expand local access to international markets, thereby ensuring the country’s deeper integration into the global economy (Adirieje 2008).

Public Enterprises’ Contribution To Nigerian Economic Development

In addition to direct intervention through financial instrument in form of national budgeting, the government has also utilized public ownership of business indirectly to exercise influence upon business activities. During the 1990s, Government owned independent public enterprises controlling many industries, including electricity, oil, coal, etc. Some of these public enterprises were expanded through additional government investment. Public enterprises constitute a leading sector of the economy, in that they grew substantially more rapidly than the economy as a whole.

During the initial period of economic take off, public enterprises created forward linkage effects by transmitting growth to their industry. The second national development plan recognized the structural defects in private business organization when it said:

“What Nigerians lacked in the past has been a sense of purpose, particularly in economic matters. The Federal Government will therefore occupy the commanding heights of the national economy, in quest for purposeful national development and provide leadership and honest administration necessary for the attainment of a national sense of purpose”.

The state uses public enterprises to promote planned and balanced economic development, because it is her responsibility to provide social services for the welfare of the citizens. This, it intended to achieve through the establishment of public enterprises like Nigeria Ports Authority, and Nigerian Airways authority, etc. It became a popular instrument of the state of policy to liberalize the economic system of the state. This is to ensure that social services of the state are not concentrated in the hands of very few individuals.
Thus, public enterprises were the main source of employment for citizens as the private sector of the nation has not been able to provide all the job seekers with job. For instance, Nigeria Ports Authority created employment opportunity to both academic and non-academic staff and also to auxiliary workers (Mgbachi, 2000).

Public enterprises have played major role in the economic and social development in Nigeria through the maintenance of National security as they were used to organize very important activities essentials for national survival, political and economical stability like manufacturing, petro-chemicals, iron steel industries and aviation. Tertiary institutions and other institutes plays a vital role to all these sector because they are expected by government to train and produce adequate and potential manpower that will control and manage activities in these sectors.

Public enterprise in Nigeria is a government instrument for an even and rational development. This is so because, government uses public enterprises as a means to distribute and develop all the parts of the nation fairly and justly. This is proved in recent efforts of federal government geared toward provision and enhancement of public corporation by the new public enterprises reform (Olokoshi 1987).

These are more are the foundation for eth justification of the Nigeria public enterprises.

**Justification For Establishment Of Public Enterprises In Nigeria**

The Nigerian government in the colonial days had to intervene in the economic activities in reaction to the harshness, brutality and social injustice of private enterprises. It was therefore during the inter-war years that the foundation for state intervention in economic activities was bid in Nigeria (Ekukinam 1973).

Government participates in the provision of essential goods and services through the public enterprises by its ownership and operation of industrial, agricultural and commercial undertaking”. Public enterprises were set up chiefly as part of specific government policies to protect and promote particular undertakings in the public interest. It is believed that through this means, government should obtain the control of industries and institutions most vital to the economy (Ohia’s (1984).

Another set of factors that explain the spread of public enterprises in Nigeria are developmental in nature, hence at independence, Nigeria inherited a weak infrastructural basis for sustained and independent development. The indigenous private sector was extremely weak, small and backward, it could not be relief upon. The federal and regional governments had to establish a host of public enterprises (Ojameruge,1987).

Ukwu,(1982) identified some reasons that have been adduced for the emergence of creating public enterprises. First is the development emphasis hence in many developing countries, the resources available to the private sector are not adequate for the provision of certain goods and services. For example, the investments required in the construction of a hydroelectricity-generating plant or a water scheme for a large urban center is quite enormous and the returns on such investments will take a very long time to realize. Secondly, political considerations influence governmental involvement in the provision of certain social and economic services. In many African countries, development is closely associated with the provision of social services; consequently, the performance of the government, in many of these countries, is evaluated on the basis of its ability to provide different types of public services in areas where such services do not exist. Thirdly no person should be permanently deprived of the access to such facilities because of lack of finances or by reason of geographical location. A fourth reason relates to the need to protect the consumer, which may not be of interest to the private sector. For example, government intervenes in the provision of education in many countries to protect children, who are not capable of making important decisions for them, by making education up to a certain age compulsory and free. The fifth reason for governmental intervention in the provision of certain goods and services relates to the indivisibility that characterizes such services. Some facilities, such as bridges, tunnels, roads, streetlights, and waste disposal facilities, cannot be divided or partially provided. Either streetlights are provided for the benefit of everybody in the community or they are not. Facilities of this type must therefore be provided publicly and financed through taxation. The sixth reason for governmental intervention is the consciousness of the national security. Certain facilities, like the National Ports Authority and the police, are too vital to be left at the mercy of private citizens. The desire of some socialist-oriented requires to use state control key for profitable enterprises to purse the objectives of preventing the concentration the wealth or of the means of production and exchange in the hands of few individuals or of a group.

It is important to note that public enterprises, particularly in developing countries, Nigeria precisely, are until recently crucial in their quest for national economic development and self-reliance.

**Performance Of Public Enterprises In Nigeria**

There have been different views, notions, perspectives and perception of different authors and writers on the evaluation of performance of public enterprises in Nigeria. Some of these views of authors are reviewed below.
According to Obikeze and Obi (2004:253) there is usually a problem in trying to assess the performance of public enterprises in Nigeria. The problem arises from the fact that quite unlike private enterprises that are set up with clear cut objectives, public enterprises must often do not have such clear-cut objectives. He premised his assessments of public enterprises to be meaningfully done using two criteria; these are quality of service they deliver and their return on investments. That public enterprises in Nigeria are grossly inefficient is not longer in contention. Virtually all public enterprises render epileptic and unsatisfactory service to the people. Commenting on the issue of inefficiency of public enterprises in Nigeria, Ahmed el Rufai stated that “one needs to review the level of coverage and inefficiency our utilities measured against what they draw, directly or indirectly, from the federal treasury for this point to be irrevocably settled”.

On the issue of returns on investment, it is estimated that successive Nigerian governments have invested up to 800 million naira in public owned enterprises. Annual returns on this huge investment have been well below 10 percent. These inefficiencies and in many cases, huge losses, are charged against the public treasury (Obasanjo 1999). Also corroborating the views of the president on the public enterprises returns on investment the Director General Bureau of Public Enterprises Nasir Ahmed el Rufai said that “these public enterprises consumed over one third of all money we made from the sale of oil since 1973. In conclusively, assessment of public enterprises with the twin criteria of service delivery and returns on investment has shown quite clearly that they have not lived up to expectations.

Ezeani (2006) opined that, the performance of most public enterprises in both developed and developing countries as generally disappointing, resulting in the words of Obadan (2000), in widespread doubts as to whether the benefits of public ownership are the objectives worth the cost. In discussing the performance of public enterprises in Nigeria, the central taste is to focus in difficulty of stating in measurable terms the result that public enterprises are expected to achieve. Obi sees the failure and inability of most of the public enterprises in Nigeria to achieve the objectives for which they are created is longer in doubt. In an effort to reverse the ugly tide, Nigerian government in the early 1980s made effort to use performance contract to measure the performance of public enterprises in Nigeria. This plan constitutes a pact between a government and the management of the public enterprises by stating the objectives to be achieved within a given specific time and conditions for attaining

Problems Of Managing Public Enterprises In Nigeria

Many problems in a public enterprise are related to the routine working of the organization whereas some relate to the policy framework and management. It is common knowledge that the working of an enterprise entirely depends upon the form of its organization. Public enterprises in Nigeria are confronted with a lot of problems. These problems can be categorized under the following sub-headings:

- **Corruption and Mismanagement of Funds**: These cases have characterized the public enterprises over the years. It is not a new thing to hear cases of misappropriation of enterprises and vandalism of material resources by both managers and employees alike. This leads to lack of maintenance culture that has become almost a worm among public enterprises.

- **Political Interference**: Political interference in the affairs of public enterprises has ruined many public enterprises in Nigeria. According to Ogunna (1999), the excessive ministerial control and political interference defeat the primary objective of “living off” public corporations and therefore, are antithetical to effective performance.

- **Financial Limitation/Infrastructural inadequacy**: Lack of financial autonomy including technological limitations and lack of adequate infrastructure are among the factors that influence the extent to which management can perform.

- **Lack of Specialized Competent Top Height Personnel**: This can be attributed to the relative lack of fund and operational autonomy which hinders competent professionals from being hired and engaged in such organizations. Professional experts would rather prefer to work in private organizations which are highly equipped with working tools and equipment, solidly funded and enjoying full operational autonomy and where their highly skilled labour would be well compensated for. Finally with the operation of the public enterprises, managers are poorly motivated, badly paid; many decision makers are not decision making some factors have combined to reduce the cost of productive efficiency of public provision of goods and services.

Policy Recommendations

In spite of the Nigerian government disposition in reforming the Nigeria Public Enterprises, this paper recommends that:

- The government be transparent, well informed and committed in actualizing the framework of the exercises and programmes, if the policy instruments undertaken by them to reform the Nigerian public
enterprises in such a way to reduce the fiscal deficits of the government, generate funds needed for investment in key sectors, improve on the efficiency and growth of private sector will be successful.

- In achieving sustainable policy instrument (i.e. privatization or PPPs) that will ensure result oriented and value creation which will in turn affect the state as a whole positively, there is a need to establish a single framework of action for clear understanding of purpose, direction and priorities of the policy process. Such arrangement will enhance the coming together of several stakeholders that include the federal, state, local, private sectors, transnational agencies, civil society groups as well other important community development association that will work together to ensure sustainable development and poverty reduction within the three levels of government operations in Nigeria.

- It is high time that the Nigerian society and her government began to see herself as heterogeneous and not homogenous entity. That is why many of these imported policies and programmes crafted and designed towards achieving economic growth and development have not worked or had lead to failure in Nigeria. However for the public enterprises reform in Nigeria to bring the dividends already being enjoyed by other countries that have applied and implemented these policy instruments based on the understanding of their own environmental context, then, it is imperative for government of Nigeria to do the same, if they must gain from the benefits embedded in these policy instruments.

- Government should allocate more resources in the annual budget to some crucial and sensitive public sectors like power, health, water, etc that renders these social services to the public in other to ensure effective and smooth operation.

- There should be emergence and establishment of public sector interventionist agencies that use funds generated from these sectors to improve the quality of their services just as Education Trust Fund (EFF) doce for Education sector.

- There should be upgrading of facilities in terms of renovation and over hauling of structures and equipments in these public enterprises in Nigeria.

- Finally, these ongoing reforms exercise in the Nigerian public sector particularly, the public enterprises, if well pursued by the government will not only result in improved efficiency and profitability but to large extent reduce the high level of corruption among the public leaders that make use of the sector to carry out all kinds of atrocities (such embezzlement of public funds, retaining political power and rigging of elections through this means and keeping outlandish and redundant civil servants that belong to their political camp).

III. Conclusion

Public enterprises as government owned business established by the federal government or other lower levels of government in the interest of public are due to perform some important developmental roles in different facet of the nation which includes; security to some sensitive sectors that cannot be left in the mercy of private sector, provision of employment, tool for even development, prevent exploitation of consumers, etc has been a decent and calculative effort by the government to intervene and ensure better and quality life to the masses if managed properly.

Conclusively, the Nigerian government should embrace total restructuring of the Nigerian public enterprises, as their recent efforts at making the public enterprises work was haphazard. Selling off one property for nothing is usually bankrupting which is why the above slated recommendations suffice.

References


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